

INTEGRATED ANNUAL REPORT  
2018 | 2019



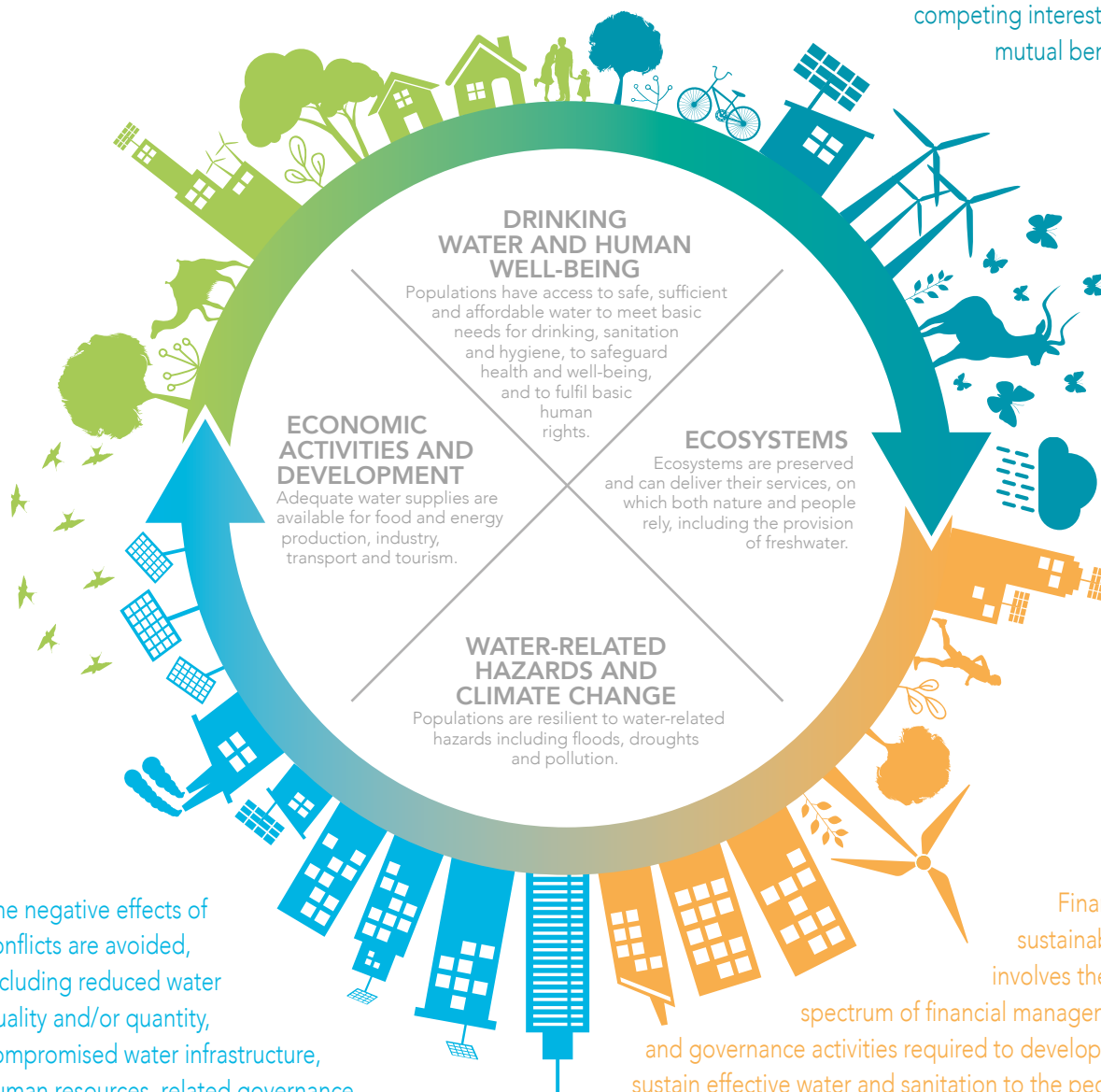
# WATER SECURITY

## **GOOD GOVERNANCE**

Adequate legal regimes, institutions, infrastructure and capacity are in place.

## **TRANSBOUNDARY COOPERATION**

Sovereign states discuss and coordinate their actions to meet the varied and sometimes competing interests for mutual benefit.



The negative effects of conflicts are avoided, including reduced water quality and/or quantity, compromised water infrastructure, human resources, related governance, and social or political systems.

Financial sustainability involves the full spectrum of financial management and governance activities required to develop and sustain effective water and sanitation to the people, environment and the economy of the country.

## **PEACE AND POLITICAL STABILITY**

## **FINANCIAL SUSTAINABILITY**

**Water security is the foundation for development;**

in its absence, all human endeavour and ecosystems are constrained. The United Nations water programme has a comprehensive model of water security; it requires a foundation of good governance, political stability, financial sustainability and regional cooperation. The model also recognises four impact areas towards achieving water security: Access to safe, sufficient and affordable drinking water for human well-being; adequate water for the preservation of the ecosystem; resilience to water-based hazards such as floods, droughts and pollution; and adequate water for the provision of food, energy, industry and recreation.

Security of supply depends on a sustainable water management approach being followed

throughout the water value chain. In this way, water security contributes to socio-economic development and reinforces societal resilience to an ever more unpredictable environment.

In a vastly unequal society, the equitable allocation of resources is paramount. Access to reliable water and sanitation are founded in the Constitution, and where access cannot be achieved, communities are often locked into a cycle of despair and poverty. Hence, access to water and sanitation are foundational elements of human dignity, social upliftment and inclusion. Furthermore, a deficit in water security undermines economic growth and employment. Water managers and leadership in South Africa would do well to embrace a holistic approach to water security and be mindful of its impact on vulnerable communities.

## TABLE OF CONTENTS

Statement by the Minister	2
Foreword by the Chairperson	4
Statement of Responsibility	6
About the Integrated Annual Report	7
<b>Part A: General Information</b>	9
<b>Part B: Performance Information</b>	27
<b>Part C: Sustainability</b>	47
<b>Part D: Human Capital, Social and Ethics</b>	55
<b>Part E: Governance</b>	65
<b>Part F: Information and Communication Technology</b>	91
<b>Part G: Financial Information</b>	97
<b>Part H: Global Reporting Initiative Content Index</b>	281




## STATEMENT BY THE MINISTER OF HUMAN SETTLEMENTS, WATER AND SANITATION

**L N Sisulu, MP**

Minister of Human Settlements,  
Water and Sanitation

*Water security is the capacity of a population to safeguard sustainable access to adequate quantities of acceptable quality water for sustaining livelihoods, human well-being, and socio-economic development, for ensuring protection against water borne pollution and water-related disasters and for preserving ecosystems in a climate of peace and political stability.*

*Working definitions, UN Water, 2013*

The Department of Water and Sanitation is central to the economic development and social well-being of the country as its mandate is to provide sufficient, reliable, clean water 365 days a year to support socio-economic growth. The portfolio I am privileged to lead is responsible for ensuring that all people in South Africa are water secure. That means that through the Water Authorities they must have an accessible, affordable and reliable supply of enough safe drinking water as well as sanitation provision that sustains health and a dignified life, and supports their livelihoods and protects their environment.

It is often stated that South Africa is a water-scarce country. While that is undoubtedly true, one should also note that water security, which is our over-arching goal, is a function of not only hydrology and climate, but also of the capacity to provide secure and sustainable access, protect against waterborne disease and water-related disasters, and preserve ecosystems. This can only be achieved through financial and institutional stability.

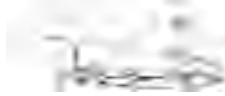
To maintain water security in the face of South Africa's variable and unpredictable climate and aggravated by climate change we must strengthen the State's long-term planning capabilities. The Trans-Caledon Tunnel Authority (TCTA) is an essential institution in our strategy towards an equitable and water-secure future. The TCTA's financing and implementation of bulk water infrastructure projects including the financing of infrastructure in Lesotho, has enabled the Department of Water and Sanitation to maintain a positive water balance in the Vaal River System on which the socio-economic well-being of at least 15 million people depends. I expect the TCTA to continue on this path and to undertake infrastructure development necessary to supply urban and industrial activity.



The recently launched National Water and Sanitation Master Plan will drive our agendas in the coming decade; at its core is the alignment of sector institutions and the functions they perform. An integrated approach to water resource development and management is important to maintain a balanced approach in which the vital role of infrastructure to manage variability and uncertainty is recognised and balanced with the goals of environmental protection and conservation.

As the shareholder representative, we will continue to support the TCTA in all of its endeavors and acknowledge the on-going work of the Board and Management in

ensuring that strict governance prescripts are adhered to at all times in the delivery of its mandate.



L N Sisulu, MP  
Minister of Human Settlements, Water and Sanitation






## FOREWORD BY THE CHAIRPERSON OF THE BOARD

**Gerald Dumas**  
Chairperson of the Board

The term of this Board commenced on 1st May 2019, one month after the 2018/19 financial year had ended. On behalf of the new Board, I wish to thank the Minister for entrusting us with the responsibility of leading TCTA into a challenging time for the water sector.

Water is the ultimate catalyst for economic development and physical wellbeing; this is a universal truth everywhere. Hence, should we fail in respect of water security, and providing access to all citizens, we will also fail to reach the targets of increasing GDP per person and reducing inequality, as set out in the National Development Plan. We are mindful of our responsibilities in this regard.

The recently launched National Water and Sanitation Master Plan does not reflect well on the water and sanitation sector of South Africa. Water security is not being achieved for many citizens, and the situation continues to deteriorate. The fiscus is particularly constrained, and a widespread culture of non-payment for services is making it difficult to raise funding for off-budget projects. The governance of state-owned entities is rightly in the spotlight, following several high-profile failures, which creates a tough environment for raising project funding. It is heartening to see TCTA being an exception to this norm, having secured R6.5 billion in commercial loans during the year under review.

Since the Board assumes ultimate responsibility for the performance and affairs of TCTA, it is incumbent upon us to ensure that the organisation is fit for purpose and that an environment is created in which it can operate efficiently and effectively as primarily an implementing agent for the Department of Water and Sanitation. In this vein, we are aware that the project implementation environment has changed considerably over the past two decades; today, project feasibility needs to encompass regulatory, environmental, social, financial

and engineering considerations in equal measure, in order to proceed with implementation.

During the reporting period the Board moved decisively to improve governance stability in the organisation, by appointing a permanent Chief Executive Officer, a permanent Company Secretary and a Chief Internal Auditor. Similarly, the Minister ensured governance continuity in the appointment of the new Board, through a smooth handover and the retention of two members, along with the return of one earlier member.

The Board has noted the non-achievement on 57% of predetermined objectives for 2018/19. It is our analysis that this shortfall is largely attributable to the organisation committing itself to deliverables prematurely before the Department of Water and Sanitation has created the necessary conditions for the projects to proceed. Consequently, the Board has decided to henceforth take a stricter view of what will be included as predetermined objectives; only projects where all the preconditions for implementation have been met, will be included.

Going forward, TCTA will pursue a more proactive, collaborative and holistic approach to project planning, with the aim of a more efficient project pipeline. In particular, the Department will be engaged to identify and resolve project challenges at an early stage, before feasibility studies have been finalised. It has been the experience of TCTA that unless environmental, social and financial issues could be resolved during feasibility assessments, along with the engineering issues, that projects may be launched prematurely, and incur considerable cost, without any meaningful progress being made in implementation.

In its current institutional form, TCTA remains dependent upon the Department of Water and Sanitation for directives for new capital projects, and on the revenue

stream collected by the Water Trading Entity in the Department. Increasingly, TCTA also relies on fiscal funding made available by National Treasury to the Department for infrastructure and pre-implementation work that cannot be funded through commercially raised funding. We hope that long-anticipated institutional alignment, and a financial turnaround of the sector, will help to alleviate this dependency.

The financial year of 2018/19 resulted in our first qualified opinion since our establishment in 1986. It is the Board's considered view that the reasons provided by the Auditor-General for his qualified audit opinion do not indicate a deterioration in TCTA's credit profile nor a reflection of TCTA's ability to fulfil any of its financial obligations, which is strengthened by the improvement in the backlog of payment of invoices by DWS. As such, TCTA can meet its financial obligations to lenders, with government support through explicit guarantees on the Vaal River System, and government commitment to step-in and fulfil TCTA's obligations if it is unable to do so on other projects.

The Board wishes to assure the Minister that TCTA remains strong from a governance, financial and operational perspective, and is ready to fulfil whatever future role is envisaged.

The Board wishes to thank the previous Board and recognise the considerable efforts of the Executive Management and staff of TCTA in what was a difficult year.



Gerald Dumas  
Chairperson of the Board





# STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE INTEGRATED ANNUAL REPORT

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

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

In our opinion, the Integrated Annual Report fairly reflects the operations, performance information, human resources information and financial affairs of the entity for the financial year ended 31 March 2019.

The Board approved the Annual Performance Report on 30 May 2019 and the annual financial statements on 11 December 2019.



**Gerald Dumas**  
Chairperson of the Board  
Date: 31 January 2020



**Percy Sechemane**  
Chief Executive Officer  
Date: 31 January 2020



# ABOUT THE INTEGRATED ANNUAL REPORT

The Trans-Caledon Tunnel Authority presents this Integrated Annual Report for the period 1 April 2018 to 31 March 2019 as our principal medium of communication to our stakeholders on this continuing journey to create sustainable value for water users.

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

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

In the short- to medium-term TCTA adds value by raising funds for projects, ensuring that infrastructure delivers water when required by users, is built within budget and to specification. In that frame, TCTA also ensures that all the aspects relating to the implementation of projects, particularly the environmental and social dimensions, are satisfactorily addressed. Over the long-term, the organisation ensures that debt is managed in such a manner that it is affordable and sustainable as well as within regulatory requirements.

The deliverables, inherent in current project directives, as well as flowing from the Notice of Establishment are reviewed every year. This exercise results in a Shareholder's Compact between the Minister and the Board of TCTA, which maps out the predetermined objectives for the financial year. TCTA is required to report against these objectives in the Annual Performance Report (refer to Part B). The Shareholder's Compact and the subsequent Corporate Plan are drawn up in accordance with Treasury Regulations for Departments, Constitutional Institutions and Public Entities.

All TCTA projects are implemented on behalf of the Department of Water and Sanitation; this information on project progress and the outstanding liability are consolidated in the Department's Annual Report



# STORING AND TRANSPORTING WATER

***The value of water, as a catalyst for development,*** is mostly determined by its proximity to where it is required; an ample but remote supply is only useful when it has been conveyed to the point of consumption.

The water supply system in South Africa, and its infrastructure, is characterised by how natural water resources have been managed to serve the development objectives of the country in the past. This reflects the inequality of past political systems, as well as the harsh reality of our meagre water resources, mostly situated some distance from where our economic hubs have developed. As a result, our bulk water supply system comprises dams and inter-basin transfer schemes; we have mastered the art of maximising the yield of an inadequate resource and conveying water to where it is needed.

Our hydrology is characterised by very modest rainfall, frequent droughts, high evaporation rates and few major rivers. Rainfall and runoff vary widely across the country, with a mere 10% of the land mass producing 50% of the surface water runoff.

Over the past 150 years, our economic developments were primarily initiated by mineral resource extraction, and not by trade. As a result, water was being brought to hubs of economic development, instead of development being sited where water was in ample supply. The primary example of this was the development of the Witwatersrand Goldfields, and later the Gauteng hub, on the watershed between the Vaal and the Crocodile River catchments.

Agriculture, being the dominant water user at 61%, is very concentrated; only 13% of our 122 million-hectare landmass is suitable for cultivation, with 1.3% under irrigation and the potential for 1.7% more. As a result, agricultural water is being consumed in very small and concentrated areas of the country.

Most of the major bulk infrastructure built over the past seventy years was created to store or convey water to satisfy the above requirements. The result is an extensive network of dams, inter-basin transfer schemes and bulk distribution schemes. Prominent examples would be the cross-border transfer from the Senqu River in Lesotho to the Vaal River catchment in South Africa (also known as the Lesotho Highlands Water Project, which gave rise to the establishment of TCTA), as well as the bulk distribution scheme of Rand Water, initially established to serve the Witwatersrand Goldfields. Today, water can travel hundreds of kilometres, from its point of origin to its point of consumption, through expensive infrastructure that ultimately is paid for by the consumer, either through tariffs or taxes.

The development of this network has not been entirely equitable. In many instances, rural towns and communities did not benefit, and remained reliant upon local resources, and hence more susceptible to localised droughts and interruptions. This inequity is particularly stark where bulk infrastructure passes through a remote, underserved community. Such skewed development is not aligned with the UN model, and the pursuit of workable solutions to this inequality should be an inspiration to water managers.

Whereas this water supply system has been effective in its purpose for many years, the current reality is that our freshwater resources are reaching its limits, and climate change is exposing the risk of heavy reliance on surface water. Looking ahead, it is clear that new solutions will need to be found and implemented; greater integration of projects and operations within the Water-Energy-Food nexus, the adoption of alternative water resources such as desalination and reuse, and the elimination of inequality in water and sanitation access. At TCTA, we aim to be ready for these challenges.



# PART A: GENERAL INFORMATION

Chief Executive Officer's Report	10
Financial Governance Framework for the Lesotho Highlands Water Project	12
Legislative and Other Mandates	18
Major Products and Services	21
Our Business Model	21
Our Contributions to Development Outcomes	22
Stakeholder Relationships	22
Organisational Structure	25





**P Sechemane**  
Chief Executive Officer

The financial year of 2018/19 has been a challenging one for TCTA. Various financial, regulatory and extraneous hurdles impacted the momentum of TCTA's project implementation programme. And yet, I am confident that much of what has challenged us, has also left us stronger, more alert, and better prepared for the years to come.

I was appointed to the CEO position on 22 October 2018, some five months before the end of this reporting period. I want to thank Professor Ola Busari, from whom I took over, for the diligent manner in which he filled the position. I also want to thank my executive team for their comprehensive briefing and orientation, which expedited my understanding of the business of TCTA, and the organisation.

I can reflect on a few highlights from 2018/19. Despite a challenging economic climate TCTA managed to secure R6.5 billion in loans from commercial banks, at favourable rates, to redeem the WS05 bond in August 2018. This reaffirms the on-going good standing of TCTA with lenders.

In February 2019, TCTA received a new directive to fund and implement components of the R23 billion uMkhomazi Water Project, to further augment the Mooi-Mgeni System. This exciting new project includes an 81m high dam on the uMkhomazi River, and a conveyance system comprising a tunnel of 32.5 km and a pipeline of 5.2km. We are pleased with the enduring trust being placed in our ability to execute very large, off-budget infrastructure projects.

Good progress was made in building human capital; several long-standing grievances were resolved, and we have made strides towards a more united organisation. TCTA remains capable of attracting a talented workforce.

In our operation and maintenance portfolio, which TCTA manages on behalf of DWS, the Delivery Tunnel North of the Lesotho Highlands Water Project, as well as the AMD treatment plants on the Western, Central and Eastern Basins of the Witwatersrand, we have seen good results. Discharged water consistently complied with DWS water quality specifications, and there was no decant of untreated acid mine drainage in the Western Basin. The water level in the Eastern Basin is already below the environmental critical level, while progress continues in the Central Basin towards the environmental critical level; despite a slower than expected draw-down rate, there has been no external impact.

In respect of TCTA's key project implementation responsibilities, TCTA confronted several challenges during the year. Prevailing economic conditions and the financial constraints experienced by the DWS and the fiscus, impacted on TCTA's progress in project implementation. The cumulative effect of multiple delays in fiscal transfers and borrowing limit approvals, is that TCTA achieved only 9% of the capital expenditure it had planned for 2018/19.

On Phase 2A of the Mokolo-Crocodile Water Augmentation Project (MCWAP), mainly supporting strategic power generation in the Waterberg area, progress is being held up by an environmental appeal, currently with the Department of Environment, Forestry and Fisheries for adjudication, as well as the signing of Water Supply Agreements by DWS with commercial off-takers, and an Implementation Agreement with TCTA. Once resolved, it will enable commercial funding to be sourced. Timing is critical, as the water supply for power generation and Eskom's compliance with World Bank loan conditions are at risk.



Gaining traction on the project to implement the Berg River-Voelvlei Augmentation Scheme, intended to enhance the security of supply to the City of Cape Town and surrounding areas, has been problematic. Two critical paths are at play: Critical project preparation work in the immediate timeframe is being held up by lack of a budget allocation in the 2019/20 financial year and in the concluding of water supply agreements between DWS and water users, which will enable the granting of a borrowing limit and the subsequent raising of commercial funding.

Our directive to implement a desalination capacity on the Acid Mine Drainage Project in the Witwatersrand has stalled, following a withdrawal of the guarantee and funding model by the Minister of Finance, and a further investigation by DWS into the impact of the released effluent on the saline load at the Vaal Barrage. A request for the suspension of the directive has been made by TCTA.

While we approach completion of the fiscal-funded Olifants Phase 2C project, delays in the release of funding to settle contractor claims, as determined through arbitration, need to be resolved urgently, in order to avoid possible litigation. Elsewhere, the absence of funding for the Mzimvubu Water Project is holding up the project, and progress has been constrained.

Scope exists for TCTA's positioning with regards to project planning and development to be enhanced by implementing a collaborative arrangement with the DWS, to involve TCTA more meaningfully at early stages of project planning. Current arrangements lead to potential for delays, and ultimately increased project costs. TCTA is pursuing dialogue in this regard with DWS.

In our debt management portfolio, the dependence of TCTA on DWS was illustrated when outstanding tariff-related debt climbed to R2.6 billion early in 2018/19, creating some concern. I am however pleased to report that constructive engagement with our parent organisation has yielded positive results, and the debtor balance levels have since been restored to normal levels. Consequently, I can report that the debt portfolio is being managed very well; all commitments are being met,

and liquidity is sufficient. There are however emerging concerns that the earlier delays in tariff-based transfers from DWS, the slow approvals of borrowing limits and granting of guarantees, and the delayed finalisation of audit outcomes will lead to closer scrutiny by funders.

In our project finance portfolio, the raising of funds for Phase II of the Lesotho Highlands Water Project, as part of the Vaal River System, looms large. This will require the expeditious issuing of government guarantees to support a JSE bond issue early in 2021.

The financial year of 2018/19 resulted in a qualified opinion, ending our run since inception, of 32 unqualified annual financial statements. We fully comprehend the three findings that resulted in the qualification, and steps are being taken to avoid a recurrence. We have put controls in place, to prevent the errors in audit submissions that resulted in two of the findings.

A workshop will be held to determine the correct accounting treatment of payments made to the Lesotho Highlands Development Agency. We are also engaging with our lenders in complete transparency to provide the necessary reassurance.

Despite a challenging year, TCTA staff and management take heart and encouragement from important lessons learned and remain proud of the critical role we continue to play in the water sector. As an organisation, we will continue to explore opportunities to do more and to do it better, and so enhance our value proposition to the sector. We aim to continue building our track record of infrastructure project delivery and always be mindful of its impact communities and the environment. We anticipate a future of great strides forward, towards a sector with much improved institutional alignment. We are ready to play our part in the turn-around of the sector.



**P Sechemane**  
Chief Executive Officer

# FINANCIAL GOVERNANCE FRAMEWORK FOR THE LESOTHO HIGHLANDS WATER PROJECT

To understand the Governance Framework of the Lesotho Highlands Water Project it is necessary to understand:

- the history between South Africa and Lesotho and
- the drivers behind the development of water resource management infrastructure in Southern Africa.

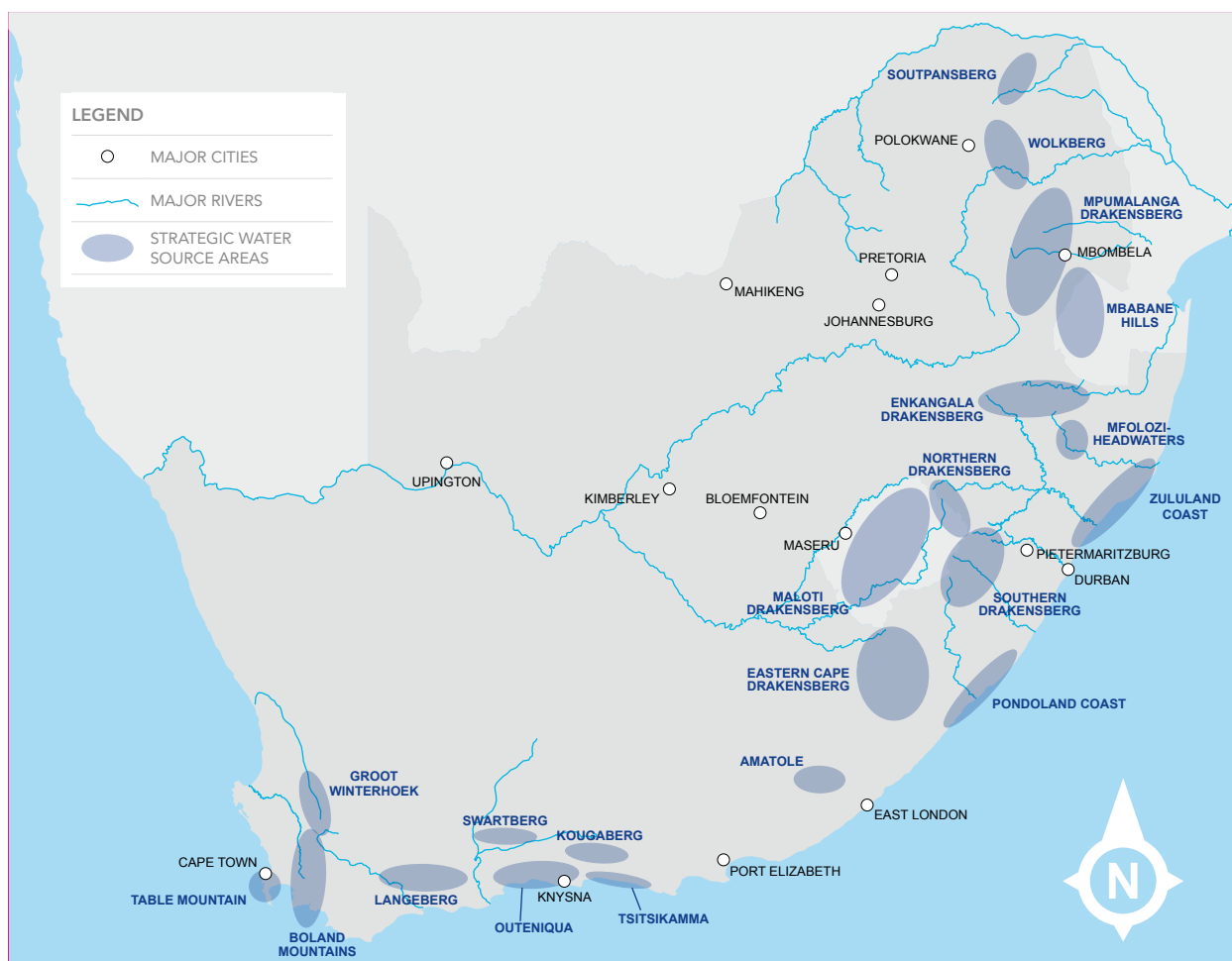
These two factors largely influenced the development of the international agreements between Lesotho and South Africa, which govern the cross-border aspects of the Lesotho Highlands Water Project (LHWP).

With regards history, in the 1800s the British in the Cape Colony and the Orange Free State fought several wars, which resulted in the Basotho ceding land. In 1866, in order to prevent further incursions, King Moshoeshe petitioned Britain to become a protectorate. This was formalised in 1869 when the British signed a treaty at Aliwal North with the Boers that defined the boundaries of the Protectorate of Basutoland. This treaty effectively

reduced King Moshoeshe's kingdom to half its previous size by ceding away the western territories of Basutoland. In 1966 Basutoland gained independence as the Kingdom of Lesotho but is fairly unique in being an enclaved country i.e. totally surrounded by South Africa. The only other enclaved countries in the world are the Republic of San Marino and the Vatican City, both enclaved within Italy. For a significant part of its history Lesotho was a source of migrant labour to South Africa as there were few development opportunities within the country. This history has resulted in a proud people who value their sovereignty and independence.

In South Africa the development in the interior was shaped by the location of minerals, rather than the location of water resources, which are extremely limited in extent, with ten per cent of South Africa's land area producing 50% of the surface water runoff. (see Figure 1).

Figure 1: Strategic Water Source Areas



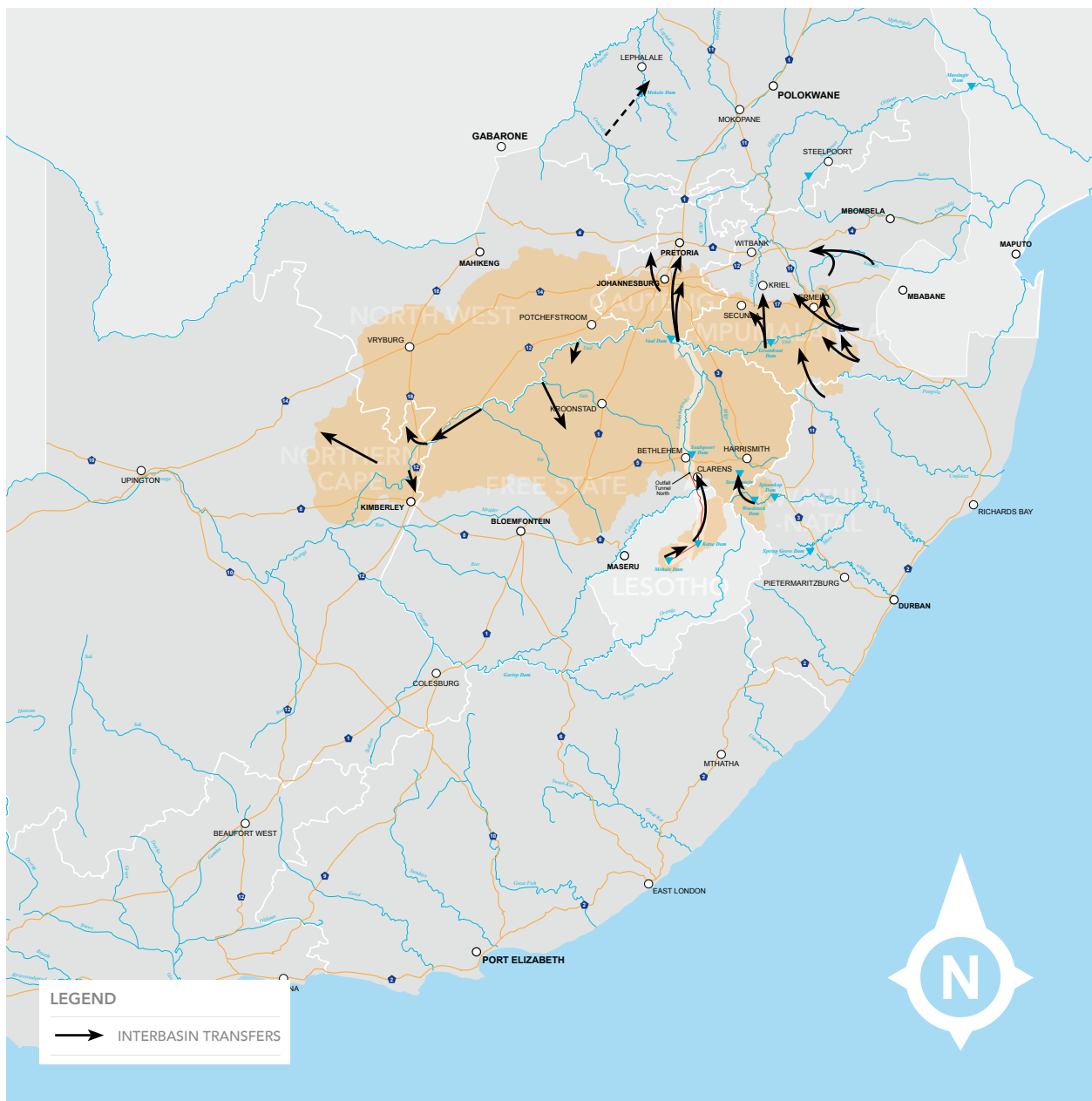
The most pertinent example of minerals driving development in the absence of water resources is the development of towns along the watershed to exploit the Witwatersrand Goldfields. Since lack of water was restricting the ability to exploit the goldfields the solution was to bring the water from the Vaal River to the goldfields through the creation of Rand Water in 1903. This was followed by the building of the Vaal Dam in the 1930's, and when the demand exceeded the yield from the Vaal River, bringing water in from other catchments such as the Tugela River as shown in Figure 2. Eventually, the Government looked to the Orange River catchment to augment the supplies in the Vaal River and was faced with two options:

1. To take the water from the Orange River in the vicinity of Gariiep Dam and pump it to the Vaal River; or

2. Work with the Government of Lesotho to have the necessary infrastructure built in Lesotho and transferring the water by gravity into the Vaal River system

Option 1 would have resulted in approximately 250km longer transfer infrastructure, consumed considerable amounts of electricity and not allowed Lesotho to generate electricity as it could do under Option 2. Option 2 was, therefore, the logical choice for South Africa and the LHWP was conceived as part of the Integrated Vaal River System. This choice has been further validated in the current power crisis in South Africa as the electricity resources would have been stretched further to pump the water and provide power to Lesotho.

Figure 2: Integrated Vaal River System



The project is unique in the world in that water infrastructure in Lesotho is mostly for the benefit of consumers in South Africa, who would be responsible for paying, and Lesotho has retained full ownership of it.

Since South Africa wished to ensure that it was receiving value for money for the infrastructure that it was paying for, a compromise needed to be reached which satisfied both parties. This expression of satisfaction resulted in:

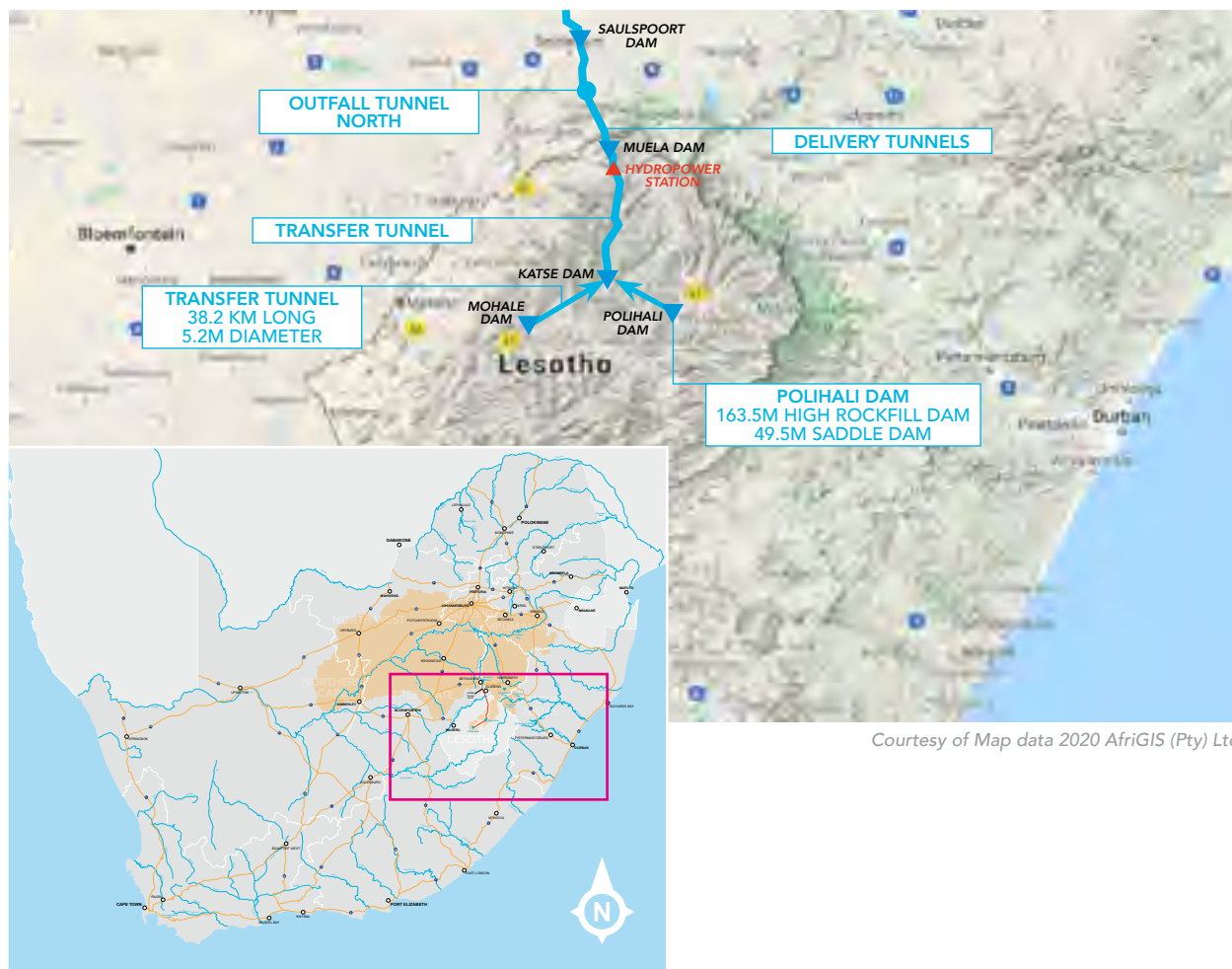
- 1) The Treaty on the Lesotho Highlands Water Project signed on 24 October 1986; and
- 2) The Agreement on Phase II of the Lesotho Highlands Water project signed on 11 August 2011.

As the Lesotho Highlands Water Project, as shown in Figure 3, involves the development of a resource on the Orange River catchment, which is shared by Botswana, Lesotho, Namibia and South Africa, the principles set out

in the “Revised Protocol on Shared Watercourses in the Southern African Development Community” also apply. The most fundamental principle which impacts this arrangement is that a country does not acquire a share of the yield of the Orange River, therefore, a state cannot buy or sell water.

This results in the Financial Governance Framework as shown in Figure 4. The result is somewhat convoluted as the money flows between the institutions do not follow the reciprocal benefits, though ultimately the money flow is from the Government of South Africa to the Government of Lesotho. The reciprocal benefit, i.e. what Lesotho is selling to South Africa, is the service of storing water in Lesotho and instead of letting it flow down the Senqu River to the border near Aliwal North, diverting it to a new receiving point, on the South African-Lesotho border, south of Clarens in the Free State.

Figure 3: Lesotho Highlands Water Project



Courtesy of Map data 2020 AfriGIS (Pty) Ltd

South Africa map showing Vaal River System in highlighted area



This is a service provided by Lesotho, in Lesotho, for South Africa and, therefore, Lesotho legislation is applicable unless amended by the Treaty or the Agreement. An example of such a modification is that VAT will not be charged by Lesotho, on the construction of works in Lesotho.

The Department of Water and Sanitation (representing the Government of South Africa), utilises TCTA, in terms of Section 24 (a) of the Notice of Establishment, "to fulfil all the Republic's financial obligations in terms of or resulting from the Treaty". These obligations are as follows:

- the costs incurred by the Lesotho Highlands Development Authority on the implementation and operation and maintenance of the water transfer portion of the LHWP in Lesotho
- the monthly royalty payments to Government of Lesotho – This is calculated on Lesotho's share of the net benefit as Lesotho also benefits from the generation of hydropower
- the operating costs of the Lesotho Highlands Water Commission (Republic of South Africa Delegation portion)

Payments are in terms of the 1986 Treaty and 2011 Phase II Agreement. In terms of Article 10 of the Treaty, South Africa is responsible for costs wholly and reasonably incurred on the implementation, operation and maintenance of the water transfer component of the LHWP. These cost related payments have taken the form of:

- Payments to LHDA for costs incurred (Since 2005)
- Repayment of loans raised by LHDA (Phase 1)
- These options do not give RSA the right of access to LHDA's contracts with and invoices from its suppliers. This arrangement is no different from the purchase of power from Eskom, which does not give a customer the right of access to Eskom's contracts with and invoices from its suppliers.

In a monopoly situation, where the possibility of abuse of power as a dominant supplier can exist, it is standard practice to regulate. In the case of electricity provision in South Africa this is undertaken by the National Energy Regulator of South Africa whilst in the case of the LHWP this is undertaken by the Lesotho Highlands Water Commission (LHWC) This was first established in the 1986 Treaty as the Joint Permanent Technical Commission (Article 9) and renamed as the LHWC in Article 2 of Protocol VI signed on 4 June 1999.

The LHWC comprises two delegations both representing their respective Governments. The RSA delegation reports to the Director-General of the Department of Water and Sanitation, while the Lesotho delegation reports to the Principal Secretary in the Ministry of Water. All decisions of the LHWC require the agreement of both delegations (Paragraph 3: Article 9 of the Treaty)

In terms of Article 5 of Protocol VI, the LHWC "shall be responsible and accountable for the project, shall act on behalf of and advise the governments and be the channel of all government inputs relating to the project".

As such the following is subject to LHWC approval:

- Appointment of the Board of the LHDA (Article 3 of Protocol VI);
- All expenditure (Budgets, Contracts, Loans);
- Cost Related Payments (Article 10 of the Treaty) – to ensure that costs are reasonably incurred;
- Annual cost allocation report; and
- Annual cost to funding report (which is subject to independent review).

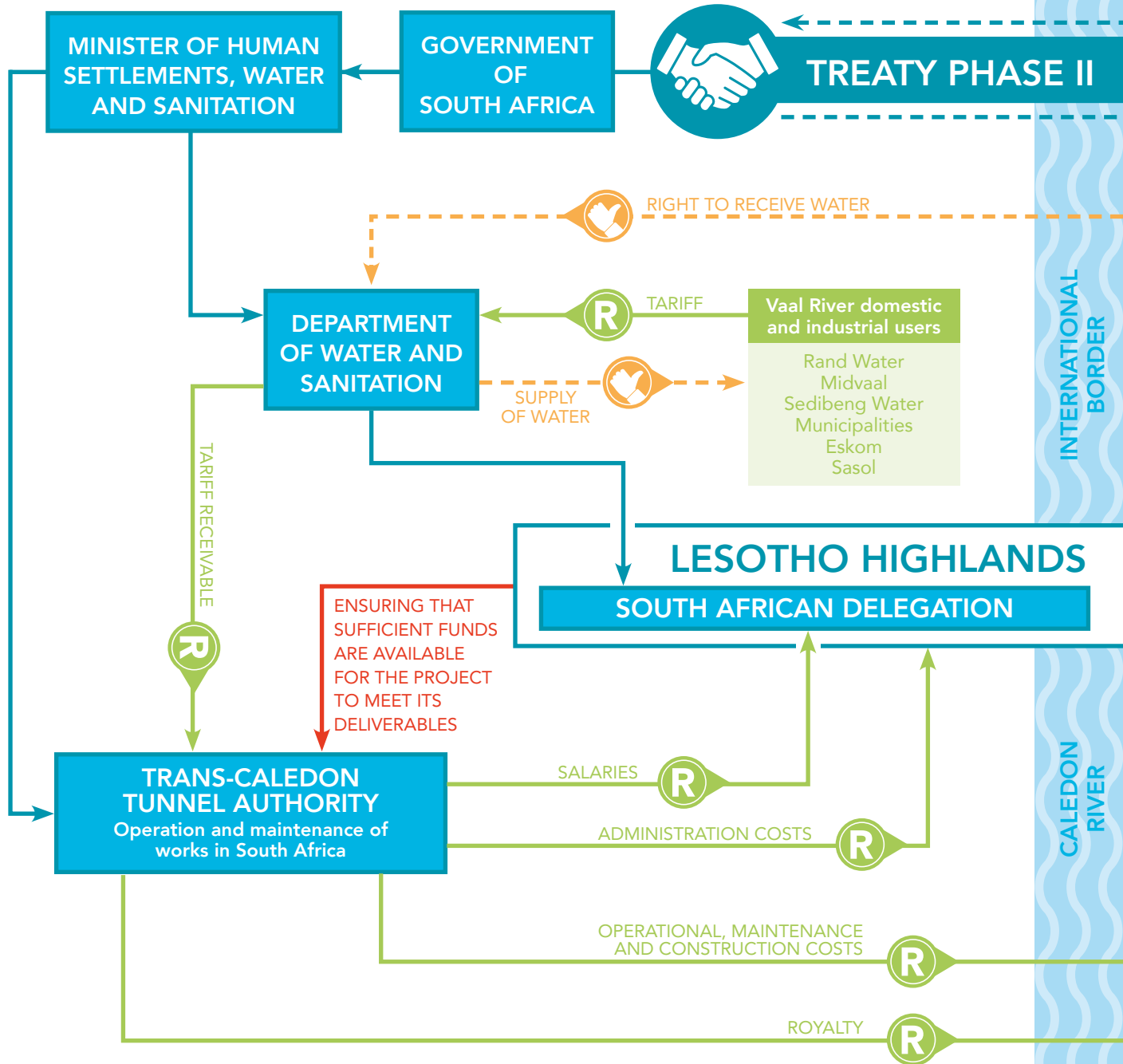
The LHWC also has oversight of the Board of the LHDA. This is in contrast to the position in South Africa where the Board of TCTA is appointed by the Minister of Human Settlements, Water and Sanitation.



Figure 4: Financial Governance Framework for Lesotho Highlands Water Project

# REPUBLIC OF SOUTH AFRICA

## LAWS OF THE REPUBLIC OF SOUTH AFRICA

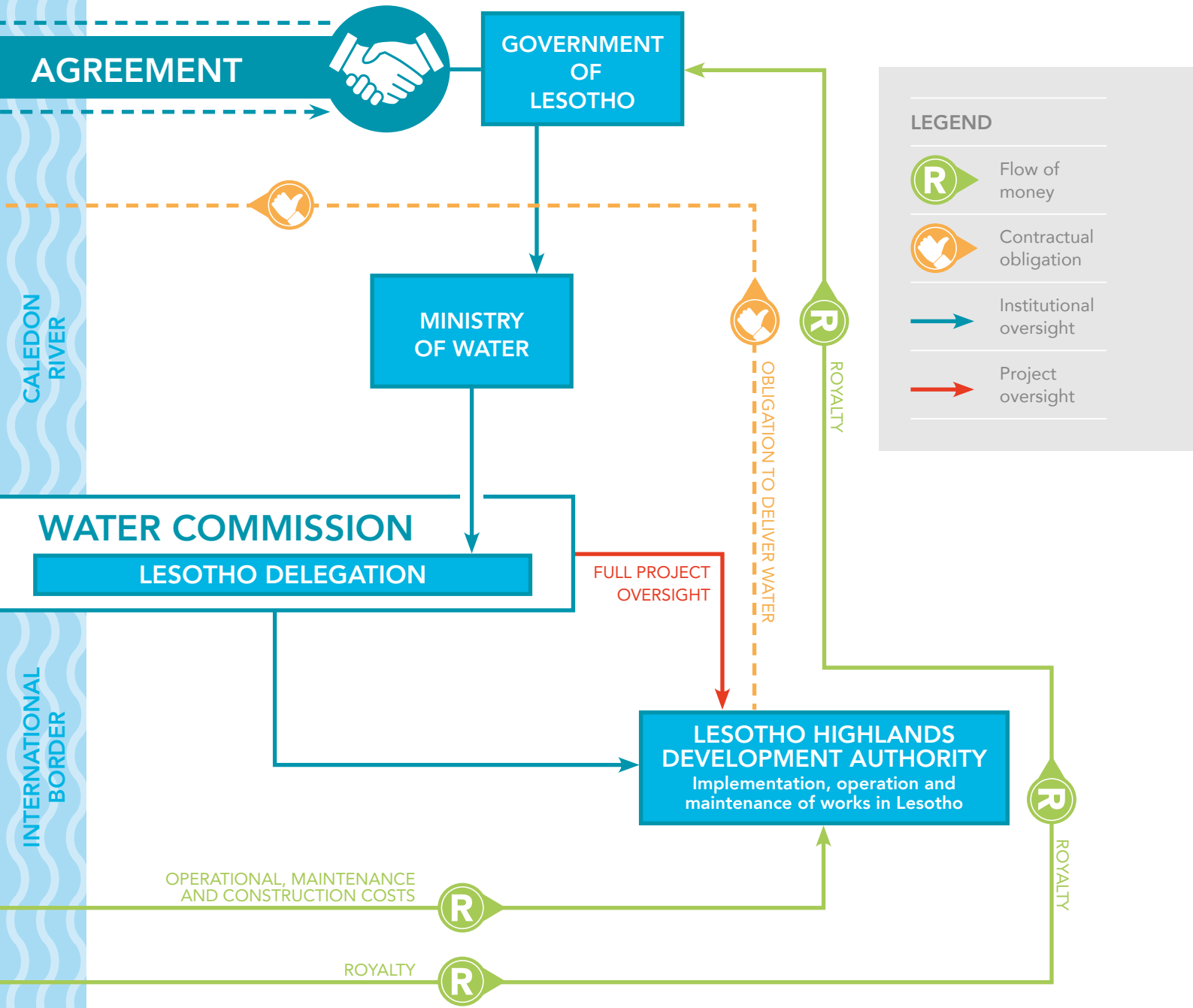


### JOURNEY



# KINGDOM OF LESOTHO

## LAWS OF THE KINGDOM OF LESOTHO



### LEGEND

- Flow of money
- Contractual obligation
- Institutional oversight
- Project oversight

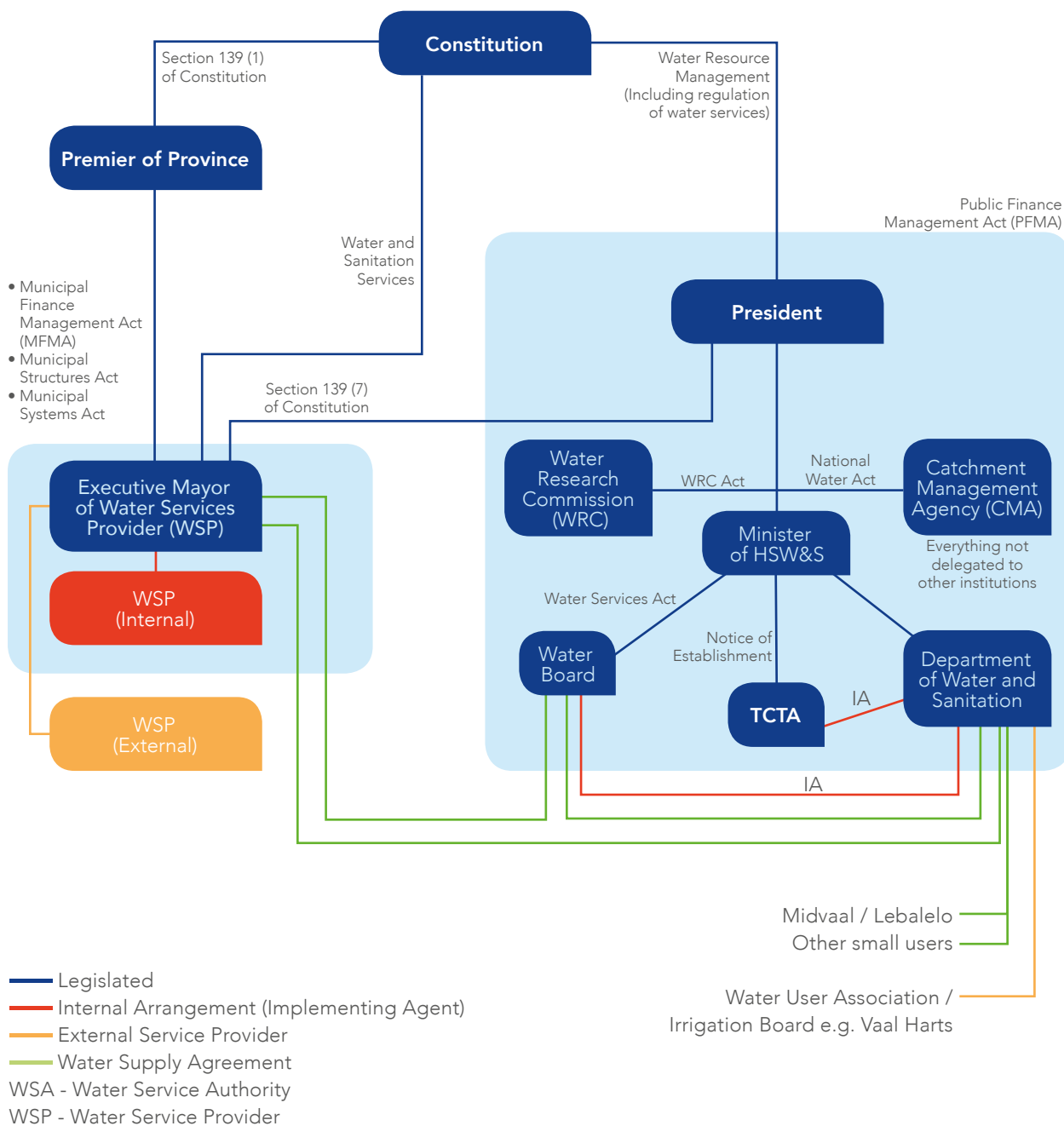
## OF WATER



# LEGISLATIVE AND OTHER MANDATES

The legislative framework for the water sector, within which TCTA operates, is set out in Figure 5.

Figure 5: Legislative Framework





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 Lesotho Highlands Water Project, on the water transfer component in Lesotho.

On 24 March 2000, the Notice of Establishment was 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, TCTA is set up to:

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

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

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

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

The National Water Act requires that TCTA manages its different functions separately. This is further emphasised in the Notice of Establishment for TCTA, which states, in Section 20(1), that TCTA must manage its Treaty functions separately from its non-Treaty functions and account for them separately, as required by Section 105(1) of the National Water Act. The Treaty functions in terms of Section 8A of Protocol 6 of the Treaty are limited to the operations and maintenance of the Delivery Tunnel North within South Africa.

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

The bulk of TCTA's work now comprises non-Treaty functions. How TCTA accounts for this depends on the nature of the function assigned to the organisation in terms of Section 103(2) of the National Water Act. The impact of these provisions on TCTA is that, regarding the LHWP mandate and each directive, there is a separate:

- borrowing authority from the Minister of Human Settlements, Water and Sanitation with the concurrence of the Minister of Finance, government guarantees and funding arrangements;
- general ledger; and
- where money is borrowed to finance a project, separate income/implementation agreements with DWS, which are back-to-back with the water supply agreements between DWS and the off-takers.

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

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

Since its original mandate (the Notice of Establishment), TCTA has received a further 19 directives. The mandate and directives, as of 31 March 2019 are shown in Table 1.

Table 1: Mandate and Directives

Mandate / Directive	Date	Type of work					
		Planning	Funding	Implementation	Operation and maintenance	Advisory	Payment agency
Lesotho Highlands Water Project (LHWP): Delivery Tunnel North (Treaty obligations)	12 December 1986		√	√	√		
Vaal River System (VRS): To fulfil all the Republic's financial obligations in terms of or resulting from the Treaty (non-Treaty functions) on the Lesotho Highlands Water Project and any other obligations on the Vaal River System (e.g. Acid Mine Drainage Project).	3 August 1994 (and incorporated into amended Notice of Establishment, 24 March 2000)		√				√
Umgeni Water	4 July 2001						√
Advisory Services to Water Management Institutions, Water Boards and DWA	17 May 2004					√	
Berg Water Project (BWP)	6 May 2002		√	√			√*
Vaal River Eastern Subsystem Project (VRESAP)	6 October 2004		√	√			√*
Mooi-Mgeni Transfer Scheme – Phase 2 (MMTS-2)	29 November 2007		√	√			√*
Olifants River Water Resources Development Project – Phase 2C (ORWRDP-2C)	17 June 2008 (directive revised 12 March 2012)			√			√*
Komati Water Scheme Augmentation Project (KWSAP)	29 September 2008		√	√			√*
Mofolo-Crocodile Water Augmentation Project – Phase 1 and Phase 2A (MCWAP-1; MCWAP-2A)	19 May 2010		√	√			√*
Metsi Bophelo Borehole Project	2 March 2011			√			
Acid Mine Drainage – Short-term Intervention (AMD-STI)	6 April 2011			√	√	√	
Phase 1 of the Mooi-Mgeni Transfer Scheme – Phase 1	29 November 2011			√			
Strategic Integrated Project 3 (SIP-3)	10 November 2012					√	
uMzimvubu Water Project (MWP)	10 February 2014 (latest revision revised 19 January 2019)	√	√	√			
Strategic Integrated Project 18 (SIP-18)	26 February 2014					√	
Amendment to MMTS-2 directive to include the construction of a potable water pipeline for Umgeni Water	20 March 2014			√			
Olifants River Water Resources Development Project – Phase 2B (ORWRDP-2B)	25 February 2015 (directive revised 22 October 2015)	√	√	√			
Water Off-take for Kriel Town (KRIEL)	20 June 2015			√			√
Acid Mine Drainage – Long-term Solution (AMD-LTS)	19 May 2016		√	√			√
Berg River-Voëlvei Augmentation Scheme (BRVAS)	18 May 2017		√	√			√
uMkhomazi Water project (MWP)	22 February 2019		√	√			√

\* Institutional arrangements

# MAJOR PRODUCTS AND SERVICES

To fulfil the responsibilities, set out in the Notice of Establishment, and the directives that are given to it from time to time by the Minister, TCTA has established the following capabilities:

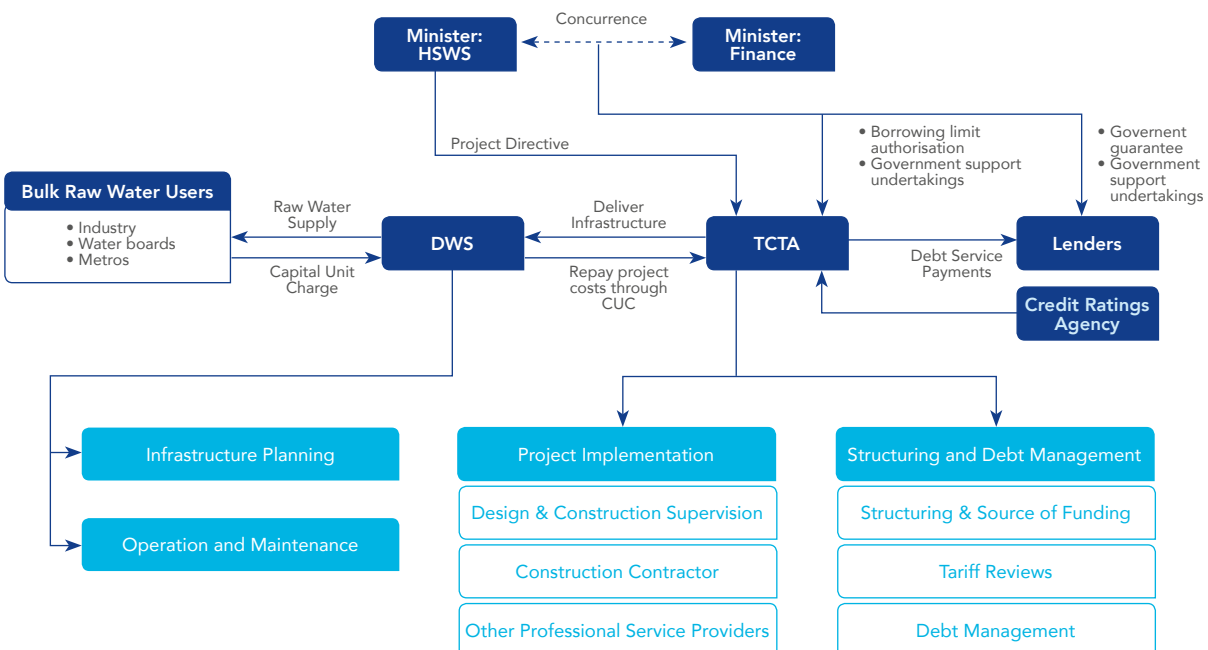
- 1) project management and implementation of water infrastructure:
  - Project design
  - Project construction
  - Environmental compliance
  - Land acquisition
- 2) operation and maintenance;
- 3) debt management;
- 4) structuring and raising project finance;
- 5) knowledge management;
- 6) risk management;
- 7) socio-economic transformation; and
- 8) tariff setting.

These products and services are in alignment with the functions set out in Section 102 of the National Water Act.

## OUR BUSINESS MODEL

The business model by which TCTA renders services, receives revenue and allocates business risk, is schematically displayed in Figure 6 and has remained largely unchanged since its inception more than thirty years ago. TCTA responds to Ministerial directives to implement mainly off-budget national water infrastructure, by progressing projects to a state of bankability and securing finance, followed by the procurement of design and construction services. Lenders draw comfort from the undertaking by government to assume TCTA's obligations to funders if it is unable to do so. This emanates from the Minister of Finance giving concurrence to the Minister of Human Settlements, Water and Sanitation to the borrowings of TCTA. Loans are typically repaid over twenty years.

Figure 6: Business Model



# OUR CONTRIBUTIONS TO DEVELOPMENT OUTCOMES

In delivering on our mandate and the directives issued to us by the Minister of Human Settlements Water and Sanitation, the organisation continuously ensures that it strongly contributes to the developmental priorities of government, as reflected in Table 2.

Table 2: Government outcomes and TCTA's contribution

Outcome	TCTA Contribution
4 Decent employment through inclusive economic growth.	Providing cost-effective water infrastructure as an enabler of economic growth and jobs.
5 Skilled and capable workforce.	Developing a strong skills-set in scarce fields, thereby enabling SA to compete in world markets. Promoting entrepreneurship in small businesses.
6 Efficient, competitive and responsive economic infrastructure network.	Ensuring a comprehensive financial and implementation package that delivers the most cost-effective solution.
7 Vibrant, equitable and sustainable rural communities with food security for all.	Supporting other water sector institutions to enable them to deliver on their mandate.
8 Sustainable human settlements and improved quality of household life.	Providing affordable infrastructure and improved access to basic services.
9 A responsive, accountable, effective and efficient local government system.	Supporting 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.	Developing infrastructure in an environmentally responsible and socially inclusive manner, in accordance with global best practice.
12 An efficient, effective and development-orientated public service.	Contributing to the development of critical knowledge in the sector and beyond (e.g. project financing and implementation, desalination, water reuse).

## STAKEHOLDER RELATIONSHIPS

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

TCTA seeks to contribute to the nation's water security through cost-effective financing and development

of water infrastructure. Management of stakeholder relationships is, therefore, critical to the execution of the organisational mandate, including the successful implementation of its infrastructure projects.

In order to provide a reliable, sustainable and coherent service to water users, the organisation creates and maintains inclusive relationships with a variety of stakeholder groups. Effectively engaging stakeholders with diverse experiences, knowledge and perceptions delivers strong outcomes for the organisation, and this extends its success beyond what it can achieve in isolation. In the period under review, TCTA focussed its efforts, primarily, in maintaining and improving relations with the parent national department, DWS, other government departments and institutions with a significant impact on its business, as well as funding institutions with a financial interest in the projects managed by the organisation.



Table 3 below outlines the organisation's broad list of stakeholders and the nature of engagement with them.

Table 3: Stakeholder Relationships

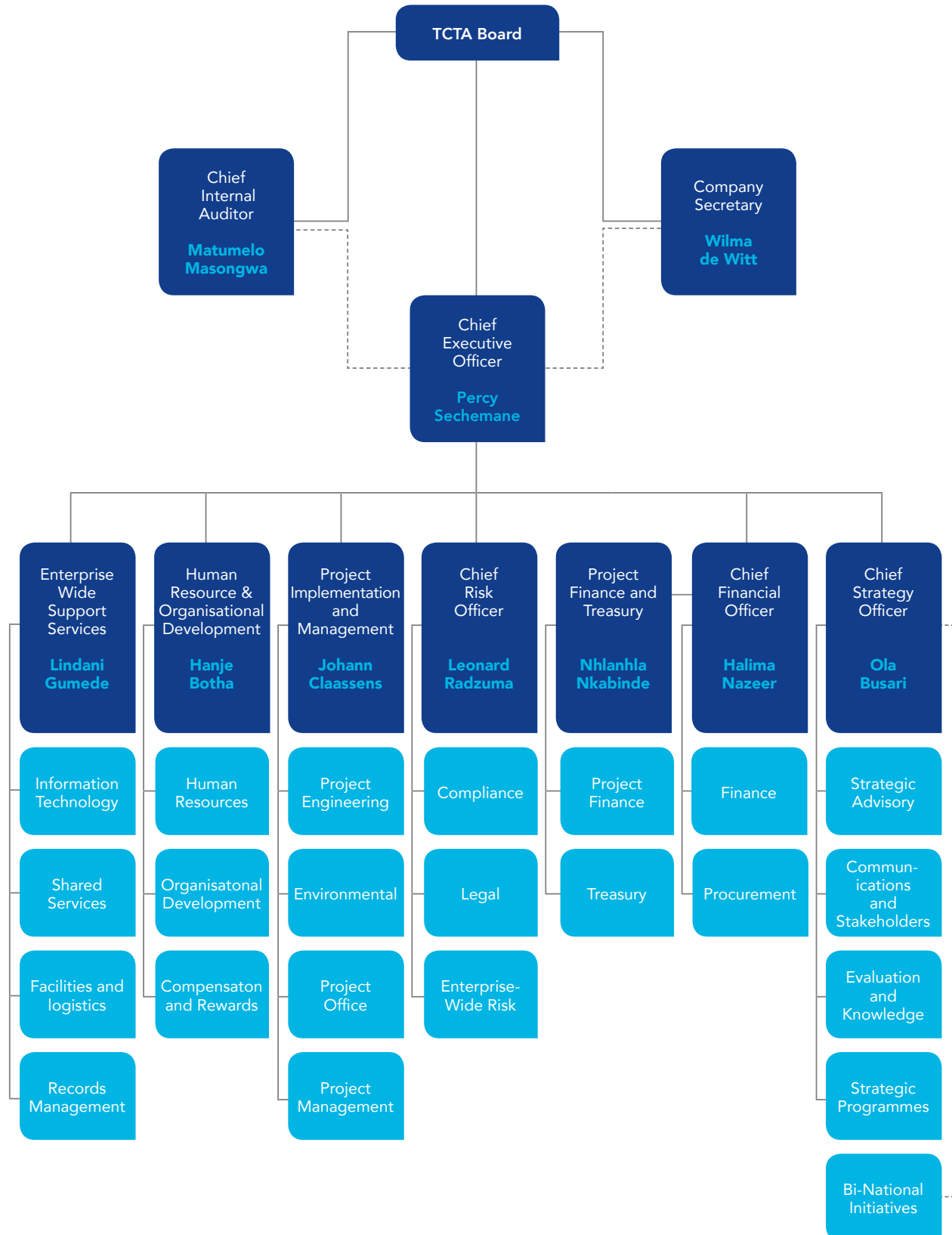
Stakeholder	Nature of interest/stake	Engagement strategy
Parliament	Regulation and compliance with legislation.	Empower with project information. Present Integrated Annual Report and Corporate Plan. Account on performance and governance of the organisation. Manage the relationship.
Shareholder (Ministry)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

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

# ORGANISATIONAL STRUCTURE

The organisational structure as at 31 March 2019 is as per Figure 7.

Figure 7: Organisational Structure



# THE IMPACT OF DROUGHT

**Droughts have been interrupting development** over many millennia and have often steered the course of human development; it probably caused the first migrations of early humans and destroyed several ancient civilisations. In the last century, ten major droughts, worldwide, caused the deaths of an estimated 11.4 million people.

Matters may get worse. Studies into the relationship between climate change and global drought risk, indicate an increased probability of unprecedented drying in more locations. Our local experience seems to bear that out, with a marked increase in droughts over Southern Africa over the past forty years.

Droughts are arguably the most devastating natural disasters known to man, with their impact felt in agriculture, society and ecosystems. The impact of a drought is hard to quantify, partly due to its pervasive nature, and because the impact is determined by the effected economy's exposure to drought, through water-dependent sectors such as agriculture and hydro power generation. The impact on natural ecosystems and societal well-being, is particularly difficult to value in economic terms.

Using the recent drought in the Western Cape as an example, its impact could be contextualised as follows:

- The R529 billion regional economy accounts for about 13% of the R3.87 trillion national gross domestic product. The impact of the drought amounted to a R5.9bn loss, much of it arising from a 20% reduction in agricultural production.
- Drought-related job losses are estimated at 30,000, with the vast majority of these in the unskilled agricultural segment, where the

transition into poverty is pronounced, and recovery will be slow; estimates are that these jobs could take 8 to 10 years to be regained.

- The region has other high-value economic sectors such as tourism and film production, which have also shown susceptibility to downturns when there is water supply uncertainty.

The Western Cape remains vulnerable to droughts. Its water supply system has a limited storage capacity of around 899 million cubic metres, and a catchment of only 803 square kilometres, relative to its population of about 3.8 million (Compare this with the Integrated Vaal River System, with 9,300 million cubic metres in storage, and 40,000 square km catchment, serving an estimated 15 million people). Two consecutive hot, dry seasons can easily deplete the Cape's water reserves.

To make matters worse, climate models for the Western Cape generally indicate a shift towards warmer, drier seasons. The province's water supply system is also remote from other major river systems, hence further transfers are not readily viable. The region is a fast-growing economic hub, and that continues to drive up water demand.

The growth in water demand presents a fertile environment for commercially viable infrastructure solutions. The decadal Cape Town Water Strategy of 2019 commits to a shift towards greater resilience through diversification of water resources and an increase in the resilient supply of 300 Ml/d over 10 years. Reliance on surface water should decline from the current 95% to about 75% in this period as alternative water resources come online. As this strategy comes to fruition, the region will become less vulnerable to droughts disrupting development.



## PART B: PERFORMANCE INFORMATION

Performance against the Predetermined Objectives	28
Summary of Project Implementation	35
Summary of Operation and Maintenance Activities	37
Financial Summary	40



## PERFORMANCE AGAINST THE PREDETERMINED OBJECTIVES

TCTA's performance during the reporting period was anchored in the following predetermined objectives, as agreed with the Minister: The predetermined objectives for the 2018/19 financial year were as follows:

- 1) ensure the financial sustainability of the organisation;
- 2) manage the implementation of projects to meet defined objectives;
- 3) operate and maintenance of acid mine drainage plants in accordance with requirements;
- 4) structure project funding and secure institutional arrangements, as well as requesting necessary authorisations;
- 5) raise funding for implementation of infrastructure projects; and
- 6) manage debt within the approved borrowing limit and ensure debt will be repaid.

The environment in the 2018/19 financial year was not conducive to TCTA achieving its objectives as reflected in Table 4. For a project to proceed DWS must ensure that enough allocation is made in the budget and/or the

income agreements are in place between themselves and the users, so that TCTA can proceed with the raising of funding. DWS must also determine the configuration of the project and issue it to TCTA in the Record of Implementing Decisions. In the three major projects that TCTA had anticipated to be making marked progress on in 2018/19, MCWAP-2A, BRVAS and AMD-LTS, one or more of the factors were not in place. This also resulted in a marked underperformance on capital expenditure. On one project, AMD-LTS, there was even regression. National Treasury withdrew its commitment to fund two thirds of the capital costs and did not allow this inclusion in the Vaal River System. DWS also decided to reassess the need for the project in light of the salinity levels at the Vaal Barrage not increasing as anticipated with the restarting of the Central and Eastern Acid Mine Drainage Treatment plants.

As noted in the Chairperson of the Board's report the non-achievement of many of the objectives was due to including targets before all the external factors were resolved, mainly by, DWS enabling TCTA to deliver.



Table 4: Performance against the predetermined objectives

Predetermined Objective	Measure	Target for 31 March 2019	Status as at 31 March 2019	Reasons for variance			
				Actuals R mil	Budget R mil	R mil	
1. Ensure the financial sustainability of the organisation	Cost-effective financial management in corporate operations	1.1 Actual spend on operational costs is between 90-100% of budgeted operational costs	An amount of R263 million was spent on operational costs between 1 April and 31 March 2019, representing 57% of the target for the year.				
				Staff Costs	187.7	251.5	63.8
				Directors emoluments	8.9	15.7	6.8
				Consultation fees	20.0	58.8	38.8
				Depreciation and amortisation	10.8	15.1	4.2
				Rent paid - Premises	10.0	10.7	0.8
				Equipment Rentals	6.2	8.8	2.6
				Communication	1.4	9.7	8.3
				Other Operating expenses	18.2	93.4	75.2
					263.2	463.7	200.5
			<p>The lower spend is directly attributable to the project workload not materialising as anticipated, and there being no progress on the National Water Resources and Services Authority (NWRSA). Where costs are directly project related, the spending of the budget is conditional on the monies being available in the DWS budget or DWS and National Treasury creating the requisite conditions in which funding can be raised. With regards to the NWRSA, for which there was a budget of R30 million, DWS did not create an enabling environment where progress could be made, and there would be a meaningful spend of the budget.</p> <p>This resulted in a cautious approach to optimise human resources and manage administration costs.</p>				
	Sufficient liquidity buffer available to act as a buffer for non-payment by DWS	1.2 At least R500 million liquidity buffer (on tariff receivable revenue) available as a reserve to be converted into cash of the remaining term of the debt repayment	No liquidity buffer is available			<p>The External Auditor (EY) ruled that since the liquidity buffer would form part of the tariff receivable and had not been approved by DWS or National treasury, it could not be implemented.</p>	

● Achieved

● Not achieved

Predetermined Objective	Measure	Target for 31 March 2019	Status as at 31 March 2019	Reasons for variance																																																				
	Sufficient revenue is collected to meet obligations	1.3 90% of revenue billed and due is collected	<p>92% of the revenue billed and due, including outstanding billings from the previous financial year, has been collected</p> <p>An amount of R9 298 million has been collected between 1 April and 31 March 2019 pertaining to billings in this and the previous financial year. Of this amount, R9 183 million relates to amounts due; the balance is payment for invoices not yet due.</p>	The Department has significantly improved payments in the last quarter. All Fitch-rated projects do not have long outstanding invoices as at year-end, with VRS having two months' worth of invoices past due. A payment of R264m for VRS (for AMD) was received just after year-end.																																																				
	Capital expenditure (excluding LHWP2)	1.4 Between 90 and 100% of planned expenditure: R725 million by 31 March 2019	<p>An amount of R67.13 million was expended between 1 April 2018 and 31 March 2019 representing 9.25% of the target.</p> <table border="1"> <thead> <tr> <th>Projects</th> <th>Year end 18/19</th> <th>Actual Q1-Q4</th> <th>Variance</th> </tr> </thead> <tbody> <tr> <td>BWP</td> <td>3.81</td> <td>0.17</td> <td>4%</td> </tr> <tr> <td>ORWRDP-2C</td> <td>63.96</td> <td>39.06</td> <td>61%</td> </tr> <tr> <td>VRESAP</td> <td>1.58</td> <td>0</td> <td>0%</td> </tr> <tr> <td>MMTS2</td> <td>15.45</td> <td>10.68</td> <td>69%</td> </tr> <tr> <td>KWSAP</td> <td>9.65</td> <td>0</td> <td>0%</td> </tr> <tr> <td>MCWAP-1</td> <td>11.96</td> <td>0.98</td> <td>8%</td> </tr> <tr> <td>AMD-STI</td> <td>79.18</td> <td>11.03</td> <td>14%</td> </tr> <tr> <td>AMD-LTS</td> <td>281.26</td> <td>0</td> <td>0%</td> </tr> <tr> <td>MCWAP-2A</td> <td>195.51</td> <td>5.20</td> <td>3%</td> </tr> <tr> <td>Kriel</td> <td>46.65</td> <td>0</td> <td>0%</td> </tr> <tr> <td>BRVAS</td> <td>16.52</td> <td>0</td> <td>0%</td> </tr> <tr> <td>Total Capital Expenditure</td> <td>725.53</td> <td>67.13</td> <td>9.25%</td> </tr> </tbody> </table>	Projects	Year end 18/19	Actual Q1-Q4	Variance	BWP	3.81	0.17	4%	ORWRDP-2C	63.96	39.06	61%	VRESAP	1.58	0	0%	MMTS2	15.45	10.68	69%	KWSAP	9.65	0	0%	MCWAP-1	11.96	0.98	8%	AMD-STI	79.18	11.03	14%	AMD-LTS	281.26	0	0%	MCWAP-2A	195.51	5.20	3%	Kriel	46.65	0	0%	BRVAS	16.52	0	0%	Total Capital Expenditure	725.53	67.13	9.25%	<p>BWP- The lower spend is due to a delay in obtaining the necessary Authority and Ministerial approvals to commence with the construction of the Skuifraam Ruins heritage site as required by the Record of Decision by Heritage Western Cape on the BWP. The building approval by Stellenbosch Municipality is currently outstanding and requires Ministerial signature as the owner of the land. TCTA has requested through DWS the Power of Attorney from the Minister to sign this application and other related submissions to progress the works.</p> <p>ORWRDP-2C - The lower spend is mainly due to a delay in the finalisation of contractor claims under the contractual dispute resolution processes. It was anticipated that financial closure would substantially have been attained by 31 March 2019 but has now shifted to 2019/20 due to a more protracted claim resolution processes than anticipated. The processes are administered in accordance with the provisions of the contract under the direction of the independent Dispute Adjudication Board.</p> <p>VRESAP- Under expenditure due to an allowance for land claims that have not materialised.</p> <p>MMTS-2 – Underspent mainly due to deferral in the commencement of the biodiversity plan due to a delay in a decision by DEA only received in November 2018. A further requirement by DEA is to establish an advisory forum. The TOR has been submitted and approval is awaited.</p> <p>KWSAP -Delay in the implementation of a legacy project entailing an upgrade to the water treatment works for the community of Kriel. The delay is linked to the delay in the Kriel Pipeline project due to funding constraints by the DWS.</p> <p>MCWAP-1 – Underspent due to the completion of the project at a final cost marginally lower than anticipated</p> <p>AMD STI- The lower spend is due to savings against the final account and claims from the contractor that are less than was anticipated. The planned expenditure on the design of a new sludge disposal pipeline for the Eastern Basin has been delayed due to the need to obtain DRD Gold agreement on the pipeline route and appointment of engineering services on an open tender basis.</p> <p>AMD LTS; MCWAP-2A; Kriel; BRVAS– Under expenditure due to funding constraints beyond TCTA control resulting in delays in the commencement of new projects and completion of the Kriel project.</p>
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● Achieved

● Not achieved

Predetermined Objective	Measure	Target for 31 March 2019	Status as at 31 March 2019	Reasons for variance
2. Manage the implementation of projects to meet defined objectives	Achievement of critical project milestone dates	2.1 MCWAP-2A: Tender design and documentation complete by March 2019	Tender design and documentation not completed by March 2019.  PSP contract awarded in March 2019.	The deliverable was based on the design to commence in May 2018, after the award of the PSP contract in April 2018. The award of the contract only occurred after funding was received from DWS in January 2019.
		2.2 AMD-LTS: Final conceptual design and optimisation of the scheme completed by October 2018	Final conceptual design and optimisation not completed by October 2018.	PSP contract not awarded to date. Board resolved not to award the contract pending clarification from DWS on the issues raised by Minister of Finance in a letter dated 16 March 2018 to the Minister of Water and Sanitation.  As at year-end, the matter remains unresolved and the DWS has commenced a review study on the impact of the additional salt loads on the Vaal River System. The outcome of the study will inform the timing and extent of the AMD LTS.
		2.3 BRVAS: Engineering Professional Service Provider appointed by October 2018 (evaluation and supervision only).	PSP contract for the tender evaluation and supervision of the Design and Build Contractor not awarded to date.  Tender evaluation report presented to the Board for approval on 30 November 2018. The award of the PSP contract on hold pending the finalisation of the institutional and funding arrangements for the project.	The appointment is subject to TCTA securing funding.
		2.4 BRVAS: Tender document for Design & Build Contractor issued by October 2018	Tender documentation for the Design & Build contractor not issued to date.  Tender documents for the design-build contract has been compiled by the Technical Specification Committee (TSC) and considered by the Operations Tender and Adjudication Committee (OTAC) on 30 January 2019	The delay in the appointment was due to:  1) Issuance of the tender documents pending review by the PSP on their appointment. 2) Process on hold pending the finalisation of the institution and funding arrangements.
		2.5 MWP: Finalise handover of project from DWS and initiate project preparatory activities	Handover report not completed by July 2018.  On 16 January 2019 TCTA received a revised Directive to provide project management and advisory services for Stage 1. A revised charter has been developed and presented to the Technical Committee in February 2019 and subsequently to DWS. TCTA has commenced with providing project management services and the establishment of a Project Management Office (PMO) in accordance with the revised Directive.	Implementation of the project took a different route from what was originally envisaged due to direct Ministerial intervention. This was outside of TCTA's control.
		2.6 MWP: Handover report completed by July 2018	Handover report not completed by July 2018.  On 16 January 2019 TCTA received a revised Directive to provide project management and advisory services for Stage 1. A revised charter has been developed and presented to the Technical Committee in February 2019 and subsequently to DWS. TCTA has commenced with providing project management services and the establishment of a Project Management Office (PMO) in accordance with the revised Directive.	Implementation of the project took a different route from what was originally envisaged due to direct Ministerial intervention. This was outside of TCTA's control.

● Achieved

● Not achieved

Predetermined Objective	Measure	Target for 31 March 2019	Status as at 31 March 2019	Reasons for variance																																								
3. Operate and maintain AMD in accordance with requirements	Maintaining or reducing water levels within the mine voids	3.1 An average volume of water treated in the Western Basin of between 30 – 33 MI/d	The average volume of treated water in the plant met the target (32.7 MI/d).	The basin has been drawn down further during the year to 10.5 metres below the surface on 31 March 2019, creating sufficient buffer to prevent any uncontrolled decant during the year.																																								
		3.2 The water level in the Central Basin is lowered to between 10.1 – 15 m below ECL by 31 March 2019  Note: ECL is at 126m below ground level	The target water level of between 10 to 15 meters below the ECL has not been achieved. The water level as at 31 March 2019 was 14.34 m above ECL.	The target was not met mainly due to: a) Planned betterments and repairs (reactors and settlers) undertaken during the year reducing the treatment capacity to 50% for approximately 90 days; b) Three pump failures from December 2018 to March 2019 for an aggregate period of 60 days, also reducing treatment capacity to 50%.																																								
	Quality of treated water from treatment plants (weighted average for all plants)	3.3 Quality of treated water from the Western Basin, Central and Eastern Basin plants within 90 - 94% of DWS specifications	The quality of treated water from Western Basin, Central and Eastern Basin plants was within 90 - 94% of DWS specifications.																																									
			<table border="1"> <thead> <tr> <th>Indicator</th> <th>Unit</th> <th>Specification</th> <th>Average</th> <th>Comment</th> </tr> </thead> <tbody> <tr> <td>PH</td> <td></td> <td>6.5-9.5</td> <td>8.83</td> <td>Compliant</td> </tr> <tr> <td>Iron</td> <td>mg/l</td> <td>&lt;1</td> <td>0.06</td> <td>Compliant</td> </tr> <tr> <td>Manganese</td> <td>mg/l</td> <td>&lt;10</td> <td>0.76</td> <td>Compliant</td> </tr> <tr> <td>Aluminium</td> <td>mg/l</td> <td>&lt;1</td> <td>0.01</td> <td>Compliant</td> </tr> <tr> <td>Sulphates</td> <td>mg/l</td> <td>≤3000</td> <td>2018.9</td> <td>Compliant</td> </tr> <tr> <td>Electrical Conductivity</td> <td>mS/m</td> <td>≤450</td> <td>316.05</td> <td>Compliant</td> </tr> <tr> <td>Turbidity</td> <td>NTU</td> <td>≤30</td> <td>6.84</td> <td>Compliant</td> </tr> </tbody> </table>	Indicator	Unit	Specification	Average	Comment	PH		6.5-9.5	8.83	Compliant	Iron	mg/l	<1	0.06	Compliant	Manganese	mg/l	<10	0.76	Compliant	Aluminium	mg/l	<1	0.01	Compliant	Sulphates	mg/l	≤3000	2018.9	Compliant	Electrical Conductivity	mS/m	≤450	316.05	Compliant	Turbidity	NTU	≤30	6.84	Compliant	
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4. Structure project funding and secure institutional arrangements, as well as requesting necessary authorisations	Institutional arrangements secured	4.1 BRVAS: Borrowing limit covering an indicative R43.5 million borrowings in 2018/19, approved by the Minister of Water and Sanitation, with the concurrence of the Minister of Finance by June 2018	The Minister of Finance did not concur to the BRVAS borrowing limit covering an indicative R43.5 million borrowings in 2018/19, as approved by the Minister of Water and Sanitation, by June 2018.	TCTA was on track to obtain the borrowing limit well before the target date of June 2018. The Minister of Water and Sanitation indicated his intention to grant TCTA the borrowing limit and had written to the Minister of Finance on 19 March 2018 to request his concurrence. The Minister of Finance responded on 25 June 2018 but declined to give his concurrence and insisted on the off-takers first signing off-take agreements with DWS and urged DWS to provide bridging funding to TCTA while the off-take agreements were being negotiated. Despite many attempts to obtain funding from DWS, none was made available, which means the project could not proceed: commercial funding could not be raised without a borrowing limit and fiscal funding; thus, TCTA could not award contracts for the PSP. To expedite the conclusion of preparatory work as directed by the Minister of Finance, the TCTA Board approved the Procurement of Grant Funding for BRVAS Project Preparation Facility on 29 November 2018.																																								

● Achieved

● Not achieved



Predetermined Objective	Measure	Target for 31 March 2019	Status as at 31 March 2019	Reasons for variance
				<p>TCTA intended to issue a Request for Information (RFI) to Development Finance Institutions (DFIs) requesting proposals from those who are willing to provide grant funding for project preparation and pre-implementation activities that will lead to project bankability.</p> <p>The above should help unlock the borrowing limit authorisation. In the meantime, TCTA engaged with all the off-takers and stakeholders, including DWS Western Cape, in the region and progress has been made towards off-take agreements negotiations.</p>
		4.2 AMD-LTS: Agreements submitted to the parties (DWS and each off-taker) for signing by June 2018	<p>Water supply agreements were not submitted to the parties (DWS and each off-taker) for signing by June 2018.</p> <p>A pricing term sheet setting out the principles for pricing of water, which will feed into the water supply agreements was prepared.</p>	<p>TCTA could not anticipate and had no control over the actions of the Minister of Finance to ask for a review of AMD-LTS implementation and its removal from the VRS guarantee. With the uncertainty on AMD-LTS, the water supply agreement negotiations could not be meaningfully conducted,</p> <p>The Water Supply Agreements and Income Agreement are on hold pending a decision by the Minister of Water and Sanitation and the Minister of Finance on the future of AMD-LTS as raised in the Minister of Finance's letter requesting removal of AMD from the VRS guarantee and a review of AMD-LTS.</p>
		4.3 AMD-LTS: Income agreement signed by June 2018	<p>The income agreement has not been signed.</p> <p>The Income Agreement was drafted</p>	
		4.4 MWP: Terms of Reference prepared and ready for signature by key stakeholder principals in September 2018	<p>The terms of reference were not prepared.</p> <p>A new directive was issued on 16 January 2019</p>	<p>Implementation of the project took a different route from what was originally envisaged due to direct Ministerial intervention.</p> <p>TCTA demonstrated in engagements with the Minister that commercial funding was not viable because the project serviced social needs, while funding from China was not realisable because of the onerous conditions attached to it. Minister then directed that DWS implement the project itself, with TCTA supporting, which changed the target for TCTA.</p>

● Achieved

● Not achieved

Predetermined Objective	Measure	Target for 31 March 2019	Status as at 31 March 2019	Reasons for variance																																										
5. Raise funding for implementation of infrastructure projects	Arrangement of funding facilities	5.1 VRS: Loan facilities available by July –August 2018	R6.5 billion in loan facilities were available from 3 commercial banks in July 2018.																																											
		5.2 MCWAP: Funding facilities available for drawdown from 31 March 2019	Funding facilities for MCWAP were not available for drawdown from 31 March 2019. A borrowing limit and request for a guarantee was submitted to DWS for approval by the Minister, in February 2019. In January 2019, DWS made an advance payment of R69 million. The Implementation Agreement is 95% complete. When signed, it will allow underutilised funding facilities under MCWAP-1 to be used for MCWAP-2A bridge funding and allow for the establishment of a Commercial Paper Programme.	Funding could not proceed while DWS had not given direction on project size, which was required to finalise the Implementation Agreement, which is in turn required to raise funding. DWS only provided the required fiscal funding, in January 2019, which enabled the project to proceed.  The Minister approved the submission for a borrowing limit and government guarantee as presented and a request for the Minister of Finance's concurrence was submitted to the National Treasury in the 4 <sup>th</sup> quarter of 2018/19. TCTA is awaiting the outcome of the request for the Minister of Finance's concurrence.																																										
		5.3 BRVAS: Global Bridging Facility and/or Budget from DWS available for use from 30 June 2018	The Global Bridging facility and/or budget were not available from 30 June 2018. The borrowing limit for the Global Facility was submitted to DWS for approval by the Minister in May 2018 and the Minister of Finance had not responded by year-end.	The Minister of Water and Sanitation approved the submission for the borrowing limit as presented, and a request for the Minister of Finance's concurrence was submitted to the National Treasury on 23 October 2018. The Minister of Finance had not responded by year-end.																																										
		5.4 BRVAS: Long-term funding available from January 2019 to cover the balance of the R225 million funding requirements for 2018/19 and 2019/20	The long-term funding was not available from January 2019.	The revised implementation programme indicates that long-term funding will only be required in June 2020.																																										
6. Manage debt within the approved borrowing limit and ensure debt will be repaid	Debt managed within approved borrowing limits, in respect of TCTA's obligations emanating from: · VRS · BWP · VRESAP · KWSAP · MTS-2 · CWAP	6.1 Debt managed within the borrowing limits and all payment obligations are met	All projects were within their approved borrowing limits at the end of each quarter. <table border="1"> <thead> <tr> <th>Project</th> <th>Borrowing Limit</th> <th>Q1</th> <th>Q2</th> <th>Q3</th> <th>Q4</th> </tr> </thead> <tbody> <tr> <td>VRS</td> <td>42 500</td> <td>18 674</td> <td>15 874</td> <td>14 745</td> <td>13 988</td> </tr> <tr> <td>BWP</td> <td>715</td> <td>643</td> <td>604</td> <td>604</td> <td>565</td> </tr> <tr> <td>VRESAP</td> <td>4 039</td> <td>3 917</td> <td>3 914</td> <td>3 829</td> <td>3 779</td> </tr> <tr> <td>MMS2</td> <td>1 860</td> <td>1 808</td> <td>1 802</td> <td>1 781</td> <td>1 774</td> </tr> <tr> <td>KWSAP</td> <td>1 408</td> <td>1 277</td> <td>1 269</td> <td>1 262</td> <td>1 255</td> </tr> <tr> <td>MCWAP</td> <td>4 400</td> <td>1 529</td> <td>1 520</td> <td>1 383</td> <td>1 370</td> </tr> </tbody> </table> All debt servicing on the long-term loan facilities and the WSP3-5 bond coupon was made successfully and timeously.  All payment obligations of interest and principal were met, and there were no events of default.	Project	Borrowing Limit	Q1	Q2	Q3	Q4	VRS	42 500	18 674	15 874	14 745	13 988	BWP	715	643	604	604	565	VRESAP	4 039	3 917	3 914	3 829	3 779	MMS2	1 860	1 808	1 802	1 781	1 774	KWSAP	1 408	1 277	1 269	1 262	1 255	MCWAP	4 400	1 529	1 520	1 383	1 370	
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● Achieved

● Not achieved

# SUMMARY OF PROJECT IMPLEMENTATION

In the 2018/19 financial year, the TCTA portfolio of projects consisted of projects which were at preparatory, construction and advisory phases.

The key activities undertaken during the year under review are summarised as follows:

## PROJECTS AT PREPARATORY PHASE

### Mokolo and Crocodile River Water Augmentation Project – Phase 2A

The project comprises an abstraction weir, pump stations and a 160-km pipeline to transfer water from the Crocodile River near Thabazimbi to the Lephale area. The project is a prerequisite to enable further development of the Waterberg Coalfields, as envisaged in the first Strategic Infrastructure Project of the Presidential Infrastructure Co-ordinating Commission. It will enable Eskom to operate an additional three flue gas desulphurisation units at the Medupi Power Station, which could not be supplied with the water available from the Mokolo Dam. The units minimise the environmental emissions from the power station, which is a condition of the Eskom's World Bank loan. It also stipulates that the desulphurisation units should be all be fully functional by 2024.

In the 2018/19 financial year, the following progress was made.

TCTA assisted DWS to complete the Environmental Impact Assessment (EIA), which was followed by obtaining Environmental Authorisation from the Department of Environmental Affairs (DEA). The Environmental Authorisation was successfully issued by DEA on the 18 March 2019, and this was achieved well ahead of the projected timelines.

The conclusion of the Implementation Agreement, which is a prerequisite to raising funding was delayed, due to issues around the project size, and this impacted the ability to raise funding. Fiscal funding was only received from DWS in January 2019, which then allowed, on 18 March 2019, the appointment of the Professional Service Provider (PSP). This represented at least a 10-month delay in the project programme.

The Implementation Agreement between DWS and TCTA and the Water Supply Agreements between DWS and the off-takers were drawn up and are expected to be concluded in the 2019/2020 financial year. A request to approve the renewal of the borrowing limit and a

government guarantee was submitted to the Minister of Water and Sanitation and is under consideration for the concurrence of the Minister of Finance during 2019/20 financial year.

### Berg River Voëlvlei Augmentation Scheme

The Water Reconciliation Strategy for the Western Cape Water Supply System indicates that the system is in deficit and should be augmented by at least 2019/20 to avert a serious shortfall. This need was evident when the water supply system was unable to cope with the drought situation that was experienced in 2018/19. BRVAS was identified as the next surface water development that can contribute to satisfying this requirement.

BRVAS will abstract and pump winter flows from the Berg River to the existing Voëlvlei Dam, improving its yield by 23 million m<sup>3</sup> per annum. The project consists of a weir, pump station and a 6.3 km long pipeline to deliver water to the Voëlvlei Dam.

In order to shorten the project implementation period, a Design and Build contracting approach has been adopted. In this approach, the PSP will undertake technical evaluation, construction monitoring and administration/contract management of the project. On 30 November 2018, the Board approved the award of the PSP contract subject to securing funding for the project. Also, the tender documents for the Design-Build Contract have been approved. However, their issuance is subject to review by the PSP, when appointed, and availability of funding to cover the construction costs.

With National Treasury not approving TCTA's application for the borrowing authority until the Off-take Agreements have been signed with the end-users and DWS not allocating any funds for project preparatory work, this project will regress to an advisory phase next financial year.

## PROJECTS IN CONSTRUCTION PHASE

### Olifants River Water Resources Development Project – Phase 2C

The project comprises a 40-km distribution pipeline from De Hoop Dam, which feeds the De Hoop Water Treatment Works at Steel Bridge, and a pump station near Steelpoort, where it can interconnect with the Lebalalo Water Users Association infrastructure. Water

from the De Hoop Dam is for the mining industry along the eastern limb of the Bushveld Complex as well as for municipal consumers in the Sekhukhune District Municipality.

In the year under review, the construction of the entire 40-km pipeline and pump station was completed with the Taking Over Certificate issued on 14 December 2018 and the project handed over to DWS.

### Off-take Pipeline to the town of Kriel

The project will provide a backup water supply to Kriel when the water supply pipeline from Jericho Dam is out of service. The project comprises the construction of a 3-km pipeline and an upgrade of the existing water treatment works.

TCTA's role on the project is to plan, design, undertake environmental work and provide project management in support of DWS who are constructing the works itself. Progress on the construction of the sedimentation tank which forms part of the water treatment upgrade was made up to a point whereby construction slowed down due to DWS not allocating funds to the project and construction has now halted.

The project was formally put on hold in 2018/19 and TCTA will only recommence activities when DWS makes funding available.

## PROJECTS IN ADVISORY PHASE

This section covers projects where a directive has been received, but work is required to make the project bankable so that funding can be raised, or where insufficient funds are available from the fiscus. During this phase, TCTA acts in an advisory capacity to DWS to resolve these issues. The eventual quantum of funding will impact on the scope of works. There are three projects currently in this phase.

### Olifants River Water Resources Development Project - Phase 2B

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

During the financial year, TCTA continued to explore an alternative funding mechanism with the Development Bank of Southern Africa (DBSA) to fund the project, including under-writing of the debt, without signed off-take agreements with commercial users. A bankability study was completed, and the DBSA Board approved the funding mechanism. However, the borrowing limit and funding proposal will require DWS and National Treasury approval. If successful, this will lead to the granting of a borrowing limit and enable the raising of funding for the implementation of the project.

### Acid Mine Drainage – Long-term Solution

The feasibility study recommended the construction of desalination plant/s to treat acid mine drainage abstracted via the Short-term Intervention infrastructure to a potable or industrial standard as a long-term solution for the salinity impact of acid mine drainage on the Vaal River System.

This project was in preparatory phase in the last financial year but has regressed to an advisory phase due to DWS undertaking further studies on the impact of the effluent from the Short-term Intervention on the Vaal River System and National Treasury's unwillingness to fund the two-thirds capital and operating costs or have the costs included in the Vaal River System.

During the year, the procurement of the PSP to undertake the optimisation of the layout of desalination plant/s including water off-takes was completed to the point where the award could be made. However, the award was not made due to further studies being undertaken by DWS and funding issues.

The Environmental Impact Assessment (EIA) activities were also suspended as these were dependant on the appointment of the Engineering PSP to produce the Conceptual Design Report to determine the final layout of the project.

### uMzimvubu Water Project

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

In the 2018/19 financial year, the Minister of Water and Sanitation established the uMzimvubu Project Task Team (MPTT), which included TCTA, to resolve the challenges that were hindering progress. The objective being to refocus the project under a new implementation model with funding from the fiscus.

The MPTT developed a new implementation model which model maximises the use of state institutions and resources in the form of TCTA, DWS Infrastructure Development Branch and DWS Construction Unit. It also promotes the socio-economic transformation and state institutional capacity by prototyping a template for accessing private sector expertise and partnerships while retaining state control. The implementation model was approved by the Minister and was adopted for the project.

The MPTT recommended the project to be implemented in stages and on 16 January 2019, TCTA received a

revised directive to provide project management and advisory services for Stage 1 of the uMzimvubu Water Project comprising the access roads and other advanced infrastructure.

As part of initiating the implementation of Stage 1, the TCTA Board Chairperson and Management supported the Minister of Water and Sanitation with stakeholder engagements, which mainly involved traditional leaders and communities in the project.

Progression on the project is dependent on DWS allocating sufficient funds in 2019/20.

## SUMMARY OF OPERATION AND MAINTENANCE ACTIVITIES

TCTA operates and maintains the following two infrastructure projects on behalf of DWS:

- 1) Delivery Tunnel North of the Lesotho Highlands Water Project; and
- 2) the Short-term Intervention of the Acid Mine Drainage Project.

A summary of these activities is as follows.

### Delivery Tunnel North of the Lesotho Highlands Water Project

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

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

During the financial year under review, TCTA complied with all its operations and maintenance obligations to ensure that the infrastructure could deliver the scheduled 780 million m<sup>3</sup> of water at the designated outlet point in the Ash River.

A planned outage for the inspection and possible minor repair work on the tunnel was originally planned for October/November 2018 but was postponed on the request of Lesotho to 2019. TCTA commenced with the procurement of the PSP for the outage. Evaluation of the tenders was completed, and the contract award will be done in 2019/20.





## Acid Mine Drainage Treatment Plants

A summary of performance on the acid mine drainage treatment plants is as follows:



### Western Basin:

Over the reporting period, the Western Basin plant treated an average volume of 32.7 MI/d, against a target of between 30 -33 MI/d and met the DWS specifications with the regards the discharge of effluent into the Tweelopiespruit.

In addition, the basin was drawn down to 10.5 m below the surface of 18 Winze as of 31 March 2019, creating a buffer to prevent any uncontrolled decant during the year. This was achieved despite a deterioration of the mine feedwater due to the suspension of mining operations by Mintails. As a result of high alkalinity sludge no longer being discharged into the basin, the PH decreased and the iron content increased, resulting in increased treatment requirements.

TCTA, DWS and Sibanye Stillwater, the operators of the plant, are considering further options to improve the plant efficiency to address the changing parameters.

### Central Basin:

Over the reporting period, the Central Basin Plant did not achieve the target of lowering of the water level in the basin to 10 – 15 m below ECL as on 31 March 2019 it was 14.43 m above the ECL. However, this is still 111.6 m below ground level and no incidents of contamination of groundwater were reported. The effluent discharged into the Elsbergspruit met the DWS specifications.

The target water level was not achieved due to several operational outages during the year and a substantial increase in the ingress of water into the basin.

### Eastern Basin:

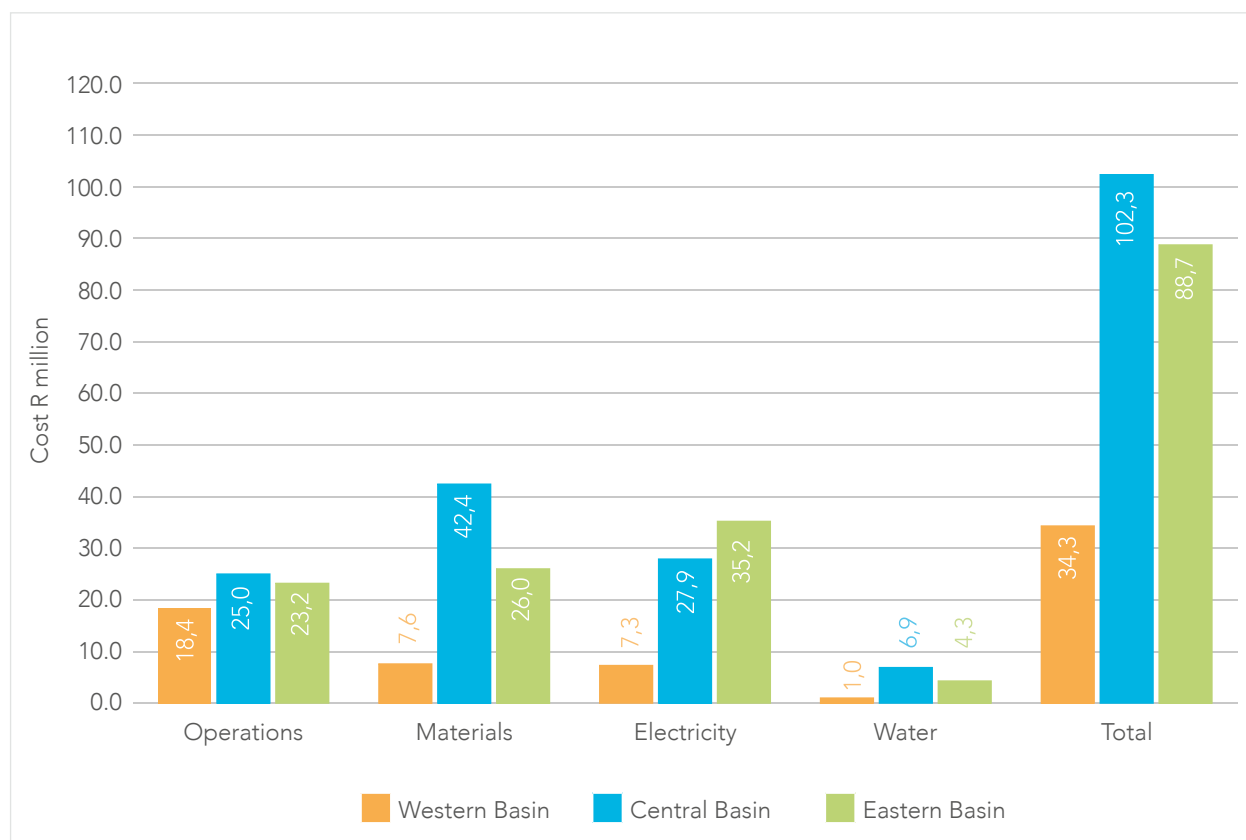
Over the reporting period, the Eastern Basin Plant was operated to hold the water level to between 10 – 15 m below ECL by 31 March 2019 and for the treated water to meet the DWS specifications before discharge into the Blesbokspruit.

The target was achieved notwithstanding a fire in the Motor Control Centre room on the 19 September 2018, which put the entire plant out of operation until the 7th January 2019. During the closedown improvements were made on the electronic components to minimise the risk from a similar future incident.

Table 5: Performance of AMD Plants in 2018/19

			Western Basin	Central Basin	Eastern Basin
Average Volume Treated			32.8 MI/d	51.7 MI/d	64 MI/d
Environmental Critical level			Has not been determined	126 m below ground level	106.6 m below ground level
Level as at 31 March 2018			10.5 m	111.6 m	118.4 m
Water Quality	Units	Specifications (as per DWS directive)	Treated Water (Annual average 1 April 18-31 March 19)	Treated Water (Annual average 1 April 18-31 March 19)	Treated Water (Annual average 1 April 18-31 March 19)
PH		6.5 – 9.5	9,4	8,7	8,65
Iron	mg/l	< 1	0,17	0,03	0,038
Manganese	mg/l	< 10	1,46	1,04	0,169
Aluminium	mg/l	< 1	0,06	0	0,003
Sulphates	mg/l	≤3000	2171	2648	1433
Electrical Conductivity	mS/m	≤450	306	403	251
Turbidity	NTU	<30	11,5	6,6	4,64

Figure 8: Annual Expenditure on Plants in 2018/19



## FINANCIAL SUMMARY

For the year ended 31 March 2019, TCTA was successful in achieving its strategic financial goals, as outlined below:

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

However, for the first time since inception, TCTA has received a qualified audit opinion. The qualification was based on shortcomings in three areas.

With respect to the Acid Mine Drainage Receivable matter differences were identified between the financials and the workings, which resulted in the financials not balancing. The error was caused by a mistake in the preparation of the information which could not be corrected and resubmitted before the deadline for the resubmission. This error was corrected, and the numbers revised. However it was too late to resubmit the revised provision to the Auditor-General as the submission deadline had passed.

With respect to the provision for compensation, it occurred due to TCTA having reflected a transaction between a third party, the Lesotho Highlands Development Authority and impacted persons in Lesotho, in its financial statements and thus being unable to produce sufficient and appropriate audit evidence as required in time with this information being in the possession of the Lesotho Highlands Development Authority in Lesotho. This limitation occurred in part due to the somewhat convoluted institutional arrangements, as reflected on pages x to x, that govern the Lesotho Highlands Water Project, where the flow of money between institutions is not matched by the opposite receipt of a benefit, which flows to another institution. TCTA intends to engage with the Auditor-General ahead of the next audit in order to avoid a repeat finding or any finding related to TCTA's role in the Lesotho Highlands Water Project. TCTA will

reflect on how it accounts for payments made to the Lesotho Highlands Development Authority on behalf of the Department of Water and Sanitation, so that it is properly accounted for in subsequent years. Addressing this issue will either result in a restatement if the figures were to change or a review of the accounting for third-party expenditure will be performed. Ultimately, it does not change TCTA's ability to perform the Government of South Africa's financial obligations to Lesotho in terms of the Treaty and the Phase II agreement

Finally, with respect to the provision for Capital Commitments, TCTA excluded provisions for the outer years (5 years and beyond) from the financials. This resulted in differences between the provisions disclosed in the financials and those reflected in the Capital Commitments schedule that was submitted as evidence of the workings. This error was corrected, and the numbers revised, however it was too late to resubmit the revised provision to the Auditor-General as the submission deadline had passed.

Despite the qualification received, TCTA was still in a position to achieve our strategic financial goals which can best be interpreted via a deeper insight into the following five elements in its financial statements

- a) The Tariff Receivable
- b) Cash inflows
- c) Utilisation of Cash Received
- d) Sources of funding
- e) Distribution of debt across projects

### a) The tariff receivable

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

The amounts received on a monthly basis from DWS decreases the outstanding Tariff Receivable balance (refer to note 10.4 for details on the calculation of the Tariff Receivable).

The Tariff Receivable decreased due to restatement of the Tariff Receivable (refer to notes 25, 12 and 10.4 for further details).

- i. The accounting policy applied to the measurement of the Tariff Receivable had been amended. The Tariff Receivable is a financial asset measured at amortised cost. The effective interest rate was previously calculated to exactly discount the estimated future cash flows over the expected life of the Tariff Receivable as determined by the contractual terms of the individual projects. The effective interest rate was determined when the Tariff Receivable was first recognised and the expected cash flows were re-estimated on an annual basis. On the determination of gross carrying amount at the end of the year based on the revised cash flows, a gain or a loss was recognized previously referred to the AG 8 modification.

The revised accounting policy allows for the re-estimation of the effective interest rate when the expected cash flows of the financial assets are incorporated into the Tariff Receivable models, hence no modification fluctuations will impact on the profit or loss reported at the end of each financial year.

- ii. TCTA incorporated the social portion of the AMD, which is two-thirds of the costs incurred on the AMD short-term intervention in the VRS model for the calculation of the Tariff Receivable. The model had used the assumption that the entire cost relating to the AMD will be recovered over 20 years, as the repayment terms had not been agreed with DWS in prior periods. During the year management revised the strategy on the recovery of the social portion of the AMD costs which amended the initially assumed payment profile. This necessitated a separate determination and disclosure of the AMD Receivable. The AMD costs funded by the fiscus have been removed from the VRS model resulting in an AMD Receivable of R 727 million as at 31 March 2019 and R774 million as at 31 March 2018, resulting in a decrease in the Tariff Receivable.
- iii. Management assessed its accounting policy adopted for the treatment of the MCWAP Tariff Receivable as the costs for Phase 2 of the project has previously been included in the determination of the MCWAP Tariff Receivable. Phase 2 had been included based on indicators that a combined borrowing programme and combined tariff would

be utilized. The Phase 2 costs have been removed from the MCWAP Tariff Receivable model as those indicators have not materialised, and the phases are separately accounted for. The second phase of the project is included in the Loans and other receivables (refer to note 12), resulting in a decrease in the Tariff Receivable.

- iv. The balance owed by the DWS has decreased from R3.2 billion at 31 March 2018 to R2.3 billion at 31 March 2019. As at the end of the financial year all invoices outstanding were less than 30 days with no invoices past due, with the exception of R219 million on VRS. Refer to note 10.4 for further detail.

## b) Cash inflows

Cash and cash equivalents are held for the purposes of meeting TCTA's short-term cash commitments. Some short-term investments are included as cash and cash equivalents when it is readily convertible to a known amount of cash and the risk of a change in the value is insignificant.

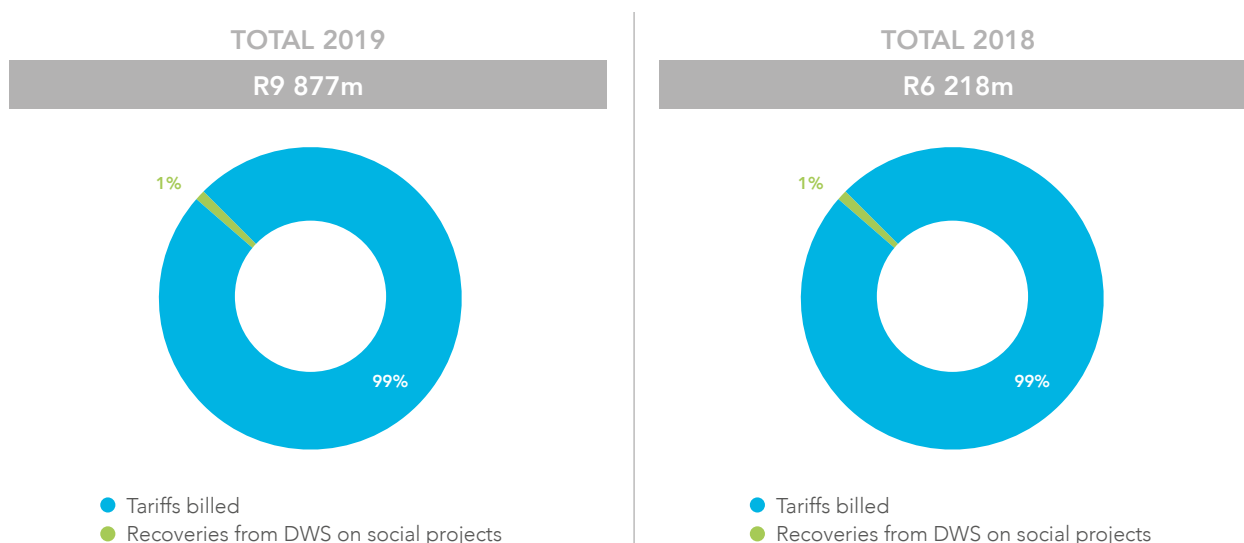
The maturity period of these short-term investments, classified as cash and cash equivalents, are normally less than three months from the date of acquisition.

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

The composition of cash inflows from operating activities (Figure 9) for the year ended 31 March 2019 remained unchanged from the year ended 31 March 2018. The higher receipts were partly due to the repayment of the outstanding balance for the 2017/18 financial year. The total receipts for the 2018/19 financial year amounted to R9.8bn. The tariff billing for the current financial year was higher than the previous financial year due to increased volumes. The DWS debtors balance decreased from R3.2bn in 2017/18 to R2.3bn in the current year. Recoveries on social projects were lower as these projects are nearing completion.

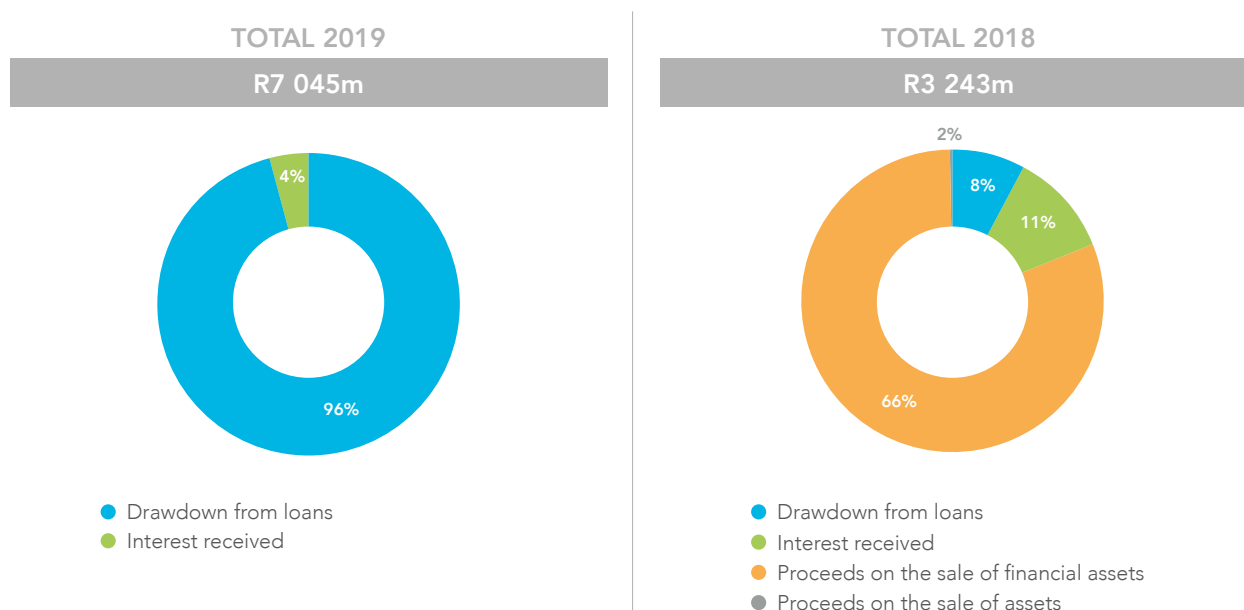


Figure 9: Cash Inflows from Operations



Cash inflows from financing and investing activities for the year ended 31 March 2019 (Figure 10) are mainly due to the additional drawdowns on loans for the repayment of WS05.

Figure 10: Cash Inflows from Financing and Investing activities



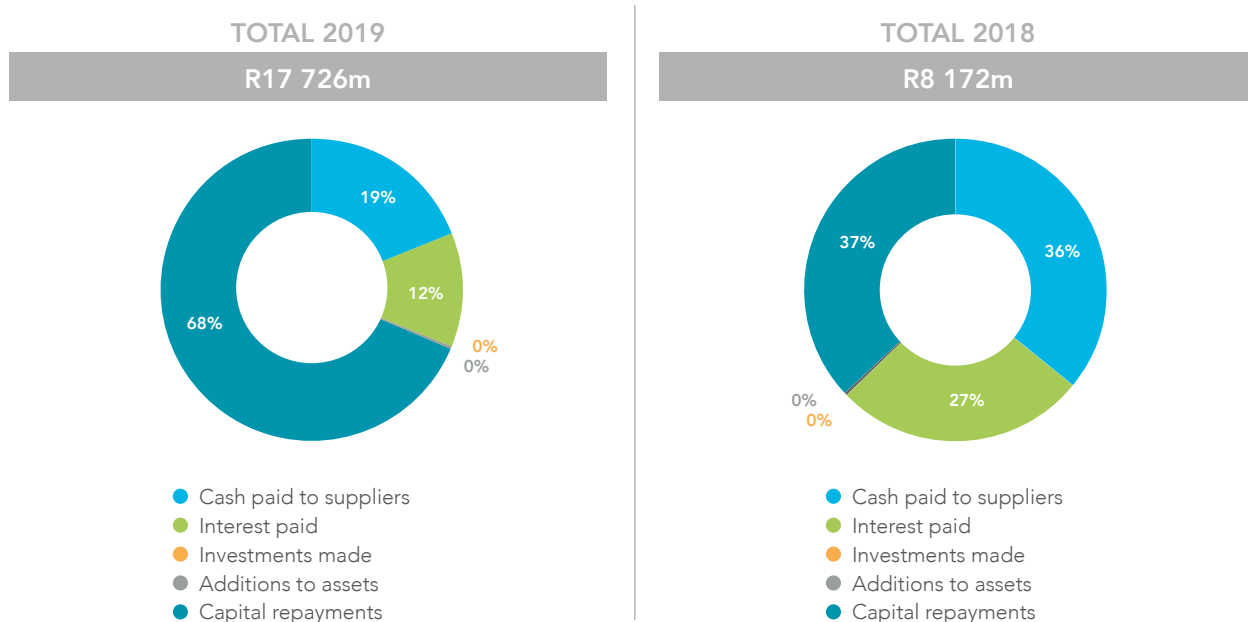
### c) Utilisation of Cash Received

Total cash outflows increased for the year ended 31 March 2019, Figure 11, as compared to outflows for the year ended 31 March 2018 due to increased capital repayments. WS05 matured in August 2018. Cash paid to suppliers decreased due to the delay in the commencement of new projects and projects reaching finalisation in the current financial year.

Interest paid decreased due to the repayment of WS05.

The Treaty related costs increased by 24% due to increases in Royalties paid and operating costs for works in Lesotho. Remuneration related costs have remained within 5% of total outflows as only 2% of the total payments made were towards remuneration.

Figure 11: Cash outflows



### d) Sources of funding

The total value of Bonds, as reflected in Figure 12, decreased from R18 019 million in 2018 to R9 547 million in 2019 due to the redemption of WS05.

The composition of the sources of funding shows a 23% increase in the funding from commercial banks. This increase is due to the additional drawdown of R6.5 billion on VRS and repayments of capital in all projects.

Figure 12: Funding instruments

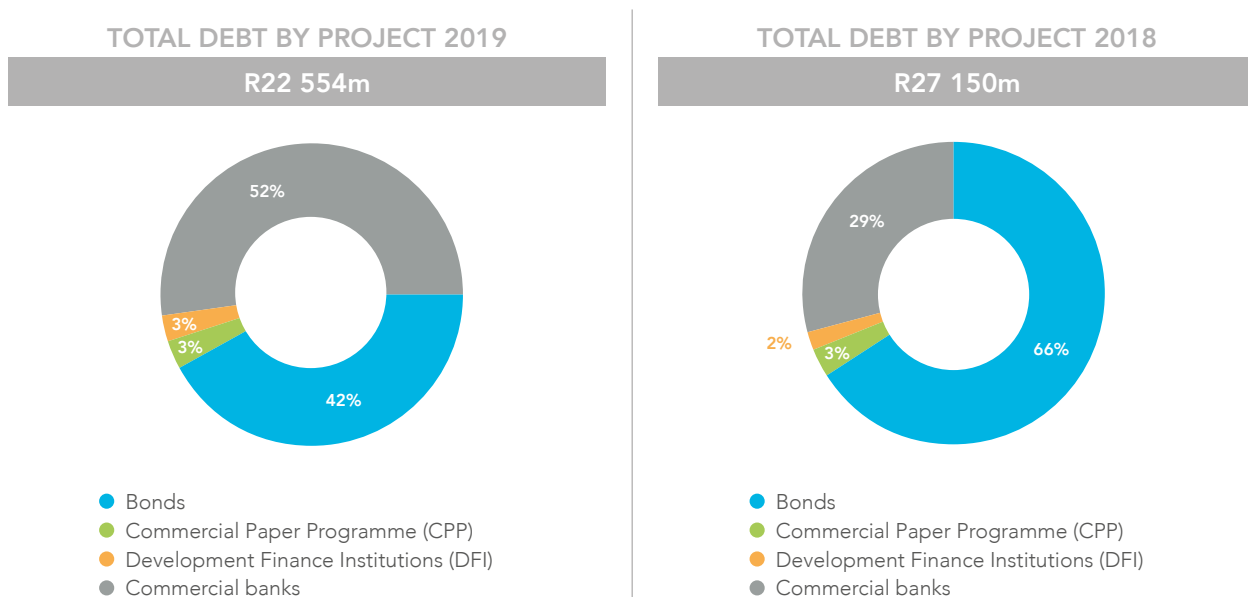
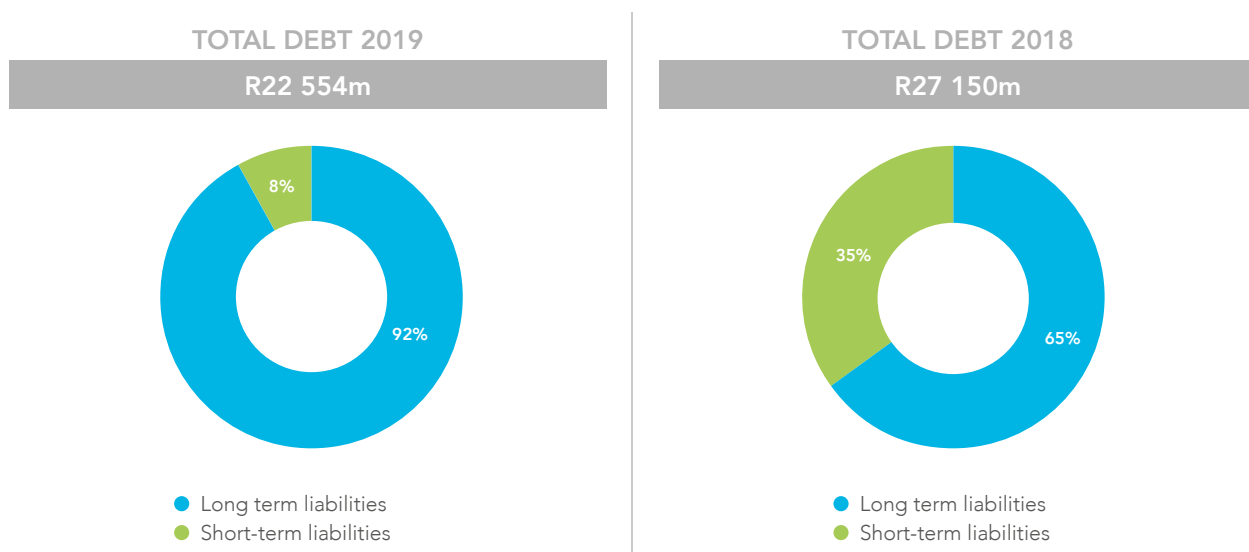


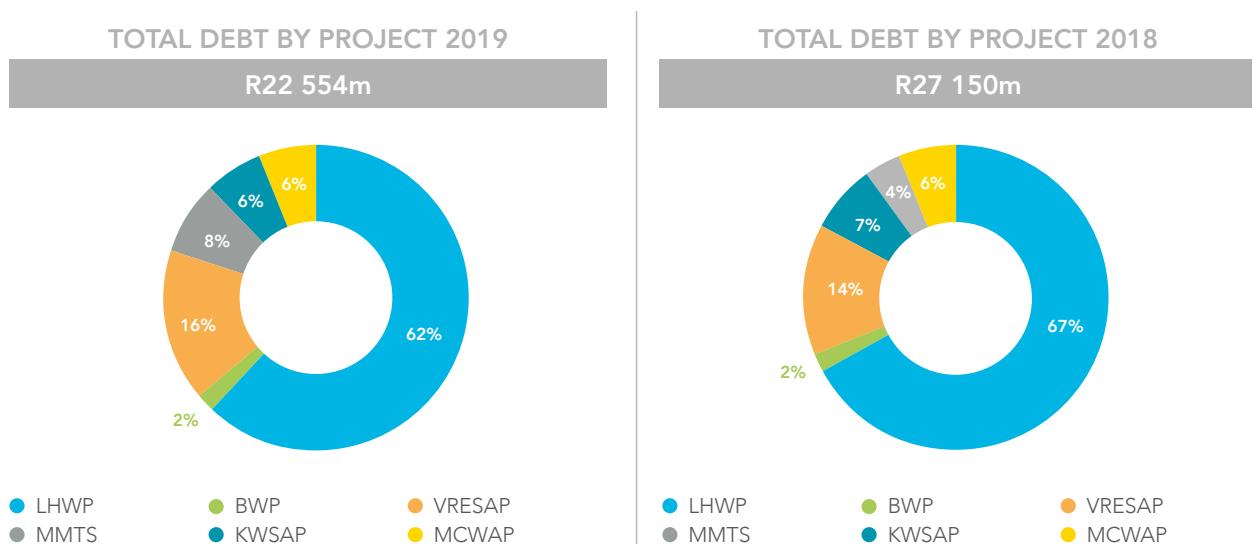
Figure 13: Total Liabilities



### e) Distribution of debt across projects

As at 31 March 2019, the overall debt outstanding decreased by R4 596 million and is reflected at an overall balance of R23 billion compared to the balance at 31 March 2018 of R27 billion. The decrease is as a net result of the redemption of WS05 of R8.9bn; drawdown of R6.5 billion on long-term loans for VRS with capital repayments in all other projects.

Figure 14: Total debt by project







# THE ECONOMICS OF DESALINATION

## **What happens when we reach the limit of our freshwater supplies,**

and the catalyst for our development becomes a scarcity? Fortunately, our planet has an ample supply of seawater, and man has mastered the art of extracting freshwater from the sea. There is nearly 10,000 times more water in the sea, than in all the lakes, rivers and dams on earth.

Freshwater scarcity is becoming a global phenomenon and can already be seen in large parts of India, China, Oceania, Africa and North America. In South Africa, demand is beginning to overtake the reliable yield of the freshwater resources, and the potential for further system augmentation through more dams and transfer schemes is limited. There are imperatives to reduce losses in reticulation, and to improve our economic output per volume of water, but we also need to develop a portfolio of alternative water resources.

The desalination of seawater is one such resource, especially for the 40% of South Africans who live within 100km of the coast. Too often, it is regarded as an expensive, last-resort solution during a drought, to be used only when the dams are nearly empty, and a run-out situation is looming. We believe desalination offers much more: It is a strategic technology that will allow water utilities to manage water as a renewable, climate-independent economic commodity. "Renewable", in the sense that a mature technology is used to convert an unusable, abundant resource (seawater) into a valuable resource (freshwater), on whatever scale is required. Effectively, desalination replicates the hydrological cycle found in nature, at the rate and quantum we require, independent of droughts or floods. In this way, freshwater can be being produced in a factory, within manageable and predictable operational and cost parameters. This water will be an economic commodity, and no longer a scarce natural resource.

How prominent will desalination become in South Africa, in the medium term? The National Water and Sanitation Master Plan indicates that within the next ten years, alternative water resources, such as reuse and the desalination of seawater and mine-water, will need to contribute 110 and 588

million cubic metres respectively, of a total supply of 15,926 million m<sup>3</sup>. This translates into an installed capacity of 1,900 megalitres per day (Ml/d), of which seawater desalination will comprise in the order of 1,200 Ml/d, or the equivalent of four very large 300 Ml/d plants. To provide context, a 300 Ml/d plant could supply half of the current freshwater needs of Cape Town. In the short-term, the capacity to procure such complex facilities, in a cost-effective manner, will need to be developed. In this, TCTA has already taken a leading role.

Once seawater desalination has become more prominent in the urban water mix, a number of intrinsic benefits accrue. A drought-proofed metro hub becomes less vulnerable to climate extremes, and a more amenable investment destination, once water supply is assured. The risk of a drought resulting in large-scale job losses and economic regression will be largely eliminated. The water utility will benefit from a more steady-state planning environment: Water revenue will remain predictable because the supply is secure. Demand certainty also improves, as users become less inclined to migrate off-grid. Tariffs could remain stable, and can even become less structured, as the need for scarcity-driven demand management lessens.

Natural freshwater will remain to be a precious resource, to be preserved and managed with great care; but the demands hitherto placed on it by the secondary and tertiary sectors of the economy are much reduced, leaving more of the resource to the environment and agriculture.

Is this desalination future affordable? The answer is a qualified "yes"; a number of alternative water resource solutions exist, and each town or city, and each potential project, has to be assessed for viability and affordability, on a case-by-case basis. Two key points stand out, however. First, the cost of desalination needs to be competently managed; benchmark data indicates a large variance in historical projects costs, and the factors that drive these costs are mostly known. The global benchmark data also show a concentration around the ranges of \$0.60 to \$1.20 per cubic metre; several recent tenders, albeit under near-ideal market conditions, have challenged the \$0.50/



kl threshold. Second, in weighing up the next water resource option, water managers need to inculcate the opportunity cost to the economy, of not having enough water to satisfy demand during periods of drought. The devastating impact of the 2015-17 Cape drought on its economy and society illustrates this very well.

The shift towards alternative water resources will pose new challenges in water governance. In the past, and for many years still to come, inter-basin transfer schemes will convey water to where it is needed most, and often, where it will be paid for. In a future dispensation, where coastal hubs could augment their water supply through desalination,

there will be the option to reduce the transfer from inland to the coast, with the former enjoying a net gain in supply. In some instances, the coastal hub may be required to adopt desalination earlier, because of water already being transferred to an inland hub.

As it may be, the question is whether or not inland hubs should share in the cost of desalination, perhaps through a national tariff structure, to reflect the benefit they receive when such infrastructure is in place. The development of an equitable policy framework to guide a national tariff structure will be a water governance challenge in the future.

## PART C: SUSTAINABILITY

Introduction	48
Mitigation of Environmental Impacts	48
Health and Safety	51
Employment and Employment Equity on Projects	52
Knowledge and Learning	52

## INTRODUCTION

The Board approval of the revised Environmental Policy, Projects Compensation Policy and Livelihood Restoration Policy have made a significant contribution to strengthening the organisation's environmental and social governance framework. Copies of these and other policies that pertain to the TCTA's environmental and social sustainability efforts can be accessed on <https://www.tcta.co.za/tcta-policy>

The preparation of a formal Environmental Strategy for TCTA has been initiated to provide strategic direction for the internalisation and implementation of both new and existing policies and implementation programmes. The strategy development process includes a benchmarking process to ensure that the TCTA environmental management approach and management system are aligned to good practice and relevant to the organisation's mandate.

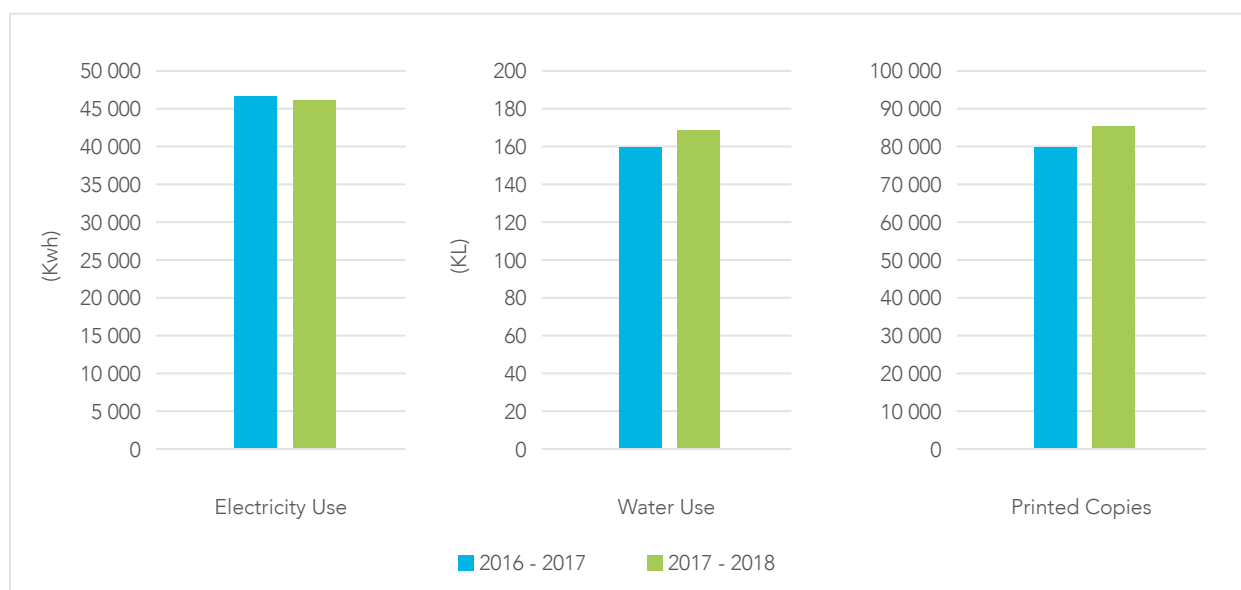
## MITIGATION OF ENVIRONMENTAL IMPACTS

### CORPORATE ENVIRONMENTAL MANAGEMENT SYSTEM

The Corporate Environmental Management System baseline, for key resource use indicators at the Centurion office, has been developed over the past three financial years. Targets for improvement will be informed by the

outcome of the first TCTA management review, which is due to take place early in the new financial year. A summary of the baseline data for key resource use is presented in figure 15 below.

Figure 15: Average monthly use of key resource



The improvement of environmental sustainability awareness and waste management practices have been identified as focal areas for the 2019-2020 year. During July 2018 the TCTA staff, in support of the DWS Mandela Day initiative, collected waste from the public open spaces around the corporate office environment. In addition to raising personal awareness of the state of urban waterways, a total of 150kg of plastic were

removed from the banks of the Hennops River. All waste was handed over to the municipality for formal disposal. The event was featured in the Centurion Record (local newspaper) which contributed to profiling the impacts of informal recycling activities in the greater Centurion areas. The resolution of the social and environmental impacts of this challenge is the subject of broad, cross-cutting collaborations by the municipality and private partners.



TCTA staff develop an understanding of the prevalence of waste in our urban waterways



There has been a growth in TCTA's representation in various industry fora. TCTA is represented on the Board of the International Association of Public Participation Practitioners and the steering committee of the Global Environment Fund funded Ecological Infrastructure for

Water Security Project. A TCTA Environmental Manager has also been nominated to represent South African National Committee on Large Dams on the technical committee of the International Commission on Large Dams.

## PROJECT-BASED ENVIRONMENTAL MANAGEMENT

As a responsible corporate citizen TCTA maintains a high level of environmental performance and compliance.

### Environmental Authorisations

TCTA's support to DWS and their EIA Consultant has seen the submission and subsequent authorisation of, the MCWAP-2A Environmental Impact Assessment Report by the Department of Environmental Affairs (DEA). The Environmental Authorisation (EA) is a significant step forward for the development but is subject to an appeals process. A second MCWAP-2A EIA process has been initiated for the approval of borrow pits from where selected fill material will be sourced. The Department of Mineral Resources is the competent authority for this authorisation process, which is in the scoping phase.

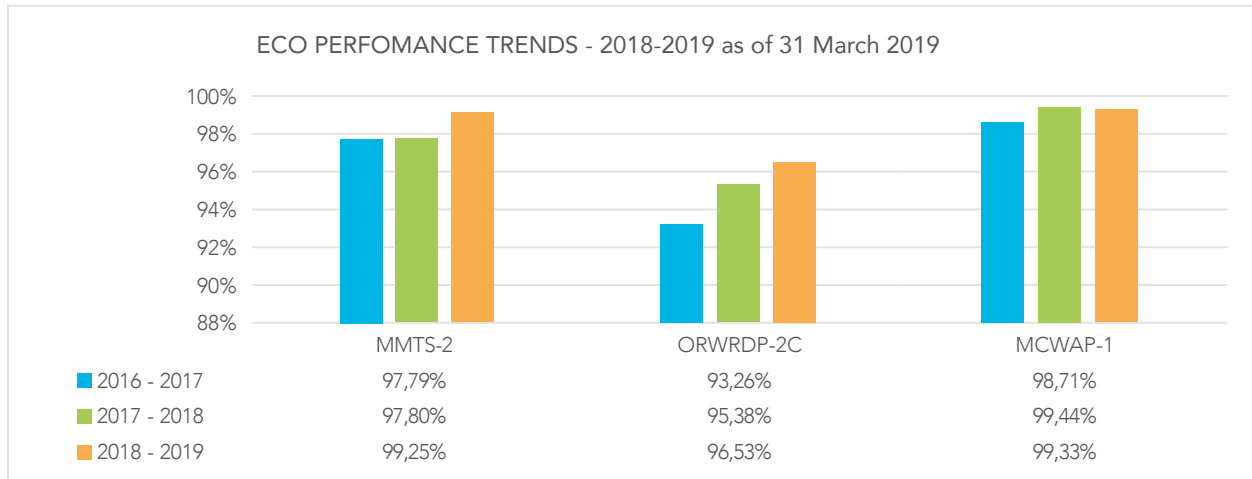
The AMD Long-term Solution EIA process remains on hold due to the projects' funding constraints. The BRVAS EA has been amended to align with the project implementation timeframes. The Construction Environmental Management Programme has been prepared for submission to DEA for approval, early in the 2019-2020 financial year.

### Compliance

Independent monitoring of projects performance in terms of EA conditions and EMPr requirements continue to demonstrate high levels of environmental performance. The frequency of inspections by independent ECOs on the various project sites is managed in response to the activities and environmental conditions during the close-out phase of the respective projects. Strong ECO performance scores of 99.57% and 94.77% have been awarded for MMTS-2 Water Transfer Scheme and ORWRDP-2C respectively. DEA has been notified of the suspension of ECO activities on projects that are on hold or concluded.

The operational EMPr for the AMD-STI is implemented on an ongoing basis and internal project monitoring protocols are maintained to assure performance. There is a significant focus on water quality monitoring and management from the operational treatment plants.

Figure 16: Environmental Management Performance based on ECO inspection scores



## Incidents

No DEA reportable environmental impacts or incidents have been reported for projects during the year ending 31 March 2019. The internal TCTA incident classification system has however flagged significant storm damage incidents that occurred in the ORWRDP-2C project area during December 2018 and January 2019. The storms caused damage to built infrastructure and resulted in excessive stormwater runoff that caused significant erosion of rehabilitation works in sections of the construction servitude. The impact on the environment is being closely monitored as remedial interventions are developed and approved.

## Pollution and Waste Management

Waste management, pollution prevention management and control requirements are included in all the construction and PSP contracts. New project planning includes the up-front analysis of risks related to the generation management and disposal of large volumes of spoil material.

## Resource Transformation and Use

### MMTS-2: Biodiversity Offsetting

DEA have accepted the revised biodiversity offsetting targets and agreements have been signed with the

owners of the two affected properties. In accordance with the approved offsetting plan, and in collaboration with DEA, the terms of reference for an advisory forum are being developed. The Offsets Advisory Forum is to include participation by various authorities and conservation agencies.

### Servitude Rehabilitation

Rehabilitation of MCWAP-1, MMTS-2: WTS and ORWRDP-2C pipelines have shown progress towards final signoff of the remaining rehabilitation areas.

On MMTS-2, rehabilitation on 87,5% of the servitude properties (35 of 40) has been deemed as acceptable by the PSP. Sign-offs from landowners have been attained for 80% (32 of 40) of the land portions. A site inspection of the remaining MCWAP-1 borrow pit and servitude rehabilitation showed good germination, but the establishment of acceptable cover is dependent on rainfall, which is unpredictable. In isolated areas of poor establishment, the assistance of the landowners will be enlisted to effect further interventions. ORWRDP-2C rehabilitation progress is steady. A total of 78% of the area have achieved final acceptance of the maintained vegetative cover. A total of 14.9% of the servitude is in the maintenance period and acceptable cover is still to be achieved on 7.1 % of the site area. Repairs to the storm damage are a priority to limit the risk of further damage to the rehabilitation and infrastructure.

## HEALTH AND SAFETY

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

### HEALTH AND SAFETY ON CONSTRUCTION SITES

In its implementation of projects, TCTA must comply with the Occupational Health and Safety Act and the Construction Regulations of 2014. The organisation is therefore required to develop project-specific health and safety specifications, which are used for construction and audit purposes. TCTA then appoints an agent to perform the health and safety oversight as well as monthly audits from which the project's compliance score is derived. In the case of ORWRDP-2C, the engineer performed the function of the agent.

In the 2018/19 financial year, ORWRDP-2C was the only project that was under construction. The project was completed and handed over to DWS for operations and maintenance. At the end of the period under review, the

contractor had demobilised most of the staff on-site and the audit compliance score was no longer required.

The TCTA Health and Safety measure is referred to as Recordable Case Rate (RCR). A recordable case refers to any incident in which the employee is unable to work for a period exceeding 14 consecutive days. A period of 200 000 hours is the industry standard base rate, which equates to 100 employees working 40 hours a week and working for 50 weeks a year injury-free. The maximum acceptable RCR is 0.5. The formula to calculate RCR is as follows:

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

In the case of ORWRDP-2C, there were no recordable cases that involved fatalities and time lost to injuries during the reporting period. The RCR for ORWRDP-2C remained at 0.32. Table 6 shows the trend of ORWRDP-2C health and safety compliance.

Table 6: Summary of AMD Plants Health and Safety statistics

Plant	Year	Lost Time Injuries	Fatalities	First Aid	Near miss	Recordable Cases	Recordable Case Rate	Health & Safety Non-compliance
EASTERN BASIN	2019	1	0	3	100	0	0	99%
	2018	1	0	0	12	0	0	None Identified
CENTRAL BASIN	2019	0	0	1	108	0	0	97%
	2018	2	0	1	81	0	0	None Identified
WESTERN BASIN	2019	0	0	0	0	0	0	Data requested
	2018	0	0	0	0	0	0	Data requested

### HEALTH AND SAFETY IN OPERATIONAL SITES

TCTA oversees the operation and maintenance of acid mine drainage plants in the Western, Central and Eastern Basins. The appointed operators have the appropriate authority to implement and monitor health and safety as per the Occupational Health and Safety Act (Act No. 85 of 1993).

There were no fatalities recorded during the reporting period in the three plants but only injuries leading to lost time, first-aid cases and near misses. First-aid cases are injuries that were treated with a first-aid kit, whereas near misses are incidents that nearly led to an injury.

There were 0 recordable cases reported, resulting in a recordable case rate of 0. The health and safety statistics for the three plants in the 2018/2019 financial year are tabulated in Table 7:

Table 7: Summary of Health and Safety Compliance for ORWRDP-2C

Project	Year	Lost Time Injuries	Fatalities	Recordable cases	Recordable case rate	H & S compliance score
ORWRDP-2C	2017	0	0	0	0.32	94%
	2018	0	0	0	0.32	N/A
	2019	0	0	0	0.32	N/A



## EMPLOYMENT AND EMPLOYMENT EQUITY ON PROJECTS

The creation of employment on TCTA projects is an integral part of the organisation's contribution to the government's transformation agenda and presents an opportunity to temporarily employ members of the communities affected by the infrastructure developments.

### PROJECTS UNDER CONSTRUCTION

ORWRDP-2C was the only project that was under construction over the reporting period. The project was completed and handed over to DWS for operations and maintenance in December 2018.

The employment figures presented in Table 8 represent the number of persons who were in the employ of the construction contractor in December 2018.

Table 8: Active construction employees

Employment Group	Origin		Gender		Ethnic Group		Annual Totals	
	Local	Other	Female	Male	HDI	Non-HDI	Dec 2018	Mar 2018
Unskilled	19	0	6	14	19	0	19	43
Semi-skilled	3	4	2	5	7	0	7	49
Skilled & other staff	0	8	1	6	5	3	8	22
Total	22	12	9	25	31	3	34	114

HDI, historically disadvantaged individual

## OPERATIONS AND MAINTENANCE EMPLOYEES

Employees in the service of the operators of the AMD treatment facilities and those employed on LHWP are shown in Table 9 below.

Table 9: Active Operation and Maintenance Employees

Employees	Gender		Ethnic group		Total
	Female	Male	HDI	Non-HDI	
AMD O&M Eastern Basin	13	23	28	8	36
AMD O&M Central Basin	9	35	32	12	44
AMD O&M Western Basin	6	27	28	5	33
LHWP	0	2	2	0	2
Total O&M	28	87	90	25	115

## KNOWLEDGE AND LEARNING

### ENTRENCHING THE KNOWLEDGE AGENDA

TCTA endeavours to engender organisational learning and growth by leveraging its knowledge assets in research and evaluation, as well as developing innovative solutions in water management and infrastructure development. The organisation captures lessons and best practices from its diverse projects and associated

interventions addressing challenges to water security, including those that relate to project structuring and funding.

It also supports the fostering of inter-institutional partnerships for enhancing knowledgeability, promoting best practice across the water value-chain and a corporate environment that values learning.

The organisation continued to take active responsibility for coordination, advisory support and thought leadership in two pivotal national infrastructure programs. The first, SIP-3, is directed at the development of the south-eastern node and corridor, while the second, SIP-18, deals with the implementation of water and sanitation infrastructure at the local, regional and national levels. The effective coordination of both initiatives has a substantial catalytic effect on the socio-economic development of the country.

## THOUGHT LEADERSHIP IN THE WATER SECTOR

Over the 2018/19 period, TCTA convened sector-wide forums to extend its pursuit of thought leadership in the water sector. The engagement covered a diverse set of themes related to water resources management, water services delivery and water infrastructure development. The specific issues the sessions considered include effective water infrastructure development and coordination, municipal water infrastructure management and financing, and water valuation and conservation. Furthermore, TCTA has shone the spotlight on the growing imperative to diversify the country's water mix through non-conventional water sources such as desalination and reclamation for reuse.

TCTA is entrenching its knowledge and capacity in seawater desalination through cumulative investment in a knowledge hub in large-scale desalination. The desalination knowledge hub anchors a multi-institutional Desalination Community of Practice that provides a unique platform for targeted research and knowledge exchange. It has established a collaborative partnership with the Water Research Commission, Department of Water and Sanitation, Council for Scientific and Industrial Research, Department of Science and Technology, and potential project implementers, to explore the pathway to the first large-scale desalination investments and look closely into the role of desalination in the water-energy-climate nexus.

During the review period, TCTA convened and coordinated a multi-stakeholder sea-water desalination workshop that attracted the interest of policymakers, researchers, implementing agencies and industry leaders. The workshop provided a platform for knowledge exchange through intense deliberation, sharing of information on practical strategies, project experiences, and current local case studies on desalination and water reuse projects. Given the imminence of a demand-supply gap, exacerbated by the effects of climate change, TCTA is committed to exploring possible alternative water augmentation solutions and associated infrastructure investments.

## RESEARCH AND PUBLICATIONS

In 2018/19, TCTA continued to lead research and generation of technical articles on themes aligned with the organisation's business. It researched and prepared seven articles for publication in local and international journals. The published articles addressed the critical and business-linked themes of institutional team building and organisational performance, the state of South Africa's water resources, and the influence of site selection on seawater desalination capital costs.

Other topics tackled include decision options for the country's future seawater desalination investments, implications of Cape Town water crisis on future water management and the water security dynamics in South Africa. The articles sought to establish what the long-term impact of the various relevant scenarios will be on socio-economic growth. Lastly, TCTA researched and published a paper looking at the benchmarking of potential desalination strategies against international approaches, drawing particular lessons from the Australian experience. These diverse thought-leading articles on water and development research helped profile TCTA as a respected knowledge institution, both locally and internationally.

## GENERATING LESSONS FOR A LEARNING ORGANISATION

TCTA values continuous organisational learning and growth and fosters that through focused evaluative work on its programmes and projects. In this context, during the year under review, the organisation persisted in giving prominence to evaluative studies in the pursuit of effective management of results and promoting accountability. In particular, the organisation generated valuable lessons from two evaluative studies that drew management's attention to entry points in programming and implementation. The Communication Programme and Risk Management System are two of its projects TCTA reviewed.

Evaluative work will remain central to organisational learning and will play an important role in mainstreaming operational and managerial lessons emanating from our programmes and operations. The evaluations will enhance TCTA's ability to entrench and reinforce learning and knowledge flows between employees and stakeholders for more effective management of results and the embedment of overall accountability.

# RESILIENT SYSTEMS

**Water cannot be a reliable catalyst for development** in our cities and industries unless the systems that convey the water to its point of consumption are resilient. Such a system should withstand external shocks; even when some of its internal capacity is lost, temporarily, it has the redundancy to compensate for it, and overall performance remains unaffected. For the economy of a country to thrive, it needs resilient systems, at all levels, to provide water, energy, transport, information and security. Water systems need to withstand short-term shocks, such as floods or infrastructure failures, as well as longer-term strains, brought about by drought, population growth and climate change.

Resilience is critical to the strategic water supply systems serving the inland thermal power stations, as disruption would have a rapid and vastly damaging economic impact. As a result, even when the power station is directly adjacent to the Vaal River, its water supply would comprise on-site holding ponds, and often, multiple pipelines drawing from different water resources.

Resilience is also important on the level of river basins; larger basins, especially when they integrated with other basins through transfer schemes, are more resilient to droughts, which would seldom affect the entire catchment area. Contrasting the Integrated Vaal River System (IVRS) with the Western Cape Water Supply System (WCWSS), illustrates this point: The IVRS has an effective catchment area of 40,000 km<sup>2</sup>, and a dam storage capacity of 9,300 million cubic metres, equivalent to six times the annual consumption of its 15 million inhabitants. The WCWSS has an effective catchment area of only 803 km<sup>2</sup>, a dam storage capacity of only 900 million cubic metres, equivalent to barely twice the annual consumption of its 3.8 million inhabitants. The geographic remoteness of the WCWSS does not readily allow transfers from other basins, and hence the required resilience of that system will need to come from wastewater reuse and seawater desalination.

The resilience of bulk supply systems, as required by cities and industrial complexes, is vital; the mass mobilisation of water tankers in the event of a failure is impractical and costly. Hence, the supply systems need to be designed to withstand and recover quickly from natural disasters, such as pipe wash-aways, failures from ageing infrastructure, and vandalism, which is ever more prevalent in South Africa.

A fragile water supply system can place an entire value chain at risk. Consider the Vaal-Gamagara Scheme, which supplies water to the manganese mines in the Northern Cape: A pipeline failure halts production at the mines because there is no redundancy. This results in no ore being loaded onto trains, for onward transport to the export terminal in Port Elizabeth. In this instance, a failure of the water system has a direct and immediate impact on the country's foreign exchange earnings.

The need for resilience also exists at a municipal level in water distribution systems. Water supply disruptions frequently occur when pipes burst and need to be repaired, but the impact can be pronounced when entire communities, or large areas in metropolitan areas, are affected for long periods and it is no longer possible to supply through alternative means such as tankering. While rural communities have lived with such disruptions for years, recently we have seen large towns, provincial capitals and in November 2017; the water supply outage in Sandton interrupted high-value economic activity, when offices were forced to close. It is fortunate that no major fires occurred at the time otherwise the economic losses could have been far greater.

Resilient systems rely upon redundancy in design, as well as sound operation and maintenance. This is seldom compatible with a least-cost approach, but it does provide welcome relief and continuity when the unplanned happens.



## PART D: HUMAN CAPITAL, SOCIAL AND ETHICS

Human Capital, Social and Ethics Committee Report	56
Vision, Mission and Values	58
Social Management	59
Staff Complement and Employment Equity	59
Human Capital Practices	61






## HUMAN CAPITAL, SOCIAL AND ETHICS COMMITTEE REPORT

**Greg White**  
Chairperson

I am pleased to present the Human Capital, Social and Ethics Committee report for the year ended 31 March 2019.

The Human Capital, Social and Ethics Committee is constituted by the Board to perform an oversight role in respect of human resources, corporate social responsibility and the ethics universe. The Committee assists the Board in ensuring that the TCTA remunerates fairly, and in a transparent manner so as to promote the achievement of strategic objectives in the short-, medium- and long-term. In addition, it exercises oversight over TCTA's ethics and corporate citizenship activities, sustainability trends, consumer and stakeholder relationships, as well as safety, health and environmental matters.

The Committee has adopted formal terms of reference, has regulated its affairs in compliance thereof. It is satisfied that it has discharged its responsibilities as contained in the terms of reference during the year. The committee reviewed its terms of reference towards the beginning of 2019; the revised terms of reference were approved by the Board on 30 April 2019.

## COMPOSITION

The Committee comprises four independent non-executive directors and the Chief Executive Officer who is recused from remuneration discussions. The Board Chairperson is not eligible to be a member of the committee. Individually and collectively, members have sound knowledge and experience of strategic and operational aspects of human resources management, organisational development and design. Members also have the requisite knowledge and experience in respect of corporate ethics and sustainability issues, and social

impact aspects that form an integral component of the Committee's responsibilities. Members of executive management are permanent invitees to meetings.

Refer to pages 71 to 72 for detailed qualifications and experience of committee members

## MEETINGS

Four quarterly meetings and one special meeting were held during the period under review.

Designations and member attendance during the reporting period are shown below:

Table 10: Attendance at Human Capital, Social and Ethics Committee

Name and Designation	Attendance
Satish Roopa: Chairman and Non-Executive Director	100%
Muzi Chonco: Non-Executive Director	100%
Simphiwe Khondlo: Non-Executive Director	100%
Sijabulile Makhathini: Non-Executive Director	60%
*Ola Busari: Executive Director (Acting CEO)	100%
**Percy Sechemane: Executive Director (CEO)	67%

\*For the period 1 March to 21 October 2018

\*\*From 22 October 2018



## RESPONSIBILITIES

The Committee is, amongst others, responsible for overseeing the:

- general human capital matters;
- performance management effectiveness;
- talent management;
- remuneration and benefits; and
- organisation's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice for social and ethics matters. The committee informs the Audit and Risk Committee on the sustainability risks as recorded in the Risk Register and provide related input as appropriate.

## KEY ISSUES THAT RECEIVED ATTENTION DURING THE PERIOD UNDER REVIEW

- policy development and landscape;
- succession plans for critical roles;
- employee relations monitoring;
- executive management performance contracts and competency assessments;
- optimisation of the organisational structure;
- human resource and organisational development reports (quarterly);
- social and ethics reporting (quarterly);
- ethics function and role thereof within the organisation; and
- effectiveness of organisation-wide communications.

The committee recommended the following for approval by the Board:

- Corporate Social Investment Strategy;
- Workplace Relations Strategy;

- Remuneration Strategy;
- Organisational Culture Report and Response Plan;
- Employment Equity Policy;
- Revised Disciplinary Policy and Procedure;
- Learning and Development Policy;
- Talent Management Policy;
- Environmental Policy;
- TCTA Strategic Resourcing Plan and High-Level Structure;
- Wage Mandate with Organised Labour and Salary Increments for Non-Bargaining Unit Employees;
- Code of Business Conduct;
- Ethics Policy;
- Conflict of Interest Policy; and
- Gift and Private Work Policies.

## CLOSING REMARKS

The committee was reconstituted following the appointment of new Board members in May 2019 and continues to build on the solid foundations established by the former committee. The committee recognises that as a knowledge-based organisation, TCTA's human capital represents its most important asset and is committed to ensure that this capital base is nurtured and strengthened to ensure that TCTA fulfils its mandate and mission, and promotes excellence and sustainability in all its business activities.



**Greg White**

Human Capital, Social and Ethics Committee Chairperson

# VISION, MISSION AND VALUES

## 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, while promoting Unity of Purpose and the Growth of the Collective.

## Excellence

We

- consistently give our best, and take pride in our achievements
- deliver excellent work, efficiently and on time
- think innovatively and creatively to improve our performance.

## Integrity

We

- converse honestly and respectfully, stimulating constructive action
- honour our commitments and truly ‘walk the talk’
- gain trust and credibility through fairness and mutually cooperative relationships.

## Respect

We

- acknowledge, appreciate and embrace diversity
- honour, respect and consider diverse views and opinions
- are responsive to one another’s needs and those of our communities and stakeholders.

## Unity

We

- are united through common goals and the TCTA vision

- draw on the strengths and skills of our team
- contribute positively to the team’s performance, spirit and morale.

## Growth

We

- willingly share knowledge and information with each other
- are innovative and proactive in thought and in action
- support, encourage and provide opportunities for individual growth.

We conduct our business with professionalism, uncompromising integrity and diligence. We are committed to comply with internationally recognised standards of managerial and technical excellence. We cherish transparent and consultative relationships with all our stakeholders. We proactively align ourselves to meet the challenges of a dynamic environment. We pledge ourselves to uphold the principles of accountability and sound governance in executing our duties.

## Strategic Goals

Our corporate goals are aligned with the strategic agenda of the government, in the context of the TCTA mandate and the expected deliverables. The strategic goals of TCTA are as follows:

- Deliver to Ministerial directives relating to the planning, financing and implementation of bulk raw water infrastructure, within specifications, agreed timelines and budget.
- Operate the business, its projects and processes in a cost-effective manner, conscious of the imperatives of public finance management.
- Ensure that all project activities facilitate social transformation and build sustainable communities, by providing jobs and empowering women, the youth and the disabled.
- Ensure the continuous availability of high-calibre human capital for delivering on its organisational mission into the future.
- Build the knowledge and capability of the organisation to support other water institutions, in pursuit of greater efficiencies in overall water management and water services delivery.

## SOCIAL MANAGEMENT

The social interventions for the reporting period focussed mainly on stakeholder engagements during the closeout phases of current projects and planning phases of new projects as well as Socio-Economic Development and Corporate Social Investment support.

TCTA has been providing support for extensive stakeholder engagement at provincial and local levels during the pre-construction phase of stage 1 (advance infrastructure) of the uMzimvubu Water Project. The engagement was aimed at introducing the project, getting the buy-in and the project social licence, including to pave the way for further field investigations and land acquisition. Stakeholder engagement to support the servitude handover agreements, sign-off by the landowners/users in ORWRDP-2C, has been continuing and successful results achieved.

Social Economic Development support focussing mainly on Corporate Social Investment initiatives (sanitary pads to the needy girls at local schools) and internships in partnership with the relevant Ward Councillors in the Ekurhuleni Municipality and the educational institutes in the Central and Eastern Basins of the AMD Short-term Intervention is continuing to be provided.

At ORWRDP-2C the borehole project at Girabola community was completed including its close-out report and handed over to the Sekhukhune District

Municipality for operation and maintenance. Further to this, an agreement was reached with the municipality and community committees for the donation of borehole equipment for the projects that were planned at the Gaphasa and Mampuru but could not go ahead as ORWRDP-2C project had already been handed over to DWS.

The social management team is actively involved in the inception of MCWAP-2A project to ensure that social issues are proactively addressed in the planning phase and throughout the project life cycle.

## STAFF COMPLEMENT AND EMPLOYMENT EQUITY

TCTA's employment numbers for the year ending 31 March 2019 are shown in Table 11. Although 176 positions were approved, only 146 were filled as TCTA adopted a resourcing strategy which allows flexibility in terms of filling positions as and when project mandates are secured.

The financial year 2018/19 marks the end of the three-year Employment Equity plan. The current three-year plan with the associated targets and goals stretches from January 2017 to December 2019, as shown in Table 12 and Table 13. TCTA has shown good results against its ultimate goals as shown in Table 14.

Table 11: Employment and Vacancies

Level	Employment at beginning of period	Appointments*	Terminations	Employment at end of period
Top management	-	1	-	1
Senior management	8	-	2	8
Professionally qualified	73	10	6	76
Skilled	50	3	6	47
Semi-skilled	8	7	2	14
Unskilled	-	-	-	-
Total	139	21	16	146

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

Table 12: Employment by Category

Level	2017/2018 Number of employees*	2018/2019 Approved posts	2018/2019 Number of employees	2018/2019 Vacancies	Vacancies as percentages
Top management	0	1	1	0	-
Senior management	9	10	8	2	20%
Professionally qualified	74	99	76	21	21.2%
Skilled	50	56	47	8	14.3%
Semi-skilled	8	10	14	3	30%
Unskilled	-	-	-	-	-
Total	141	176	146	34	19.3%

Table 13: Personnel Cost by Employment Category for the period under review\*

Level	Personnel expenditure (guaranteed package) R'000	Percentage of personnel expenditure to total personnel cost	Number employed during period	Average personnel cost per employee R'000
Top management	2 238	1.33%	1	2 238
Senior management	26 599	15.84%	8	3 325
Professionally qualified	104 096	61.97%	76	1 370
Skilled	32 648	19.44%	47	695
Semi-skilled	2 384	1.42%	14	170
Unskilled	-	-	-	-
Total	167 966	100%	146	1 150

TCTA's Employment Equity status and achievement against set targets for the year under review shows significant achievement was made with respect to the employment of women in the various employment categories and levels, especially at senior management level. In this respect, equal remuneration for women and men has been achieved in TCTA. The challenge for the organization, however, remains to ensure fair representation of people with disabilities. Targeted recruitment has been prioritized in this regard.

Table 14: Employment and Vacancies

Actual / Target	Black	Female	Disabled
Actual	86	50	1.4
Target (31 March 2019)	85.2	49.7	2.5

Table 15: Breakdown of Employment Equity by Employment Category as of 31 March 2019

Classification	African				Coloured				Indian				White				Foreign nationals				
	Current		Target		Current		Target		Current		Target		Current		Target		Current		Target		
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	
Top management	1	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Senior management	4	-	4	1	-	-	-	-	-	1	1	1	1	2	-	1	-	-	-	-	
Professionally qualified	31	20	33	24	4	1	3	5	5	2	5	3	5	3	6	3	5	1	4	1	
Skilled	10	24	14	27	1	5	2	3	-	2	-	2	-	4	-	4	-	-	-	-	
Semi-skilled	5	9	4	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unskilled	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	51	53	56	60	5	6	5	7	5	5	6	6	6	9	6	8	5	1	4	1	

Table 16: People Living with Disabilities

Level	Current: 2018/2019	Target: 2018/2019
Top management	-	-
Senior management	-	-
Professionally qualified	1	1
Skilled	1	1
Semi-skilled	-	-
Unskilled	-	-
Total	2	2

## HUMAN CAPITAL PRACTICES

TCTA values its employees and continues to employ human resource and organizational development strategies, which position it as an employer of choice. The organization focused on strategic human resources activities that continue to have a direct impact on the productivity and performance levels. The Human Resource and Organisational Development practices centred on the following elements:

- the optimal design of the organizational structure with a strategic resource plan to accompany it;
- the attraction and selection of new talent, fit for the desired culture;
- the implementation of an appropriate reward and recognition program;
- employee learning and development activities which complement the skills base required for the realization of TCTA's vision and mission; and
- improving organizational culture and climate

## ORGANISATIONAL STRUCTURE AND RESOURCE PLAN

For the year under review, TCTA employed 146 people as at 31 March 2019, supported by an approved headcount of 176 for the FY 2018/2019. On an annual basis, a cautious approach is adopted towards resourcing the structure. TCTA's planning approach towards the filling of vacancies is therefore flexible and is informed by the award of project mandates, reflecting the project environment it operates in. A combination of employment techniques is used, such as permanent placement; fixed-term contracts; temporary placements; and internal redeployments. Every attempt is made to optimise the structure and to appropriately allocate resources. At the leadership level, a search and selection process for a new CEO came to fruition. Similarly, the filling of other critical positions i.e. Company Secretary and the Chief Internal Auditor were realized. This brought stability to leadership and critical governance positions.



## REMUNERATION

As alluded to above, TCTA's success depends to a high degree on specialised talent, and in this vein, remuneration is a key human resource tool to attract, motivate and retain employees.

While talent is key to success, it is balanced within TCTA by its pay philosophy which is underpinned by the principle of pay-for-performance. A second principle which TCTA subscribes to is fair and transparent remuneration practices. Thirdly, TCTA ensures internal and external equity using best practices and comparative market data.

In order to enhance its Employee Value Proposition (EVP), TCTA undertook late 2017 an independent remuneration portfolio review with the intent to ascertain TCTA areas of improvement. This review resulted in a newly formulated remuneration strategy, approved by the TCTA Board in 2018, which in return created the momentum to review the remuneration policy. In 2019 the Board approved the revised remuneration policy and management amended the associated processes. In addition to the principles mentioned above, the strategy considers the long-term financial wellbeing of its employees, cost control and the pay gap ratio.

This TCTA remuneration policy applies to all TCTA employees and the principles described above, guide remuneration management.

The remuneration policy broadly distinguishes between two elements, the guaranteed portion and the pay-at-risk (or commonly referred to as variable pay) element.

### Guaranteed Pay

The guaranteed remuneration, or total-cost-to-company, is determined by three formal pay-lines based on three employment categories namely critical, important or administrative roles. These formal paylines are drawn from national market data on an annual basis, and TCTA aims to pay at the mid-point of these formal pay-lines.

FOR CRITICAL POSITIONS: - the minimum and maximum of a formal pay-line shall be 20% below and 25% above the 75th percentile of national market graded data.

FOR IMPORTANT POSITIONS: the minimum and maximum of a formal pay-line shall be 20% below and 25% above of the 62nd percentile of national market graded data.

FOR SUPPORT POSITIONS: the minimum and maximum of a formal payline shall be 20% below and 25% above the 50th percentile of national market graded data.

For executive-level positions, a custom survey is undertaken once per annum with comparable companies from the Financial, Banking and SOE sectors. During 2018/2019-year TCTA utilised Price Waterhouse Coopers to conduct the bespoke survey.

The guaranteed pay includes the employer's contributions to employee benefits (pension, group life insurance and medical aid insurance), which is a remuneration element TCTA is progressively growing, since its inception in 2014.

Annual increases are given in line with TCTA's Board guidance. The Board considers relevant outer and inner contextual information such as, but not limited to, economic growth indicators, the Consumer Price Index (CPI), remuneration trends, TCTA remuneration portfolio information, and affordability. For the year in focus, executives annual increase was a cost of living adjustment as per the Consumer Price Index.

Lastly, during 2018/2019 TCTA underwent an alignment process where all employees were transitioned to a total-cost-to-company structure, considering the variations of structuring that was historic. The opportunity was also created for employees to define their pensionable and risk earnings at a reasonable percentage of their total cost to company.

### Variable Pay

With regards to the variable portion of remuneration, TCTA offers short-term incentives, which is at the discretion of the Board and is based on organisational, divisional and individual performance. During the 2018/2019-year TCTA paid out incentives to the value of R9,776,865.23 to a compliment of 104 employees, effectively a 1/12th of income earned during the financial year 2017/2018.

TCTA also cautiously use methods such as attraction payments, when critical skills are being secured. During the 2018/2019 financial year only one such payments were made for a senior employee recruited into a critical position.

Should the reader wish to refer to actual earnings for executives, please refer to Note 23.3.3 of the annual financial statements.

## CULTURE AND ENGAGEMENT

TCTA supports the notion that employees are engaged when dialogue is prioritized. It has thus adopted an integrated competency framework that recognises employees from a holistic perspective. At the core of the framework are the following competency categories: Leadership and Managerial; Self-Management; Behavioural; Technical and Entry-level Administration. These are underpinned by TCTA values of Unity; Integrity; Respect; Growth and Excellence. All these appeal to the "Head" (Cognitive); "Heart" (Emotional) and "Hands" (performance).

At the end of 2017/2018, a climate survey was conducted and the results indicated that TCTA needed to focus on:

- Improving leadership efficacy;
- Improving Communication;

- Improving HR efficacy;
- Strengthening a performance culture (recognizing high performers); and
- Aligning systems and processes.

A response plan to the above was developed in 2018/2019 and will continue to be realized in 2019/2020.

In addition, Management and Labour cemented their partnership by concluding a Recognition Agreement in July 2018. This paved the way to a meaningful engagement on all matters of mutual interest.

TCTA continues to invest in its people through targeted training interventions aligned with their performance development plans (PDPs). On an annual basis, during and after the performance review cycle, employees commit to improving their skills based on the outcome of their performance assessments, Table 17 sets out the indicators for training expenditure.

Table 17: Training Costs

Personnel expenditure <sup>(*)</sup>	Training expenditure	Training expenditure as a percentage of personnel	Number of employees trained	Average training cost per employee
R177 572 568.30	R1 863 390.80	1.05%	96	R19 410

Table 18: Reasons for Staff Leaving

Reason	Number	(%)
Death	0	-
Resignation	11	68.75
Dismissal	2	12.50
Retirement	0	-
Ill health	0	-
Expiry of contract*	3	18.75
Total	16	100

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

TCTA continues to employ sound employee relations management practices through policies that regulate discipline and professional conduct. Its aim is to encourage employees to develop a working culture that improves performance and professionalism by adhering to rules, regulations, and procedures. This ensures that a certain standard of conduct is maintained by all employees and it also sustains a healthy working environment. Cases of misconduct and disciplinary action taken during this period are set out in Table 19.

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

Reason	Number
Verbal warning	1
Written warning	0
Final written warning	2
Dismissal	2

# THE DEGRADATION OF OUR WATER RESOURCES

**It is an inconvenient truth** that, as we use water in our human development endeavours, we tend to leave it behind in a polluted state. Potable water becomes wastewater, and where we fail to treat that wastewater, it pollutes more water. As a water-scarce country, South Africa's limited water resources should be regarded as a national treasure by all who live here. Unfortunately, the reality is quite different; human activity impacts heavily on our water resources, leaving many rivers and dams polluted.

The surface water system of South Africa is especially vulnerable to degradation. Our limited rainfall is quite concentrated, with only 10% of the land producing around 50% of the runoff, after which the major river systems act like arteries to convey the water across the land; degradation of the water resource by an upstream user can cause rapid disruption to downstream users, with economic and health risk consequences.

There are many things that can cause water resource degradation, and it can impact both ground and surface water:

- Polluted stormwater runoff in urban areas, which carries litter and other contaminants into the rivers. Landfills can also be a major source of pollution, if not managed correctly;
- Untreated sewage from broken sewer networks and dysfunctional wastewater treatment works;
- Effluent from wastewater treatment plants, even when treated to the required standard, contributes to the degradation, as it has a higher pollution load than when it was abstracted in the first instance;
- Agricultural activity could be damaging to water resources: The run-off from irrigated land, cattle kraals and feedlots can cause the leaching of salts from the soil, and the discharge of nitrates

and phosphates coming from fertilizers or sewage, into the aquatic system. This can induce eutrophication, whereby the abundance of nutrients and minerals cause excessive growth of algae, which depletes the water of oxygen, and kills off the fish.

- The unchecked growth of invasive water plant species, such as the water hyacinth, can lead to the complete coverage of the surface of a water body, the exclusion of natural light, and results in an altered water chemistry, also leading to eutrophication;
- Mining activity can cause various forms of water pollution, which can impact on ground and surface water. This is exemplified in South Africa by the problems experienced with acid mine drainage, on the Witwatersrand and elsewhere.
- The capacity of a water resource could also be degraded. Improper farming practices and control of stormwater runoff causes the erosion of soil, which leads to siltation of dams; the Welbedacht Dam in the Free State has lost 95% of its storage capacity to siltation;
- The loss of wetlands and high run-off areas to development leads to a reduction in the yield of a water system.

The Hartbeespoort Dam demonstrates virtually all the causal factors of water resource degradation listed above. Multiple attempts at rehabilitation have failed, which gives a measure of the challenge at hand.

As South Africa approaches the limit of its surface water system, the ability of the environment to absorb these impacts diminishes further; less water leads to lower resilience. This imparts a further inequality to our water system, insofar as downstream users having to deal with water of lesser quality and quantity, with the potential of higher costs and lower crop yields.



# PART E: GOVERNANCE










Leadership	66
Oversight	68
Accounting Authority	68
Company Secretary	75
Corporate Governance Framework	76
King IV	76
Delegation to Management	82
Executive Committee	82
Code of Business Ethics	83
Conflicts of Interest	84
Enterprise Risk Management	84
Compliance with Applicable Legislation	88
Internal Audit	88



## LEADERSHIP

The Minister appointed a new Board with effect from 1 May 2019; the National Treasury representative position on the Board is still vacant. The majority are independent non-executive directors. The following directors have been appointed:

Figure 17: Board of directors as from 1 May 2019

			
Director	<b>Gerald Dumas</b>	<b>Maemili Ramataboe</b>	<b>Simphiwe Khondlo</b>
Designation	Independent Non-Executive Director and Chairperson of the Board	Independent Non-Executive Director and Deputy Chairperson of the Board	Independent Non-Executive Director
			
Director	<b>Satish Roopa</b>	<b>Norman Baloyi</b>	<b>Mavis Maponya</b>
Designation	Independent Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director
			
Director	<b>Lindelwa Dlamini</b>	<b>Greg White</b>	<b>Percy Sechemane</b>
Designation	Independent Non-Executive Director	Independent Non-Executive Director	Chief Executive Officer



The areas of expertise of the new Board are set out in Table 20:

Table 20: Areas of expertise of the new Board

Area of Expertise	No. of directors with Expertise	Percentage
Water Board Management	2	25%
Strategic planning	4	50%
New business development	2	25%
Financial management	4	50%
Contract Management	1	13%
Project Management	3	38%
Infrastructure development engineering	1	13%
Investments	3	38%
Development finance	1	13%
Corporate Governance	5	63%
Stakeholder Management/Engagement	1	13%
Compliance	3	38%
Legal compliance	2	25%
Risk Management	3	38%
Corporate Social Investment	1	13%
Change Management	1	13%
Structuring infrastructure projects	1	13%
Environmental strategies	1	13%
Environmental policies development	1	13%
Environmental compliance and reporting	1	13%
Implementation of ISO 14001:2015	1	13%
Labour relations	2	25%
Human resources management	3	38%
Performance management systems	1	13%
Talent Management	1	13%
Transformation designs	1	13%
Accounting and auditing	1	13%
Corporate Treasury	1	13%
Treasury pensions and investments	1	13%
Technology Services	1	13%

## OVERSIGHT

### PORTFOLIO COMMITTEE ON HUMAN SETTLEMENTS, WATER AND SANITATION

The Portfolio Committee on Human Settlements, Water and Sanitation (previously the Portfolio Committee on Water and Sanitation) oversees the service delivery performance of TCTA, within the broader context of its contribution to the sector and the State. During the reporting period, TCTA attended two Portfolio Committee meetings, on 18 April 2018 to present the Corporate Plan for 2018/19 and on 10 October 2018 to present the Integrated Annual Report for 2017/18. The main issues were,

- The merger of TCTA and the Water Trading Entity;
- The amount owed by DWS to TCTA;
- Participation of black industrialists in large water projects;
- The appointment of the CEO;
- Acid mine drainage; and
- Irregular expenditure.

## SHAREHOLDER'S COMPACT

In terms of Treasury Regulations issued in accordance with the PFMA, TCTA must, in consultation with the Executive Authority, agree on its predetermined objectives, measures and indicators annually. These are included in the shareholder's performance agreement

(Shareholder's Compact) between the TCTA Board and the Executive Authority. The Shareholder's Compact promotes good governance practices by clarifying the roles and responsibilities of the Board and the Executive Authority.

## ACCOUNTING AUTHORITY

### THE BOARD'S RESPONSIBILITIES

The Board assumes ultimate responsibility for the performance and affairs of TCTA. In doing so, it effectively represents and promotes the organisation's legitimate interests, and in turn, as a responsible corporate citizen, TCTA considers the legitimate needs, interests and expectations of its shareholder and key stakeholders now and in the future.

In accordance with the Notice of Establishment 2000, the TCTA Board is appointed by the Executive Authority (the Minister of Human Settlements, Water and Sanitation). The Board provides oversight, strategic direction and leadership, determines the goals and objectives of TCTA and approves strategic policies. The Executive Authority has a duty to, amongst others, ensure that the appropriate mix of executive and non-executive directors are appointed and that directors have the necessary skills, experience and expertise to lead the public entity.

The Board creates sustainable value for our stakeholders through ethical and effective leadership. It is the focal point and custodian of good corporate governance in line with the King IV Code of Corporate Governance (King IV). The Board sets the strategic direction and the way in which specific governance areas are conducted within a framework of effective controls, approved policy and planning to give effect to TCTA's strategy and direction, monitors implementation of the strategy and planning, and finally ensures accountability for organisational

performance through, among others, reporting and disclosure. The Board acknowledges its crucial role in exercising ethical and effective leadership to achieve the necessary governance outcomes. To achieve these objectives, the Board is committed to ensuring good corporate governance throughout the organisation, in line with the recommendations of King IV. The Board ensures the appropriate application of the principles of King IV by adopting the required and relevant practices, or alternative appropriate practices as determined by the Board, that will give effect to these principles in the context of the organisation. The King IV application register is on page 76.

The Board committees assist the Board in discharging its duties and responsibilities, but without abdicating the Board's responsibilities. Each committee has formal, approved, written terms of reference that are reviewed annually to ensure effective delegation of roles and responsibilities from the Board. To ensure effective leadership, the Board monitors how its committees discharge their responsibilities by annually setting work plans for each committee and monitors the implementation thereof with the assistance of the company secretary. Individual reports from chairs of the audit and risk committee and the human capital, social and ethics committee are set out on page 56 and page 106 respectively.

## BOARD CHARTER

To guide its effective functioning, the Board approved an amended charter in April 2019, the provisions of which are subject, at all times, to all statutory and regulatory requirements, including the Notice of Establishment, the Public Finance Management Act No 1 of 1999, the JSE Listings Requirements and King IV. The purpose of the Board Charter is to regulate the parameters within which the Board operates and to ensure TCTA applies the principles of good corporate governance in all its dealings. The charter also sets out the roles and responsibilities of the Board and individual directors, including its composition and relevant procedures of the Board.

## BOARD OF DIRECTORS

The Board is constituted in terms of the Notice of Establishment 2000 as well as the Board charter, in line with the requirements of King IV. The majority of our Board members are independent non-executive directors, and individual members bring considerable and diverse demographics, skills and experience to the Boardroom. This ensures that decisions are taken prudently and ensures the interests of the shareholder and key stakeholders are protected. Directors are appointed by the shareholder through a formal process, who also oversees that the required independent background checks are performed. The following directors' term of office ended in 2019:

Table 21: Term of Office of Board

Director	Designation	Term
Ms Z Manase	Independent Non-Executive Director and Chairperson of the Board	1 December 2016 to 30 April 2019
Mr J Modise	Independent Non-Executive Director and Deputy Chairperson of the Board	1 December 2016 to 30 April 2019
Mr M Chonco	Independent Non-Executive Director	1 December 2016 to 30 April 2019
Dr M Ellman	Independent Non-Executive Director	1 December 2016 to 30 April 2019
Mr S Khondlo	Independent Non-Executive Director	1 December 2016 to 30 April 2019
Mr S Roopa	Independent Non-Executive Director	1 December 2016 to 30 April 2019
Ms T Moahloli	Non-Executive Director	1 December 2016 to 30 April 2019
Ms S Makhathini	Independent Non-Executive Director	1 December 2016 to 30 April 2019

The Board thanked all these directors for their contributions and guidance during their tenures and wished them all the best in their future endeavours. The Board appointments that were made in 2019 are set out on page 66.

## INDUCTION AND TRAINING

On appointment, new directors undergo an induction programme to facilitate their understanding of the business environment in which the organisation operates. This programme is facilitated by the company secretary and includes among other things, information and guidance on:

- organisational structure and leadership configuration;
- business model and funding approach;
- financial performance;
- mandate, ministerial directives and projects; and
- introduction to the business through site visits and engagement with executive management

Corporate policies and procedures, and information on directors' roles and responsibilities in terms of legislation, regulatory requirements and best practice. All directors undergo continuing professional development and are required to attend regular briefings on changes in legislation, governance and the business environment.

## BOARD ATTENDANCE

Attendance is based on four quarterly meetings, ad-hoc special meetings, a two-day strategy session, a one-day risk workshop and three special Board meetings, calculated against the number of meetings a director was required to attend.

Table 22: Attendance at Board Meetings

Director	Designation	Attendance
Ms Z Manase	Independent Non-Executive Director and Chairperson of the Board	100%
Mr J Moise	Independent Non-Executive Director and Deputy Chairperson of the Board	94%
Mr M Chonco	Independent Non-Executive Director	94%
Dr M Ellman	Independent Non-Executive Director	82%
Mr S Khondlo	Independent Non-Executive Director	76%
Mr S Roopa	Independent Non-Executive Director	100%
Ms T Moahloli	Non-Executive Director	29%
Ms S Makhathini	Independent Non-Executive Director	71%
Mr P Sechemane	Chief Executive Officer	

## BOARD LEADERSHIP

A new independent non-executive Chairperson, Mr G Dumas, was appointed in May 2019. The Board, therefore, continues to be led by an independent non-executive Chairperson, in compliance with paragraph 3.84 of the JSE Listings Requirements and recommended practices of King IV. The role of the Chairperson is separate and

distinct from that of the Chief Executive Officer (CEO) and the separation of powers and responsibilities, as set out in the Board charter, ensures no single person has unfettered decision-making powers and that the appropriate balance of power exists at Board level.

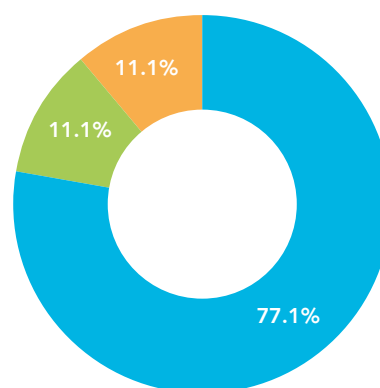
Table 23: Role and Responsibilities

Functions	Responsibilities
Chairperson	<ul style="list-style-type: none"> <li>representing the Board with the shareholder and indirectly with key stakeholders</li> <li>ensuring the integrity and effectiveness of the Board governance processes</li> <li>maintaining regular dialogue with the CEO on all operational matters and consult with the Board on any matter which is a cause for major concern</li> <li>Acts as a facilitator at Board meetings to ensure no director dominates the discussion, that appropriate discussion takes place, that members' opinions are aired, and discussions result in logical and understandable outcomes</li> <li>Plays a crucial role in ensuring the Board is properly led</li> <li>Provides the necessary direction for an ethical and effective Board and should form the link between the Board, CEO and management</li> </ul>
Deputy Chairperson	<ul style="list-style-type: none"> <li>Leading in the absence of the Chairperson</li> <li>Serving as a sounding board for the Chairperson</li> <li>Acting as an intermediary between the Chairperson and other members of the governing body, if necessary</li> <li>Dealing with stakeholder' concerns where contact through normal channels has failed, or where such contact is inappropriate</li> <li>Chairing discussions and decision making by the governing body on matters where the Chairperson has a conflict of interest</li> <li>Leading the performance appraisal of the Chairperson</li> </ul>
CEO	<ul style="list-style-type: none"> <li>Leading the execution of approved strategy, policy and operational planning and the chief link between management and the Board</li> <li>Monitoring and managing the day-to-day operational requirements and administration of the organisation</li> <li>Developing and recommending business plans, policies and objectives for consideration by the Board and considering the business, economic and political trends that may affect the operations of the organisation</li> <li>Managing/ensuring the submission of reports, financial statements and consolidated budgets for consideration by the Board</li> <li>Overseeing the financial management of the organisation, including financial planning, cash flow and management reporting</li> <li>Involving himself in organisational affairs via the executive committee and acting as its Chairperson</li> <li>Not causing or permitting any practice, activity or decision by the organisation that is contrary to commonly accepted good business practice, good corporate governance or professional ethics</li> </ul>

## BOARD COMPOSITION

The Board comprises the appropriate balance of knowledge, skills, experience, diversity and independence to discharge its governance role and responsibilities objectively and effectively. In line with King IV, non-executive members may be categorised as independent if the Board concludes there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision making in the best interest of the organisation. Only one non-executive director has served on the Board in an independent capacity for over nine years. After a formal assessment, the Board has been concluded that this member exercises objective judgement and there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision making. The Board also concluded that the majority of directors are independent.

Figure 18: Board composition



- Independent non-executive directors: 77.8%
- Non-executive directors: 11.1%
- Executive directors: 11.1%

The Board skills are shown in Table 24.

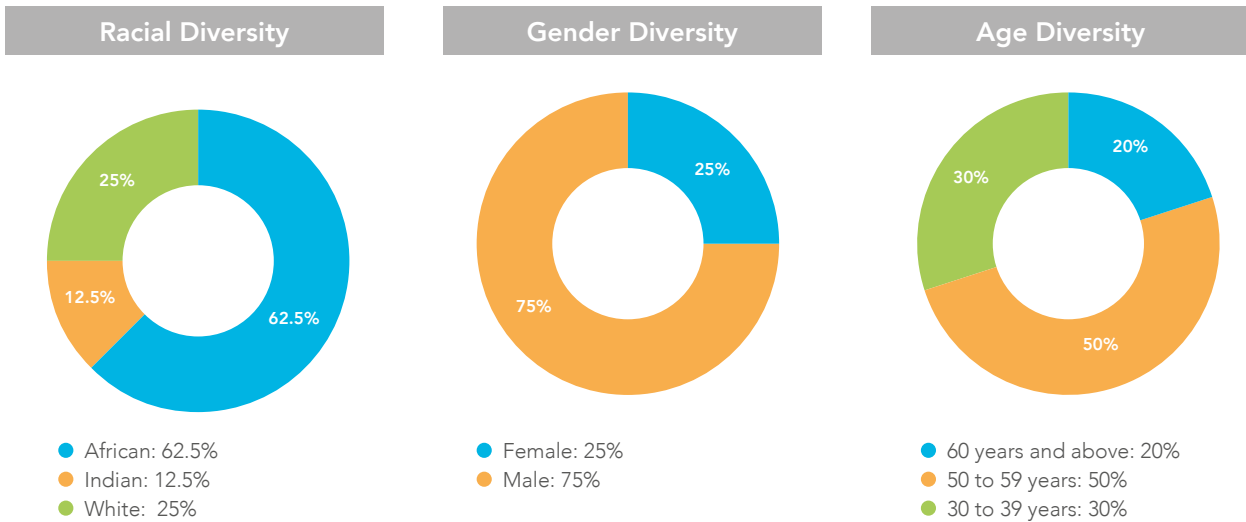




Table 24: Board Skills and Experience

Surname and Initials	Ms Z P Manase	Mr JRD Modise	Mr SN Khondlo	Ms SF Makhathini	Dr MJ Ellman
Age	58	53	52	34	72
Gender	F	M	M	F	M
Race	B	B	B	B	C
Capacity on the Board and Board Committees	Independent Non-Executive Director, Board Chairperson, Governance and Sustainability Committee Chairperson	Independent Non-Executive Director, Board Deputy Chairperson, Audit and Risk Committee Chairperson, Nominations Committee Chairperson, Member of Governance and Sustainability Committee	Independent Non-Executive Director, Technical Committee Chairperson, Member of Human Capital, Social and Ethics Committee, Member of Governance and Sustainability Committee, Nominations Committee	Independent Non-Executive Director, Member of Audit and Risk Committee, Member of Human Capital, Social and Ethics Committee, Member of Technical Committee, Nominations Committee	Independent Non-Executive Director, Finance Committee Chairperson, member of Audit and Risk Committee, Member of Technical Committee, Member of Governance and Sustainability Committee
Qualifications	<ul style="list-style-type: none"> <li>• BCom</li> <li>• BCompt (Hons)</li> <li>• HDip (Hons)</li> <li>• CA (SA)</li> </ul>	<ul style="list-style-type: none"> <li>• BCom</li> <li>• BAcc</li> <li>• CA (SA),</li> <li>• SAICA</li> <li>• MBA</li> <li>• Advanced Management Programme</li> </ul>	<ul style="list-style-type: none"> <li>• BSc Civil Engineering (Agric)</li> <li>• MSc (Eng Management)</li> <li>• Dip: Project Management</li> <li>• Certificate: Property Practitioner Practice</li> </ul>	<ul style="list-style-type: none"> <li>• BCom (Accounting)</li> <li>• BCom (Hons) (Accounting Sciences) Postgrad</li> <li>• Diploma: Accounting Science</li> <li>• Certificate: Theory in Accounting CA(SA), SAICA</li> </ul>	<ul style="list-style-type: none"> <li>• BSc (Chem Eng)</li> <li>• MSc (Chem Eng)</li> <li>• PhD (Chem Eng)</li> <li>• MBA</li> </ul>
Surname and Initials	Mr S Roopa	Ms DT Moahloli	Mr MM Choco	Prof O Busari	Mr DKP Sechemane
Age	62	37	39	57	52
Gender	M	F	M	M	M
Race	I	B	B	B	B
Capacity on the Board and Board Committees	Independent Non-Executive Director, Human Capital, Social and Ethics Committee Chairperson, Member of Audit and Risk Committee, Member of Finance Committee, Member of Governance and Sustainability Committee, Member of Nominations Committee.	Non-Executive Director, Member of Finance Committee Member of Technical Committee	Independent Non-Executive Director, Member of Human Capital, Social and Ethics Committee, Member of Technical Committee, Member of Finance, Member of Nominations Committee	Executive Director: Acting Chief Executive Officer for the period 1 March to 21 October 2018	Executive Director: Chief Executive Officer for the period 22 October 2018 to present
Qualifications	<ul style="list-style-type: none"> <li>• B Juris</li> <li>• LLB</li> <li>• M.Phil.</li> <li>• Certificate: Transformation of Institutes of Higher Education</li> <li>• Certificate: Executive Programme for Leaders in Government</li> <li>• Certificate: Negotiating International Contracts &amp; Development Finance</li> <li>• Certificate: Global Housing Trends</li> </ul>	<ul style="list-style-type: none"> <li>• BSc</li> <li>• BA (Hons) (Economics)</li> <li>• MA (Economic Science)</li> </ul>	<ul style="list-style-type: none"> <li>• BSc</li> <li>• BSc (Hons) (Hydro-geology)</li> <li>• PDBA</li> <li>• MBA</li> </ul>	<ul style="list-style-type: none"> <li>• BSc (Hon) Civil Engineering</li> <li>• MSc Eng Engineering / Hydro Geology</li> <li>• PhD: Water Resource Management</li> <li>• MBA</li> <li>• Advanced (Environmental) Isotopes Program</li> </ul>	<ul style="list-style-type: none"> <li>• BCom</li> <li>• MBA</li> </ul>

Figure 19: Board gender, racial and age diversity<sup>1</sup>



## BOARD EVALUATION

Formal evaluations of the Board, committees and individual directors shall be performed at least every second year by an independent third party. During the period under review, no performance appraisal was conducted.

## GOVERNING BODY COMMITTEES

The Board established six committees to assist in discharging its responsibilities, namely the Audit and Risk Committee, Finance Committee, Human Capital, Social and Ethics Committee, Technical Committee, Governance and Sustainability Committee and the Nominations Committee. Delegating authority to Committees does not in any way release the Board of its duties and responsibilities.

### Audit and Risk Committee

The Audit and Risk Committee complies with all applicable and relevant legal and regulatory requirements as necessary under legislation. Also, it applies the corporate governance principles for audit committees as required by King IV.

The Board recognises the important role of the Audit and Risk Committee as part of the risk management and corporate governance processes and procedures of TCTA. The Committee’s mandate is amongst others to review the effectiveness of internal controls, ensure

satisfactory standards of governance and compliance, maintain oversight for financial results and integrated reporting, oversee risk management including risk control systems. In this regard, the committee also has oversight of financial reporting risks, internal financial risks as well as fraud and IT risks as they relate to financial reporting.

Refer to page 106 for the Chairperson’s report that reflects the composition, role and responsibilities of the committee as well as and the members’ attendance record during the period under review.

### Finance Committee

The committee comprises four non-executive directors and the Chief Executive Officer. Executive managers attend all meetings by invitation. The committee’s mandate as set out in its terms of reference is, amongst others, to consider finance policies and strategies, the organisational budget, bridging facilities, water tariff setting review, strategic guidance and effective oversight on procurement activities and processes including the supply chain management system to ensure that same is consistent with the Preferential Procurement Policy Framework Act, the Broad-Based Black Economic Empowerment Act and relevant National Treasury Regulations.

Four quarterly meetings and five special meetings were held during the period under review. Designations and attendance for the reporting period are shown in Table 25.

Table 25: Attendance at Finance Committee Meetings

Name and Designation	Attendance
Michael Ellman: Chairperson and Non-Executive Director	100%
Satish Roopa: Non-Executive Director	100%
Muzi Chonco: Non-Executive Director	90%
Tshepiso Moahloli: Non-Executive Director and National Treasury Representative	40%
*Ola Busari: Executive Director (Acting CEO)	100%
**Percy Sechemane: Executive Director (CEO)	50%

\*For the period 1 March to 21 October 2018

\*\*For the period 22 October 2018 to present

## Human Capital, Social and Ethics Committee

The committee comprises four non-executive directors and the Chief Executive Officer who is recused during remuneration decisions. As required by King IV, this committee oversees and monitors TCTA activities in relations to social and economic development, corporate citizenship and ethical behaviour, stakeholder and consumer relations as well as safety, health and environmental issues; the committee also performs an oversight role in respect of remuneration, human resource and organisational development matters. The committee, therefore, assists the Board in ensuring that the TCTA remunerates fairly, responsibly and in a transparent manner so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium-, and long-term.

Refer to pages 56 for the Chairperson's report that reflects the composition, role and responsibilities of the committee as well as and the members' attendance record during the period under review.

## Technical Committee

The committee comprises four non-executive members and the Chief Executive Officer. The committee is chaired by a non-executive director, appointed by the Board. Executive managers have a standing invitation

to attend all meetings. The committee assists the Board in providing strategic leadership to management on project technical management related functions and has oversight on organisational project technical management functions.

Four quarterly meetings were held during the period under review. Designations and attendance for the reporting period are shown below:

Table 26: Attendance at Technical Committee Meetings

Name and Designation	Attendance
Simphiwe Khondlo: Chairperson and Non-Executive Director	100%
Michael Ellman: Non-Executive Director	100%
Sijabulile Makhathini: Non-Executive Director	100%
Muzi Chonco: Non-Executive Director	100%
Tshepiso Moahloli: Non-Executive Director and National Treasury Representative	25%
*Ola Busari: Executive Director (Acting CEO)	100%
**Percy Sechemane: Executive Director (CEO)	0%

\*For the period 1 March to 21 October 2018

\*\*For the period 22 October 2018 to present

## Governance and Sustainability Committee

The committee comprises five non-executive directors and the Chief Executive Officer as an ex officio member and is being chaired by the Board Chairperson. Executive managers have a standing invitation to attend all meetings.

The committee is mandated by the Board to provide strategic guidance and oversight on sustainability responsibilities, stakeholder management, the setting of the business direction and strategy, including oversight on the performance and reporting of the business.

Five meetings were held during the period under review. Designations and attendance for the reporting period are shown in Table 26.

Table 27: Attendance at Governance and Sustainability Committee Meetings

Director	Designation	Attendance
Zodwa Manase	Independent Non-Executive Director and Chairperson	100%
Jacob Modise	Independent Non-Executive Director	60%
Michael Ellman	Independent Non-Executive Director	100%
Simphiwe Khondlo	Independent Non-Executive Director	80%
Satish Roopa	Independent Non-Executive Director	60%
*Ola Busari	Executive Director (Acting CEO)	100%
**Percy Sechemane	Executive Director (CEO)	100%

\*For the period 1 March to 21 October 2018

\*\*For the period 22 October 2018 to present

Table 28: Governance and Sustainability Committee Key Focus Areas

#### Key focus areas 2019/20

The Board dissolved the committee in May 2019; the governance responsibilities have subsequently been delegated to the Nominations Committee and the sustainability responsibilities to the Human Capital, Social and Ethics Committee.

## Nominations Committee

The committee comprised five non-executive members and is chaired by the Deputy Board Chairperson. The mandate of the committee is, amongst others, to oversee the appointments of the Chief Executive Officer, the Chief Financial Officer, the Chief Operations Officer, the Company Secretary, the Chief Internal Auditor and other

members of Executive Management. The committee also assists the Executive Authority with succession planning for non-executive directors.

The committee was renamed the Nominations and Governance Committee in May 2019. Going forward, it will assist the Board in overseeing the process of appointments of the Chief Executive Officer and the Company Secretary.

If required, assist with the appointment process for members of the Board by recommending the qualifications and capabilities required for new members for onward submission to the Executive Authority and participate in the process of other executive appointments, develop and oversee the induction programme for new directors and the continuous development and training of directors as well as overseeing the formal performance evaluation process of the Board and its committees.

Ten meetings were held during the period under review. Designations and attendance for the reporting period are shown in Table 28.

Table 29: Attendance at Nominations Committee Meetings

Name and Designation	Attendance
Jacob Modise: Chairperson and Non-Executive Director	88%
Michael Ellman: Non-Executive Director	100%
Sijabulile Makhathini: Non-Executive Director	75%
Muzi Chonco: Non-Executive Director	75%
Satish Roopa: Non-Executive Director	100%
Simphiwe Khondlo: Non-Executive Director	88%

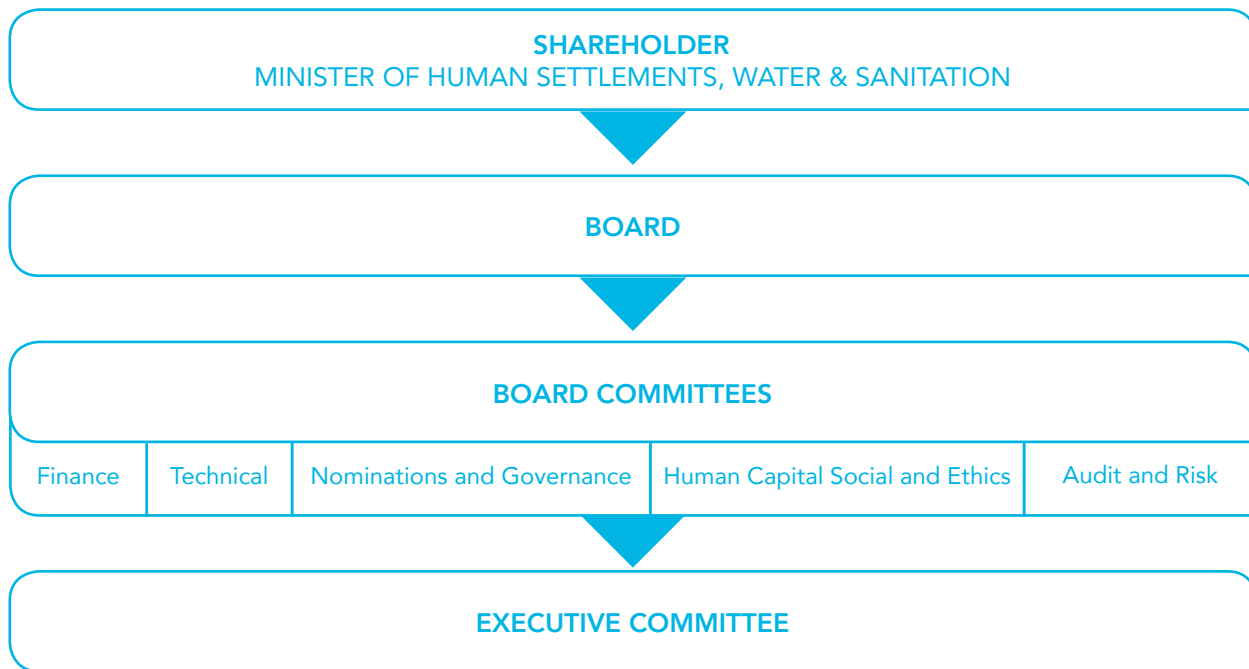
## COMPANY SECRETARY

Mrs W de Witt was appointed as company secretary from 1 October 2018. The Board recognises the pivotal role of the company secretary in establishing effective processes and systems to ensure that good corporate governance forms part of the fibre of the organisation and is entrenched in its culture.

In compliance with paragraph 3.84(i) of the JSE Listings Requirements, an annual evaluation of the incumbent company secretary will be carried out in 2019 to consider and satisfy the Board of Mrs De Witt's competence, qualifications and experience. The Board is comfortable that she maintains an arms-length relationship with individual directors and confirms that she is neither a director nor public officer of the organisation.

# CORPORATE GOVERNANCE FRAMEWORK

Figure 20: Corporate Governance Framework



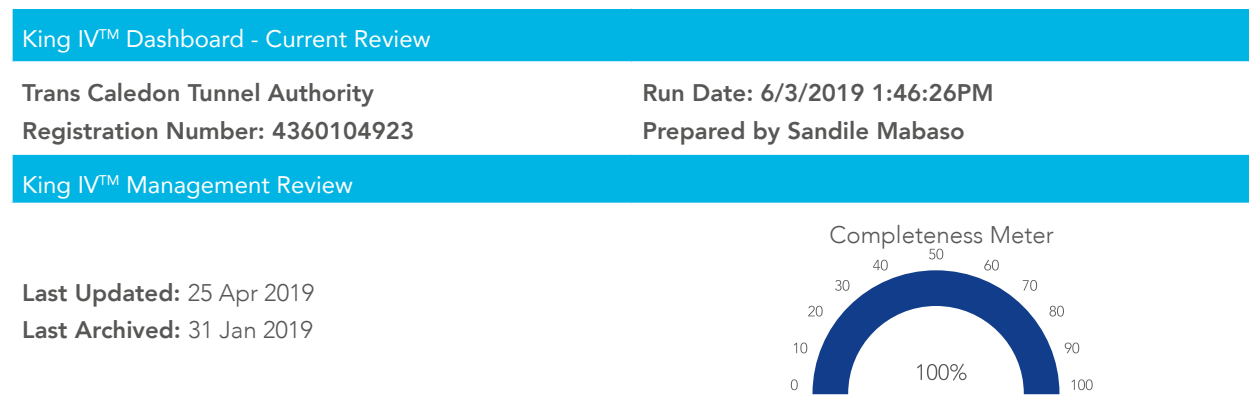
## KING IV

Since the publication of King IV in November 2016, TCTA has made significant progress to ensure that every director and employee understands the importance of good corporate governance and that all need to play a part in ensuring that TCTA acts as a responsible corporate citizen.

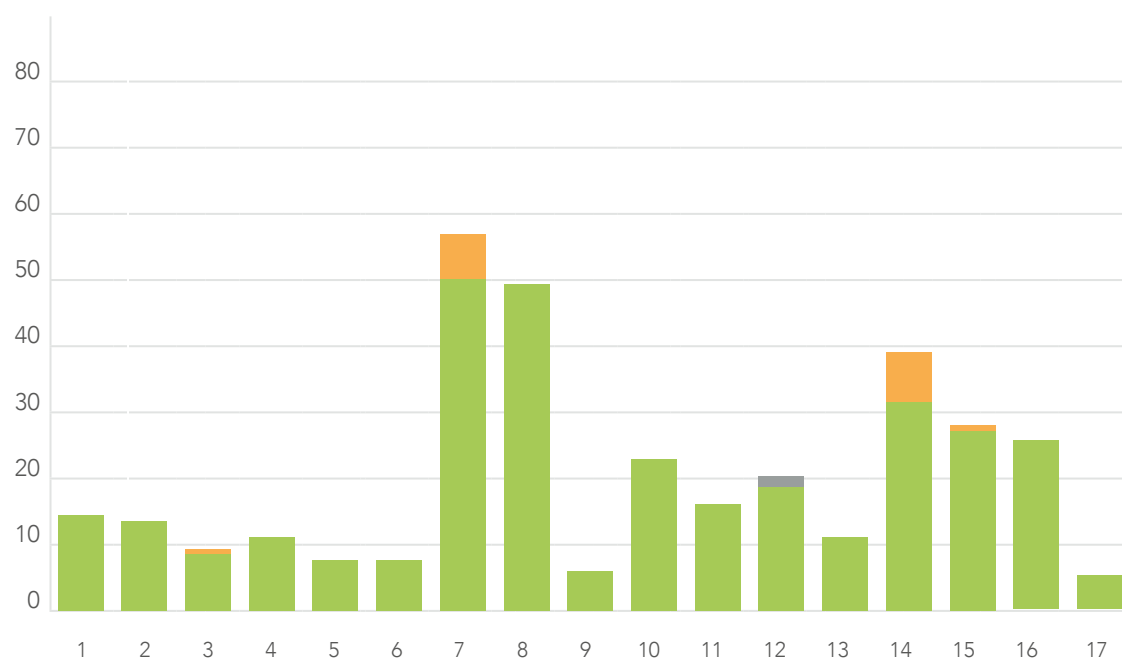
In line with King IV's to 'apply and explain' as a way of supporting a claim that good governance is practised, for each King principle our actions, as well as associated policies and processes, are summarised to support our claim of good corporate governance.

The dashboard developed using the Governance Instrument and the application register below explains the application of each of the 16 principles within TCTA.

Figure 21: King IV Dashboard







Principle	Satisfactorily Applied	Not Applied (Mandatory)	Not Applied (Voluntary)	Not Applicable
Leadership	17	0	0	0
Organisational Ethics	16	0	0	0
Responsible corporate citizenship	10	0	0	1
Strategy and performance	13	0	0	0
Reporting	9	0	0	0
Primary role and responsibilities	9	0	0	0
Composition	59	0	0	8
Committees	58	0	0	0
Evaluations of the performance	7	0	0	0
Appointment and delegation to management	27	0	0	0
Risk governance	19	0	0	0
Technology and information governance	22	0	2	0
Compliance governance	13	0	0	0
Remuneration governance	37	0	0	9
Assurance	32	0	0	1
Stakeholders	30	0	0	0
Institutional investors	6	0	0	0
	<b>384</b>	<b>0</b>	<b>2</b>	<b>19</b>

Table 30: Application of King IV Principles

KING IV PRINCIPLE	APPLICATION OF A PRINCIPLE
<p><b>Principle 1:</b></p> <p>The governing body should lead ethically and effectively.</p>	<p>The Board assumes responsibility for the governance of ethics by setting the direction for how ethics should be approached and addressed. The Board has approved the Code of Business Conduct and Ethics and the Gifts Policies as well as the Conflict of Interest Policy providing for arrangements that familiarise, directors, employees and other stakeholders with the ethical standards of the organisation.</p>
<p><b>Principle 2:</b></p> <p>The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</p>	<p>The members of the Board hold each other accountable for ethical decision-making and behaviour. The Human Capital Social and Ethics Committee assists the Board with monitoring and reporting on social, ethical and transformational practices that support an ethical culture. This includes monitoring adherence to the Code of Business Conduct and Ethics that applies to directors' employees and are incorporated by reference in employee contracts and form the contractual obligations supplier contracts. The codes of Business Conduct and Ethics are included in employee and director programmes. Ethical standards are incorporated into organisational policies and procedures, and the implementation thereof is monitored by the Human Capital, Social and Ethics Committee.</p> <p>"Tip-offs Anonymous" is an independently run mechanism which enables employees and third parties to report any perceived or alleged irregular and unethical behaviour in a confidential and controlled manner. The allegations received, via this mechanism, are reported to the Chief Internal Auditor, which reports to the Audit and Risk Committee in this regard.</p>
<p><b>Principle 3:</b></p> <p>The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</p>	<p>The Board ensures that organisational responsibilities for corporate citizen efforts comply with laws, standards and internal policies and procedures. The Board has oversight and monitors the performance against measures and targets agreed to and set out in the TCTA Corporate Plan, including the Predetermined Objectives, which are annually approved by the shareholder. Targets are set and measured across areas relating to the workplace, economy, society and environment; these objectives are aligned and give expression to the public-interest mandate of TCTA.</p>
<p><b>Principle 4:</b></p> <p>The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.</p>	<p>The Board is responsible for aligning TCTA's strategic objectives, vision and mission with performance and sustainability considerations. While the formulation and development of the organisation's short-, medium- and long-term strategy are delegated to management, the Board oversees the implementation of the strategy.</p> <p>The Board adopts a stakeholder-inclusive approach in its decision-making to ensure that legitimate and reasonable stakeholder needs, interests and expectations are considered for sustainable value creation. The Board also reviews and monitors the capital and resources required for the achievement of the organisation strategy.</p> <p>TCTA has put in place a formal risk management process, which considers the full range of material risks, including strategic and operational risks that might affect its performance and sustainability. The Audit and Risk Committee assists with the governance of risk by continuously monitoring risks and ensuring that appropriate controls are in place.</p>

KING IV PRINCIPLE	APPLICATION OF A PRINCIPLE
<p><b>Principle 5:</b></p> <p>The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short-, medium- and long-term prospects.</p>	<p>The Integrated Annual Report presents the financial and non-financial information of TCTA in an integrated manner. This report provides stakeholders with a balanced and holistic view of the organisation's financial, social, environmental and economic impacts so that they can better understand the organisation's short-, medium- and long-term prospects.</p> <p>Information on value creation is presented in a concise, understandable and contextualised manner so that the integrated performance of the organisation and its prospects are clear.</p> <p>The organisation strives to continually improve the way in which it communicates with stakeholders through its reporting practices.</p>
<p><b>Principle 6:</b></p> <p>The governing body should serve as the focal point and custodian of corporate governance in the organisation.</p>	<p>The Board's role, responsibilities, membership requirements and procedural conduct are documented in a charter. The Board Charter includes the protocol to be followed if any of its members or any of its Committees need to obtain independent professional advice at the cost of the organisation.</p> <p>The Board will also put in place the protocol to be followed by its non-executive members for requisitioning documentation from and setting up meetings with management.</p>
<p><b>Principle 7:</b></p> <p>The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</p>	<p>The non-executive members of the Board are appointed by the Minister of Human Settlements, Water and Sanitation, while the Chief Executive (the only Executive member) is appointed by the Board. These appointments are effected in accordance with the Notice of Establishment 2000. Although the Board does not have the power to nominate and elect members, it actively seeks to collaborate with the shareholder in this regard.</p> <p>Details of the directors are provided in the Integrated Annual Report that is available on our website at <a href="http://www.tcta.co.za">www.tcta.co.za</a>.</p>
<p><b>Principle 8:</b></p> <p>The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.</p>	<p>The Board has formally delegated, particular roles and responsibilities to standing committees, without abdicating its responsibility. The Board has established the following committees:</p> <ul style="list-style-type: none"> <li>• Audit and Risk Committee;</li> <li>• Governance and Sustainability Committee;</li> <li>• Human Capital, Social and Ethics Committee;</li> <li>• Nominations Committee;</li> <li>• Technical Committee; and</li> <li>• Finance Committee.</li> </ul> <p>Delegations to Board Committees are recorded by means of using formal terms of reference that is annually reviewed, and any amendments to it, approved by the Board.</p>
<p><b>Principle 9:</b></p> <p>The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.</p>	<p>During the period under review, the Board's performance was not formally evaluated. However, no material concerns were identified about the performance by the Board or any of its committees during this period. Due to the lack of conducting such an assessment, assurance cannot be given on the performance and effectiveness of the Board.</p> <p>The Minister of Water and Sanitation has appointed a new Board with effect 1 May 2019. The Board annual plan 2019/20 makes provision for Board and Board Committee self-assessments to be performed during the current financial year. A service provider would be appointed to facilitate the independent performance assessment of the Board during the first quarter in 2020/21.</p>

KING IV PRINCIPLE	APPLICATION OF A PRINCIPLE
<p><b>Principle 10:</b></p> <p>The governing body should ensure that the appointment of, and delegation to management contribute to role clarity and the effective exercise of authority and responsibilities.</p>	<p>The CEO reports to the Board and is a member of the Finance, Technical and Human Capital, Social and Ethics Committees. The CEO has declared to the Board his membership to governing bodies outside the organisation. The Board, through its Nominations Committee, would put in place a succession plan for the CEO.</p> <p>The Board has delegated certain responsibilities to management via the CEO, and these are set out in the Strategic Delegation of Authority Matrix. This matrix is annually reviewed, and changes to it, approved by the Board. The Board is satisfied that the Organisation is appropriately resourced and that delegation to management supports effective governance.</p> <p>The Board has appointed a Company Secretary with effect 1 October 2018 who provides independent corporate governance services. The Board is satisfied with the competence of the Company Secretary, and that the office of the Company Secretary is empowered and carries the necessary authority.</p> <p>The Board has approved the employment contract and remuneration of the Company Secretary.</p>
<p><b>Principle 11:</b></p> <p>The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</p>	<p>The Board is ultimately responsible for the governance of risk and has assigned oversight of the organisation's risk management function to the Audit and Risk Committee.</p> <p>TCTA has adopted an enterprise-wide approach to risk management, enabling a formal and systematic process for identifying and assessing the organisation's material risks.</p> <p>The Board has an approved Risk Management Policy and formal Risk Charter that defines the objectives and governance of risk management. The policy involves continuous risk and opportunity identification at both strategic and operational level, as well as the evaluation of mitigating controls.</p> <p>Although the Audit and Risk Committee assess the levels of risk tolerance and risk appetite for the organisation, ultimately the Board has overall responsibility for determining the risk tolerance.</p> <p>Management is accountable to the Board for designing, implementing and monitoring the processes of risk management and integrating them into the day-to-day activities of the organisation.</p> <p>TCTA applies a combined assurance model in its management of corporate risk, with both internal and external service providers providing assurance over the process.</p> <p>The Board oversees this and monitors the effectiveness of the organisation's risk management processes through the Audit and Risk Committee. The Board is satisfied that the risk management process at TCTA is effective in continuously assessing risks and opportunities and ensuring that these risks are managed in line with business strategy.</p>

KING IV PRINCIPLE	APPLICATION OF A PRINCIPLE
<p><b>Principle 12:</b></p> <p>The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.</p>	<p>Information Technology (IT) is seen as a fundamental enabler within TCTA and is essential to the support, growth and sustainability of the Organisation's ambitions.</p> <p>TCTA has a dedicated IT department, under the Executive Enterprise-Wide Support Services division that represents the department in all the forums. The IT strategy, which is aligned to the overall business strategy, guides appropriate investment in IT systems and technology. The overall responsibility for IT governance lies with the Board, which has delegated the day-to-day management of IT and tasked management with the implementation of an IT governance framework. Information and technology risk is integrated into the organisation's risk management processes and is considered by the Audit and Risk Committee as part of its oversight of IT risk.</p>
<p><b>Principle 13:</b></p> <p>The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation in being ethical and a good corporate citizen.</p>	<p>The Board ensures compliance with applicable legislation and regulations through the establishment of the organisation's regulatory universe containing all the legislation applicable to the organisation.</p> <p>Compliance is a non-negotiable part of TCTA's ethos and is integral to every activity and operation of the organisation. A Compliance Framework and Policy has been adopted and this clearly states TCTA's commitment to comply not only with legislation but also with codes, standards and best practice.</p> <p>The identification of statutory obligations is part of the compliance culture within TCTA as are continuous monitoring and reporting in a pro-active and positive manner.</p> <p>TCTA's Regulatory Universe prioritising key legislation for the organisation has been created and it lists all sections of the laws and regulations which impose a responsibility on TCTA and forms a focus of compliance monitoring.</p> <p>Compliance with procurement legislation is also closely monitored through TCTA's Supply Chain Management department. The department is required to ensure that all divisions implement any changes and challenges are immediately managed throughout the organisation. Strict adherence to supply chain management regulations is critical, as is the avoidance of any real or perceived conflict of interest.</p> <p>The organisation has a Compliance Officer who is responsible for ensuring that the organisation's compliance processes are adequate and effective in order to fulfil its legal and regulatory responsibilities.</p> <p>There have been no regulatory penalties, sanctions or fines for non-compliance or contravention of statutory obligations by the Board or senior management during the 2018/2019 financial year.</p>
<p><b>Principle 14:</b></p> <p>The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium-, and long-term.</p>	<p>The Human Capital Social and Ethics Committee operates under the delegated authority of the Board and fulfils the important function of ensuring that remuneration is responsible and fair across the organisation. The Committee also ensures that remuneration disclosures are accurate, complete and transparent.</p>



KING IV PRINCIPLE	APPLICATION OF A PRINCIPLE
<p><b>Principle 15:</b></p> <p>The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.</p>	<p>TCTA adopts a "combined assurance" framework which aims to optimise the assurance coverage obtained from management and internal assurance providers on the risk areas affecting the organisation.</p> <p>TCTA' combined assurance framework is integrated with the organisation's risk management approach. Risks facing the organisation are identified, evaluated and then managed through the implementation of various risk mitigation strategies.</p> <p>An assurance on the effectiveness of the organisation's risk-mitigating controls is obtained from various assurance providers in a coordinated manner, which avoids duplication of effort.</p> <p>The Audit and Risk Committee consider the risks and the assurance provided through the combined assurance framework, and periodically advises the Board on the state of risks and controls in TCTA' operating environment. This information is used as the basis for the Board's review, sign-off and reporting to stakeholders (via the TCTA Integrated Annual Report) on risk management and the effectiveness of internal controls within the organisation.</p>
<p><b>Principle 16:</b></p> <p>In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.</p>	<p>The Board has delegated the governance of stakeholder relationships to the Human Capital, Social and Ethics Committee. A formal, inclusive Stakeholder Engagement Framework is in place which has been approved by the Board.</p> <p>Disclosures on the organisation's key stakeholders, engagement objectives and stakeholder focus areas are contained in the TCTA Integrated Annual Report that is available on our website.</p>

## DELEGATION TO MANAGEMENT

The strategic delegation of authority matrix is reviewed annually to provide direction and delegate power to management via the CEO. The Board is satisfied that the matrix contributes to role clarity and the effective exercise of authority and responsibilities.

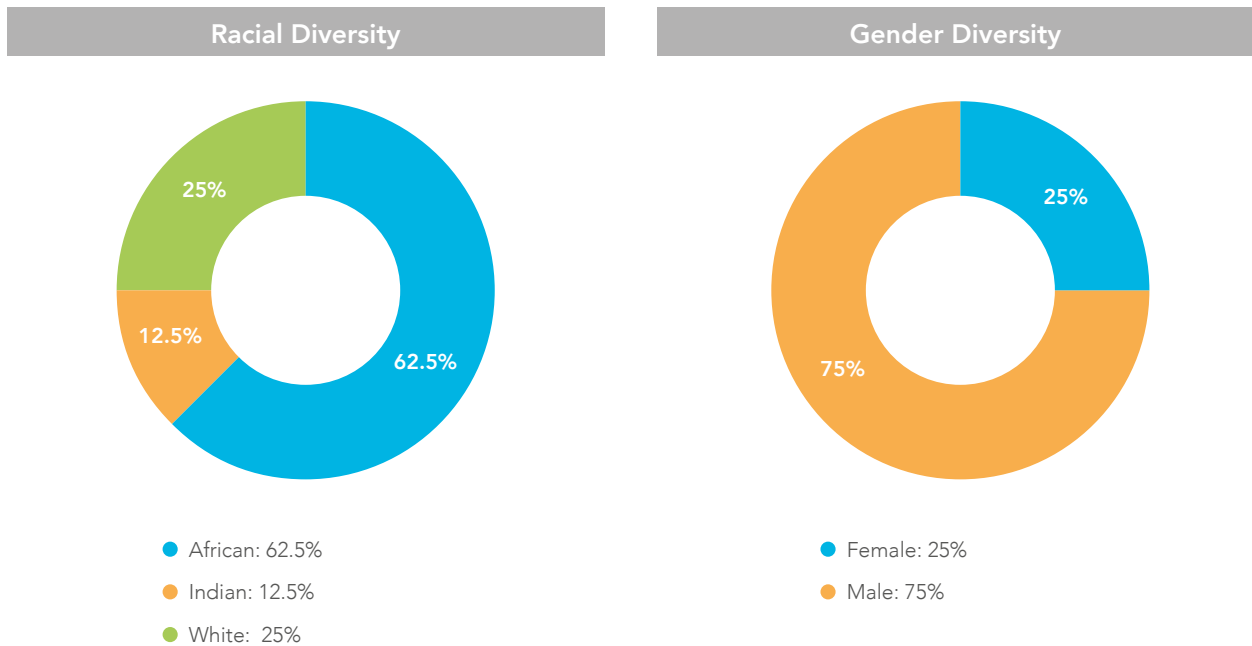
## EXECUTIVE COMMITTEE

Our executive committee comprises the CEO, the Chief Financial Officer and six members of top management as shown in the Organisational Structure on page 25. The Chief Internal Auditor has a standing invitation to attend all executive committee meetings. The Board delegates authority to executive management, via the CEO, to manage, direct, control and coordinate the day-to-day business activities and affairs of the organisation, subject to statutory limits and other limitations set out in the strategic delegation-of-authority matrix. Within the authorities delegated by the Board, the key tasks of the executive committee are to:

- oversee the financial, operational and performance of the organisation;
- guide the organisation in respect of key stakeholder relations;
- develop and recommend a strategy for approval by the board and oversee the implementation of such a strategy;
- receive and consider regular reports from senior management to monitor and drive improved financial performance;
- keep under review the adequacy of reporting arrangements and effectiveness of internal control

- and risk management;
- approve expenditure, tenders and other financial commitments as specified in the delegations-of-authority;
- where expenditure and other financial commitments are above authorities delegated to the executive committee, make recommendations to the Board seeking the necessary approvals;
- consider all submission papers intended for consideration by the board and board committees ahead of circulation, or making recommendations to the board;
- perform other functions as determined by the board from time to time; and
- review and approve terms of references for relevant management committees.

Figure 22: EXCO gender and race diversity as of 31 March 2019



## CODE OF BUSINESS ETHICS

Ethics involves applying moral standards which are supported by values, to shape the decisions and actions of individuals in the organisation in the pursuit of our business objectives. In line with our vision to be the leader in the sustainable supply of water in the region, the conduct of our business and employees is characterised by fundamental values which have been developed for the benefit of TCTA and its employees to guide the moral way of acceptable and responsible behaviour.

TCTA values provide general guidelines on how we interact with each other and our stakeholders, reflecting what is important to us and how we conduct ourselves. Recognising that our public reputation is one of our most important assets, we are committed to achieving the highest ethical standards in all our business operations.

TCTA recognises our obligations to all our stakeholders, particularly, our client, employees, business partners, the authorities, the environment and the wider community. In all our actions, the values and associated behaviours must be used to guide and direct the way we conduct ourselves. The code of business conduct is supported by organisational policies and procedures. The Board has approved a revised code of business conduct in November 2018 which contain the ethical standards to which we commit ourselves. This code should be read in conjunction with other organisational policies and procedures, specifically the following:

- Whistle-blowing Policy;
- Ethics Policy;
- Fraud Prevention Plan;
- Anti-money Laundering Policy;
- Conflicts of Interest Policy; and
- Gifts Policy.

## CONFLICTS OF INTEREST

The Board has also adopted a revised conflict-of-interest policy late in 2018, which reinforced that ethical and responsible leadership and effective governance practices require that all employees act in the best interest of their employer and requires employees to make fair and objective decisions.

It is therefore not permissible for employees or their related parties to engage in conduct, whether by acting

or failing to act, that would amount to a conflict or the potential of a conflict of interest with the organisation.

The responsibility for avoiding conflicts of interest does not end with individual employees or directors but extends to their close family and friends or other beneficiaries who may have interests that conflict with those of TCTA.

## ENTERPRISE RISK MANAGEMENT

### RISK MANAGEMENT

Risk management in TCTA is fundamental for the delivery of the organisation's mandate, and achievement of all corporate objectives. The TCTA Board exercises oversight in the implementation and management of risks with the organisation.

TCTA has adopted an enterprise-wide risk management framework, which allows a holistic view and management of all strategic, operational, project and financial risks

risk management requires a team-based approach for effective application across the organisation. In order to ensure that risk management is embedded within all levels of the organisation, the Board has delegated the responsibility of managing risks to management. Management ensures that all risks affecting their areas of responsibility are identified and mitigated to acceptable tolerance levels.

### RISK MANAGEMENT GOVERNANCE STATEMENT

A sound risk governance structure provides a solid foundation for embedding an effective risk management culture within the organisation. TCTA recognises that

### APPROACH TO RISK MANAGEMENT

The management of risk at TCTA entails proactive identification of potential risks and opportunities in a continuous and systematic manner in accordance with the enterprise risk management framework. This approach enables TCTA to manage risks to an acceptable tolerance level. The risks are identified, evaluated and managed at the appropriate levels, and their collective impact is aggregated.



## RISK RESPONSIBILITIES WITHIN TCTA

Table 31: Risk Responsibilities within TCTA

Responsible Party	Responsibilities
Board of Directors	The Board is responsible for risk governance which includes strategic decision making and risk oversight. Through its sub-committees, the Board recognises all material risks which TCTA is exposed to and ensures that the requisite risk management culture, practices, policies, resources and systems are in place and functioning effectively.
Audit and Risk Committee	The Audit and Risk Committee of the Board is responsible for assisting the Board in its oversight role. It assists the Board with oversight of an effective policy and plan for risk management. The Committee is aware of and concurs with TCTA's risk tolerance. It reviews TCTA's portfolio of risks against the organisations risk appetite and tolerance. The Committee is aware of TCTA's significant risks and determines whether management is responding appropriately to identify risks.
Executive Committee	The Executive Committee sets the tone of risk management from the top that affects the integrity and ethics and other factors of the control environment within TCTA. It also ensures that TCTA has sound risk management and corporate governance practices and processes.
Business Units	The business units are responsible for implementing and monitoring the process of risk management and integrating these into the day-to-day operational activities of TCTA. They are also responsible for ensuring that risks impacting the achievement of the business objectives are identified, assessed, managed, monitored, and reported effectively within defined risk appetites and risk management strategies.
Risk Management Division	The Risk Management division develops and implements the enterprise-wide risk management architecture including; the risk management policy, framework, plan and processes that ensure that TCTA's risks are identified and effectively managed. The division also determines the standards and information systems that support risk monitoring and reporting.
Internal and External Audit	Internal and External audit provides assurance on the effectiveness of the control environment.

## RISK MANAGEMENT SOFTWARE

Towards the end of the financial year an ACL GRC risk management software was acquired. The system will be used for effective management of risks within the organisation thereby improving the tracking mitigation and provision of integrated and comprehensive data management.

## MANAGEMENT OF RISK DURING THE FINANCIAL YEAR

The risk management implementation plan approved by the Board at the beginning of the year has been successfully implemented. The strategic, operational and project risks were reviewed in order to ensure that all identified and emerging risks are organisational

risks were mitigated in line with the organisational risk appetite and tolerance level.

Some of the strategic and key risks identified during the year were as follows:

### Strategic risks

The following were some of the key strategic risks identified during the financial year:

- Government performance risk – this risk relates to government's inability to honour commitments made on certain projects. There have been delays in payment of water revenues by DWS during most of the financial year. Continual discussions were held between TCTA and the DWS during the year in order to manage this risk. The situation improved significantly as at 31 March 2019 when, of the R2.3 billion invoiced, only R219 million, relating to the VRS project, was past due.

- Inefficient ICT – ICT challenges caused by ageing infrastructure. The newly acquired Enterprise Resource Planning (ERP), Oracle system, was not successfully implemented. As a result, the Human Resources (HR) module is functioning and operational whilst the Finance and the Supply Chain Management modules have been halted pending the outcome of the gap analysis which will determine the way forward. In the meantime, a decision was taken to revert to the ACCPAC system for financial management and accounting.
- Non – compliance with TCTA policies, governing legislation and other prescripts". The introduction of the National Treasury note 3 presented some onerous processes which are not aligned to industry practice. This resulted in the organisation incurring irregular expenditure. TCTA has since approached the National Treasury in this regard.

## Operational risks

The key project risks is the failure to implement projects within approved timelines. The following projects were affected:

- Berg River Voëlvlei Augmentation Scheme (BRVAS).

The BRVAS project was delayed due to the inability to raise funding, caused by delays in finalising implementation agreements, water supply agreements as well as off take agreements. Further, the preparatory funding facilities agreed to in terms of the directive remains outstanding.

- Mokolo Crocodile River Water Augmentation Project– Phase 2A

The project has been delayed since institutional arrangements were not finalised as at year-end, this impacted the fund-raising process. An amount of R69 million was provided by DWS which enabled TCTA to appoint the Professional Service Provider (PSP).

## Financial risks

The organisation is exposed to financial risks associated with projects funding and liability management. The key treasury risks such as liquidity risk, interest rate risk and credit risk were well managed during the financial year. The following were some of the risks managed:

- The delays in receiving water revenues from the Department of Water and Sanitation continued to pose liquidity challenges to the organisation. However, the organisation had sufficient commercial paper facilities in place and maintained sufficient banking facilities with reputable institutions which could be drawn on to meet short-term cash requirements.
- The organisation is required to comply with borrowing limits obtained from National Treasury. At the end of the financial year, the utilised portions of Vaal River Eastern Sub-system Project (VRESAP) and the Mooi-Mgeni Transfer Scheme (MMTS-2) projects were very close to the borrowing limits approved by National Treasury. Hence, any issue of commercial paper against these projects had to be closely monitored in order to avoid any breach of the borrowing limits.





## KEY RISK IDENTIFIED DURING THE FINANCIAL YEAR 2018/19

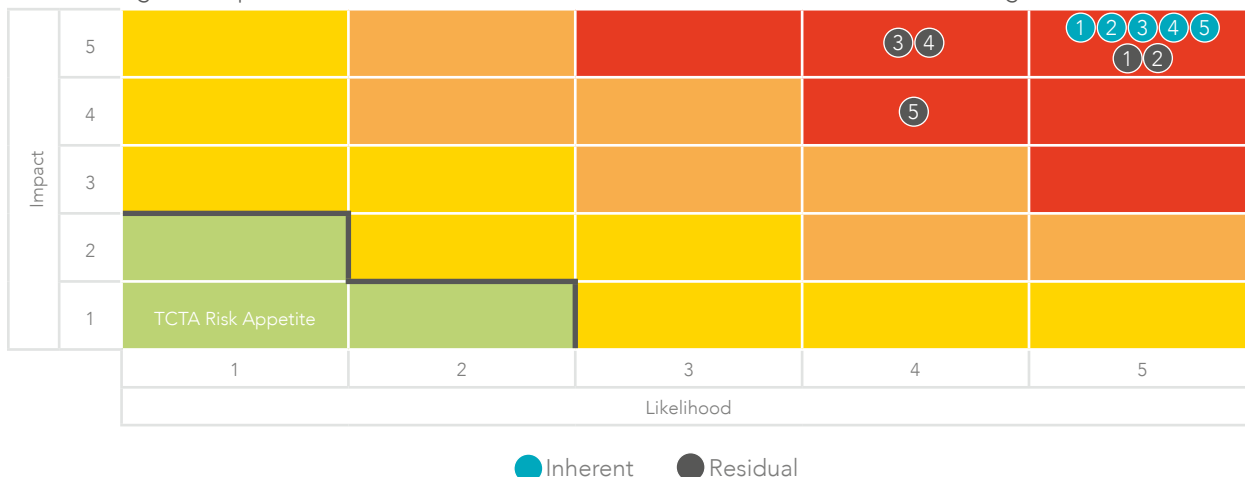
The table below shows the key strategic risks and their mitigation measures, as well as the inherent and residual ratings in line with the TCTA risk rating matrix.

Table 32: Key Strategic Risks

No.	Risk	Inherent risk	Mitigation Measure	Residual Risk
1.	<b>Failure to implement projects on time in line with stakeholder expectations</b> - This risk relates to government's inability to honour agreements and commitments made towards certain projects i.e. delay in processing TCTA submissions which affect the implementation of projects.	25	<ul style="list-style-type: none"> <li>Active engagement with the Department of Water and Sanitation and National Treasury</li> </ul>	25
2.	<b>Failure to raise funding</b> - The qualified audit opinion on the 2018/19 financial statements, current economic outlook, the reluctance of National Treasury to issue guarantees and negative publicity around DWS may affect the raising of commercial funding for the new projects. In addition, social projects and preparation stages of some commercial projects depend on funding from DWS to commence the department's budget constraints may affect the allocation of funding for these projects.	25	<ul style="list-style-type: none"> <li>Negotiating with funders to waive the qualified audit opinion condition on the loan agreements.</li> <li>Engaging and communicating with Funders in order to profile TCTA as an SOE with a strong credit rating.</li> <li>Security arrangement through explicit and implicit government guarantees.</li> <li>Independent credit rating of the projects.</li> </ul>	25
3.	<b>Inefficient ICT</b> - The ICT infrastructure (i.e. Servers, Desktops etc.) have reached the end of their life span or are close to reaching the end of their life span. In addition, there is a misalignment between the ICT strategy and business strategy.	25	<ul style="list-style-type: none"> <li>Implementation of ICT governance charter and framework</li> <li>Procurement of new IT infrastructure.</li> </ul>	20
4.	<b>Non-compliance with TCTA policies, governing legislation and other prescripts</b> - The National Treasury practice note 3 has presented some onerous processes which are not aligned to construction industry practice. The introduction of note 3 resulted in TCTA incurring irregular expenditure.	25	<ul style="list-style-type: none"> <li>Application for exemption from the prescribed expansion limits on capital projects</li> </ul>	20
5.	<b>Non-compliance with loan covenants</b> - The qualified audit opinion and inadequate monitoring of loan covenants may result in the recall of loans and strain the country fiscus.	25	<ul style="list-style-type: none"> <li>Negotiating with funders to waive the condition relating to the qualified audit opinion on the loan agreements.</li> <li>Quarterly Monitoring of compliance with loan covenants.</li> </ul>	16



The following heatmap illustrates the inherent and residual risks in line with the TCTA risk rating matrix.



## COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS

The Board recognises its accountability to all TCTA's stakeholders under the regulatory requirements applicable to its business and remains committed to high standards of integrity and fair dealing in its conduct. Given the importance of complying with the ever-increasing domain of regulatory requirements, and the increased national and international emphasis placed on regulatory supervision, The Board, Executive Committee and employees continue to monitor, align and adhere to compliance requirements. Further, TCTA remains vigilant in monitoring material risks and developing an appropriate control environment to ensure organisation-wide compliance. During the year, there were no material penalties, sanctions, fines for contravening or non-compliance with statutory obligations imposed on the organisation, but many incidents of irregular, fruitless and wasteful expenditure which management is addressing.

The responsibility for effective implementation of compliance throughout TCTA has been delegated to the Compliance Officer. The compliance function enables the business to adhere to applicable regulatory requirements by ensuring that actions, processes and procedures are risk-appropriate and that the business can achieve its business goals without fear of penalties and loss of reputation. Incidents of non-compliance are reported to the responsible executives or heads of business units, divisions for prompt resolution. The compliance function is also charged with the responsibility of assisting, guiding and advising the various divisions and departments within TCTA on how to discharge their duties in managing their compliance responsibilities and obligations.

The Board oversees compliance management and has delegated the review and approval of the organisation's

compliance program to the Audit and Risk Committee and the authority to oversee compliance matters within TCTA. The Audit and Risk Committee requires that:

- the Compliance Framework and Policy be revised every three years and submitted to the Audit and Risk Committee for approval;
- the compliance programme, which is the calendar for the planned compliance activities be submitted on an annual basis for approval by the Audit and Risk Committee;
- the compliance function reports non-compliance with laws and regulations or supervisory requirements to the Audit and Risk Committee; and
- the compliance function submits a report on the level of compliance with laws and regulations in every meeting of the Audit and Risk Committee.

In addition, Public Finance Management Act (PFMA) requires the Board to ensure that TCTA and its employees comply with the provisions applicable to Schedule 2 Companies, as well as any other legislation applicable to the organisation. Accordingly, the Board – in its capacity as TCTA's accounting authority – ensures that the organisation adheres to the requirements for the assessment of risk and annual budget submissions, and the annual conclusion of a Shareholder's Compact. The Board also further ensures that the organisation adheres to all procedures for quarterly reporting to the Executive Authority through submission of quarterly PFMA reports.

The Board has noted the ineffectiveness of supply chain-related controls, which resulted in significant irregular expenditure in terms of the PFMA, as highlighted in the annual financial statements.

## INTERNAL AUDIT

The TCTA in-house Internal Audit division is governed by an approved Internal Audit Charter and upholds the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing (Standards) in executing deliverables. Internal Audit provides reasonable assurance to the Board, Audit and Risk Committee and Management, on the adequacy and effectiveness of internal controls, risk management and governance processes.

### Internal Controls

Assurance and advisory reviews were conducted for the 2018/19 financial year, in line with the approved risk-based Internal Audit Plan. The outcome of the completed internal audit reviews informed the process to form an opinion on the annual assessment.

There is room for improvement in monitoring and tracking the timeous resolutions of action plans committed to by

management, on internal and external audit reports. The Irregular Expenditure focus contributed, to some extent, to the slower rate of implementation of corrective actions to mitigate risks raised in the audit findings. This fact was considered in informing the Annual Written Assessment for 2018/19.

## Risk Management

The review of the adequacy and effectiveness of controls indicates that the embedment of risk management into all daily operations, has not yet been fully embraced. No formal Risk Management review was conducted in the period, as such the following were considered: Reports presented to management structures and board oversight structures; the progress of implementing action plans in the strategic risk registers; and the root causes identified during the execution of internal audit reviews. A Combined Assurance approach, albeit not formalised, is pursued by the Risk Unit, Internal Audit, Compliance and other assurance providers, is to further enhance the control environment.

The organisational resilience achieved through an effective business continuity management process can be further strengthened by enhancing the business continuity management programme and documenting key business processes to mitigate the risk of continuity of operations, in the event of an emergency or a disaster.

The Fraud risk was managed as part of risk management. A fully outsourced Anti-fraud Hotline was available to employees and external parties to report allegations of fraud and/or corruption anonymously. Internal Audit administers the Hotline, the risk Unit facilitates the management of fraud risks, as part of the broader risk management process. Allegations reported in the period were investigated and reports were presented to the ARC. Corrective action was also implemented to address control weaknesses identified during the investigation.

## Governance

TCTA subscribes to King IV Report and Code. No formal Governance Review has been conducted for the Board that served during the period, as a result the adequacy and/or effectiveness of the Board cannot be informed

by an outcome from an assurance review. Overall good governance practices were pursued, to comply with the JSE requirements, Company's Act – as far as relevant to TCTA and the King IV Principles. A Company Secretary was appointed in the period, and this has improved the governance processes that the role is responsible for. Internal audit and other assurance providers should continue to pursue effective leadership, ethical culture and legitimacy to achieve improved performance against set strategic objectives.

## ACCOUNTABILITY

The Internal Audit division reports functionally to, the Audit and Risk Committee and administratively to the Chief Executive Officer.

## COMBINED ASSURANCE

King IV recommends that organisations determine the appropriate Combined Assurance Model, that will suit its needs.

TCTA's Combined Assurance approach, albeit not formalised, saw an improved collaboration with all assurance providers to enhance the control environment further. These included management, the Risk and Compliance units and the Auditor-General South Africa.

## ANNUAL WRITTEN ASSESSMENT

### Conclusion

The overall internal audit opinion on the TCTA internal control environment is that the system of internal controls, risk management and governance processes are partially adequate and partially effective. Efforts are being made to improve the control weaknesses, which if implemented, should enable TCTA to achieve its strategy through effective performance.

# THE VITAL ROLE OF ACCESS TO WATER AND SANITATION IN SOCIAL WELL-BEING

## Universal access to water is a vital element of equitable development.

Access to potable water and safe sanitation is an essential element of public health; in its absence, community health deteriorates, which contributes to people being trapped in poverty. It stands to reason therefore, that a vibrant and highly functional water and sanitation sector is necessary, if we are going to gain ground in the fight against poverty and inequality in the country by 2030.

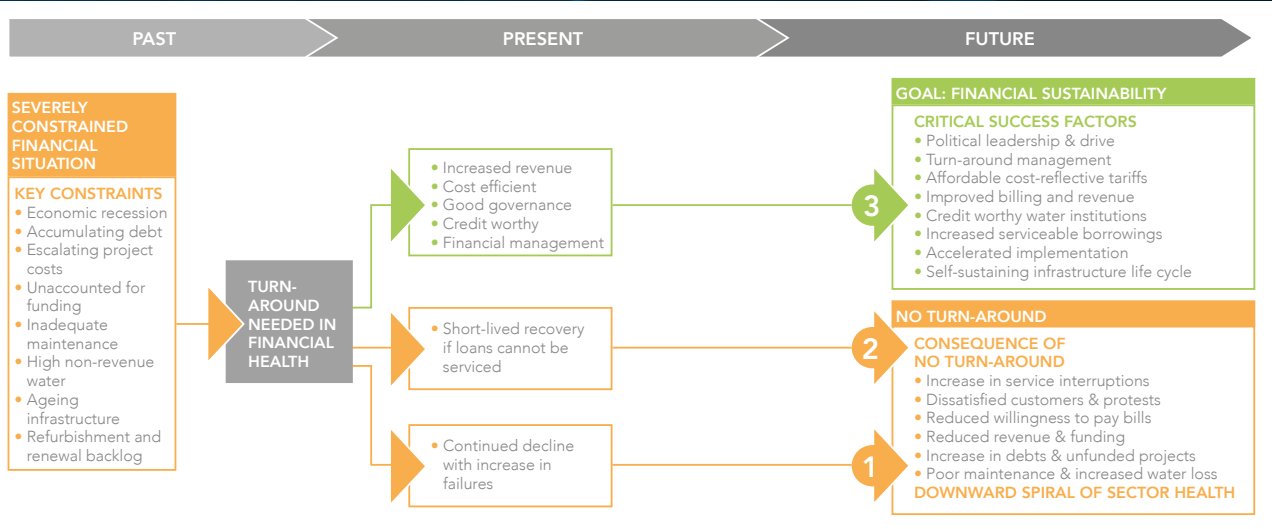
Twenty-five years after the advent of democracy, the battle has not yet been won. While some 89% of households now have access to water supply infrastructure, only 64% has access to reliable water supply, a number that has regressed since 1996. Poor reliability of supply and overflowing sewers are key pain-points for communities, which often lead to protest action and vandalism. Much of the deficiency stems from dysfunctional wastewater and treatment works. Nation-wide, 56% of wastewater treatment works, and 44% of water treatment works are not functioning adequately. Access to sanitation stands at a nominal 80% of households, but the distribution is slanted, with only 50% access in some municipalities. The targets for access to reliable water supply and sanitation,

as per the SDG's and the NDP, are 90% by 2020, and 100% by 2030. Clearly, progress is not on track. The impact of under-performance in the sector is predominantly being felt by the poor, and people living in rural communities; as stated earlier, the causal links to deteriorating community health and the poverty trap, are clear. In contrast to this, more affluent households, especially in an urban setting, have more means to mitigate the effects of poor service delivery, and it is seldom necessary.

A revitalised water sector is necessary if we are to achieve equity in access. The National Water and Sanitation Master Plan reflects three possible future scenarios for the sector, as illustrated in Figure 23 below. Outcome 3 is clearly the only acceptable future state, which hinges upon a sustainable financial turn-around of the sector, on the back of increased revenue and substantial gains in efficiency, governance, credit worthiness financial management. This will create the means for institutional rejuvenation, the building of new technical competencies and well-conceived, well-funded projects throughout the water value chain. Yet ultimately, we remain guided by the moral imperative to improve the access of poor households to reliable water supply and sanitation, and so contribute to a more equal and just society.

## SCENARIOS FOR THE FUTURE OF THE SECTOR

Figure 23: Scenarios for the future of the sector





## PART F: INFORMATION AND COMMUNICATION TECHNOLOGY

Business Continuity	92
Reportable Incidents	93
Technology and Information Governance	94
Strategic Objectives and Projects	95

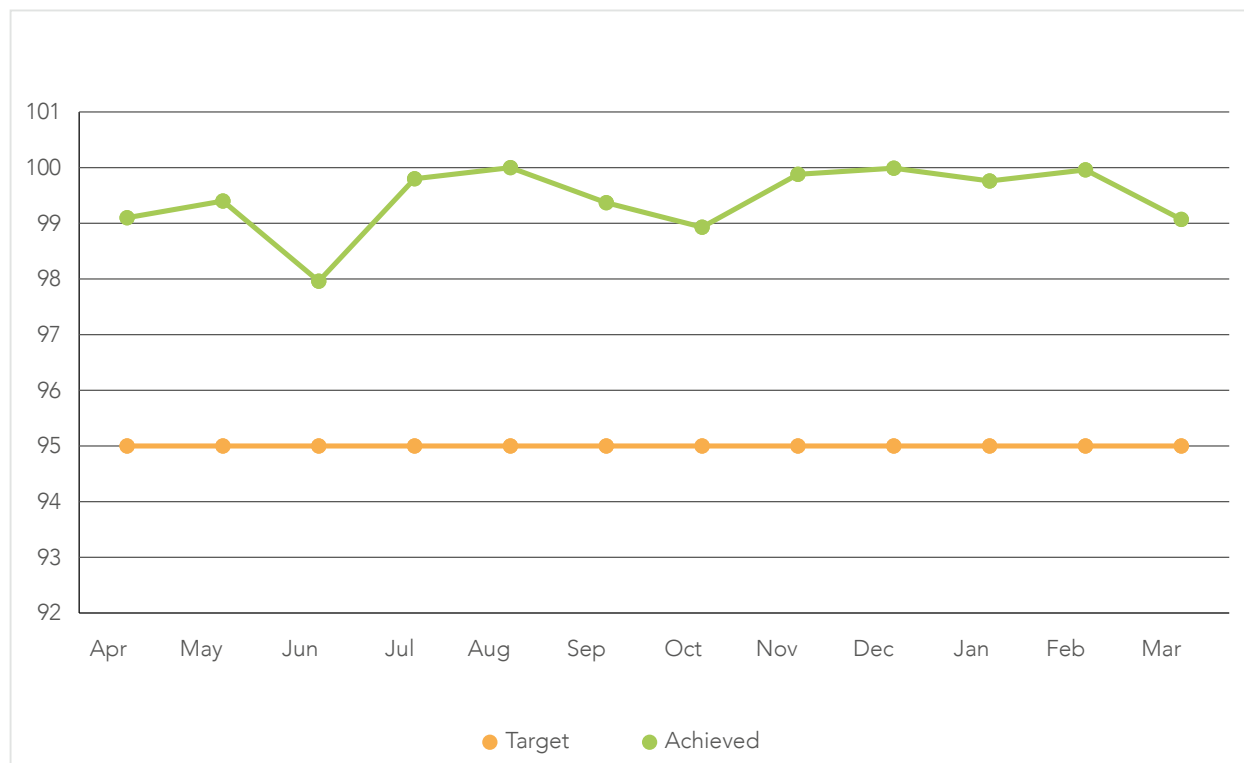


## BUSINESS CONTINUITY

The Information and Communication Technology (ICT) environment is a key business process enabler and vehicle for delivery of services, towards the achievement of corporate objectives. Providing a secure and resilient platform is critical, not only for business continuity but also for ensuring the integrity of data.

During the year ended March 2019, the average uptime recorded for critical servers was 99.41%, which is above the 95% target. This was achieved despite the ageing ICT infrastructure, due to active and continual monitoring and maintenance of the infrastructure where possible.

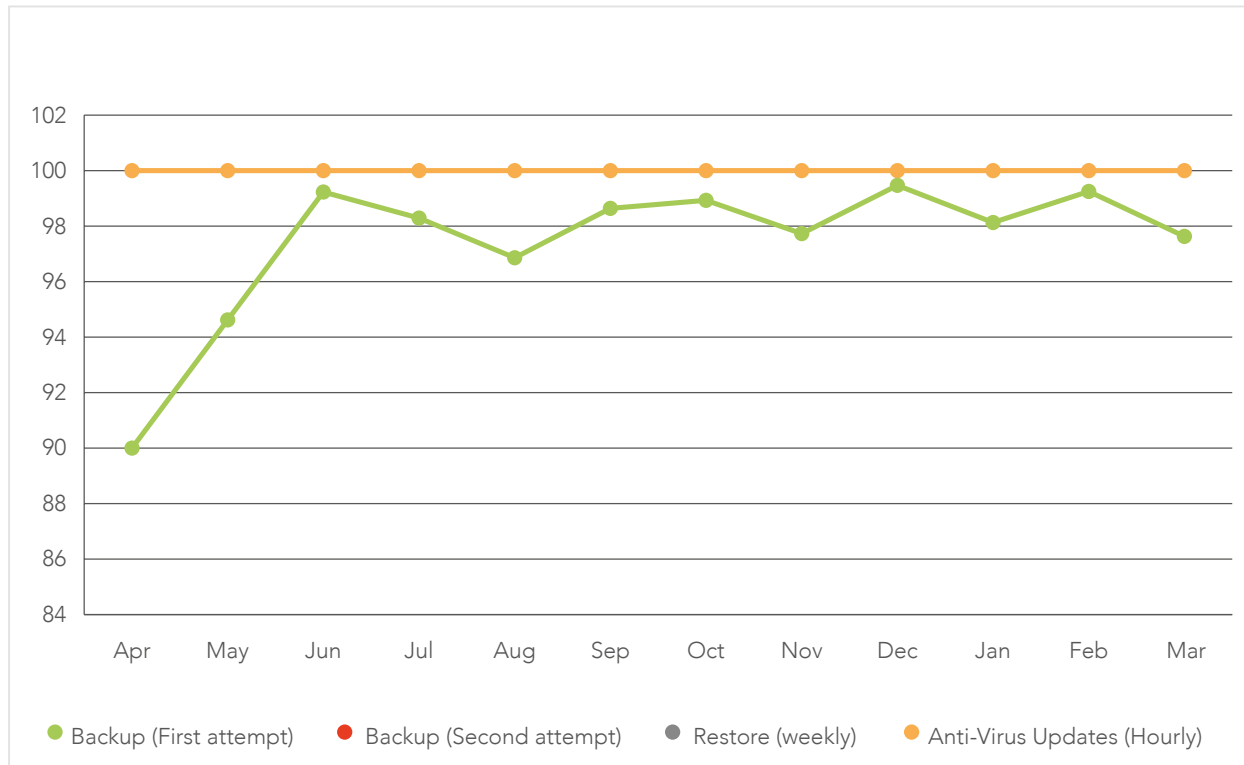
Figure 24: Critical Server Uptime



Although the organisation has not secured a dedicated disaster recovery site, measures have been taken to mitigate the risk. These include daily backup of all corporate data to an off-site storage facility, and regular testing of the backup to ensure functionality. The success rate achieved for data backup is 97% at first attempt and 100% at the second attempt. A business impact assessment has also been conducted, and the disaster recovery plan reviewed and updated.



Figure 25: Data Backup Success Rate



The ageing ICT infrastructure remains a threat to business continuity. However, the organisation has embarked on an infrastructure renewal programme, having issued a tender in the fourth quarter of the year under review. The tender calls for a cloud-based and integrated solution that encompasses infrastructure-as-a-service (IaaS), disaster recovery and connectivity.

## REPORTABLE INCIDENTS

The following incidents were reported during the period under review:

- the data/fibre line from TCTA to Dube Trade Port (where the ERP system was hosted at the time), provided by Liquid Telecom, went down on Friday 22 June 2018 due to a fault in the Centurion area. It was restored on Saturday 23 June 2018. Due to the line failure, the ERP system was not accessible for one day;
- the Domain Controller, the server responsible for authenticating users, failed on Saturday 23 June 2018 and was recovered the same day. This did not impact on business operations as it took place during a weekend;
- the Data Centre Cooling System in server room malfunctioned on two occasions, resulting in water flooding and high temperatures in the server room. On both occasions service providers were appointed on an emergency basis to repair the system;
- the data line from TCTA to Dube Trade Port, provided by Liquid Telecom, went down on Friday 28 September 2018 due to fibre cable damage along Lenchen South in the Centurion area. It was repaired in the same afternoon. Due to the line failure, the ERP system was not accessible for half a day;
- servicing of the fire suppression system in the Data Centre became overdue as a result of the procurement process failing on two occasions. A service provider was finally appointed during quarter four. The fire suppression system has been serviced and a certificate issued. Should there be a fire in the server room, the system will respond and extinguish the fire; and
- incidents of social engineering and phishing continue to increase. By its very nature, social engineering is essentially a 'mind game' and very difficult to prevent through a technical solution. It requires awareness and training of employees to protect themselves from such activities.

# TECHNOLOGY AND INFORMATION GOVERNANCE

In terms of King IV, the Board has the responsibility to govern technology and information in a way that supports the organisation's setting and achieving its strategic objectives. In line with this, the Board approved a new ICT governance charter and framework, which defines the roles of Board and management concerning the governance of technology and information and set a framework to be followed thereof. Further, the Board approved a three-year ICT strategic plan, as well as a Cybersecurity strategy and plan.

Table 33 shows TCTA's level of compliance with King IV practices in the governance of technology and information.

Table 33: compliance with King IV practices

Principle	Applied
1. The Board should assume responsibility for the governance of technology and information by setting the direction for how technology and information should be approached and addressed in the organisation.	Applied
2. The Board should approve a policy that articulates and gives effect to its set direction on the employment of technology and information.	Applied
3. The Board should delegate to management the responsibility to implement and execute effective technology and information management.	Applied
4. The Board should exercise ongoing oversight of technology and information management and oversee that it results in the following:	
a. integration of people, technologies, information and processes across the organisation;	Applied
b. integration of technology and information risks into organisation-wide risk management;	Applied
c. arrangements to provide for business resilience;	Not Applied
d. proactive monitoring of intelligence to identify and respond to incidents, including cyber-attacks and adverse social media events;	Applied
e. management of the performance of, and the risks pertaining to, third-party and outsourced service providers;	Applied
f. the assessment of value delivered to the organisation through significant investments in technology and information, including the evaluation of projects throughout their life cycles and of significant operational expenditure;	Applied
g. the responsible disposal of obsolete technology and information in a way that has regard to environmental impact and information security;	Not Applied
h. ethical and responsible use of technology and information; and	Applied
i. compliance with relevant laws.	Applied
5. The Board should exercise ongoing oversight of management of information and ensure that it results in the following:	
a. the leveraging of information to sustain and enhance the organisation's intellectual capital;	Applied
b. an information architecture that supports confidentiality, integrity and availability of information;	Applied
c. the protection of personal information; and	Applied
d. the continual monitoring of the security of information.	Applied
6. The Board should exercise ongoing oversight of the management of technology and, ensure that it results in the following:	

Principle	Applied
a. a technology architecture that enables the achievement of strategic and operational objectives;	
b. the management of risks pertaining to the sourcing of technology; and	
c. monitoring and appropriate responses to developments in technology, including the capturing of potential opportunities and the management of disruptive effects on the organisation and its business model.	
7. The Board should consider the need to receive periodic independent assurance on the effectiveness of the organisation's technology and information arrangements, including outsourced services.	
8. The following should be disclosed in relation to technology and information:	
a. an overview of the arrangements for governing and managing technology and information;	
b. key areas of focus during the reporting period, including objectives, significant changes in policy, significant acquisitions and remedial actions taken as a result of major incidents;	
c. actions taken to monitor the effectiveness of technology and information management and how the outcomes were addressed; and	
d. planned areas of future focus.	

	Satisfactorily Applied		Partly Applied		Not Applied		Not Applicable
--	------------------------	--	----------------	--	-------------	--	----------------

## STRATEGIC OBJECTIVES AND PROJECTS

During the period under review, two important systems were successfully implemented, namely, the Risk Management System and the Compliance Management System. The system for preparation of the annual financial statements, which was procured in the previous financial year, was successfully and fully utilised for the reporting period ended March 2019.

In the previous financial year, it was reported that the organisation embarked on two critical ICT projects, namely, a Treasury Management System (TMS) and an Enterprise Resource Planning (ERP) system. The TMS system was successfully implemented and fully functional. However, the ERP project did not meet all the objectives that it was set to achieve. Hence, the organisation decided to put on hold the Finance and Supply Chain Management modules of the system, while it continues with Human Capital Management module. The latter has been in operation since March 2018. The organisation is currently in the process of appointing an independent ERP specialist to conduct a comprehensive assessment of the two modules that have been put on hold and advise the organisation on the appropriate course of action towards finding a resolution.



# KEY QUESTIONS TO PONDER

1

What should be done differently to ensure the state can fulfil its Constitutional obligation that everyone has the right to have access to water?

2

How can the water sector do more to reduce inequality in South Africa?

3

What can we do to make the water and sanitation sector financially sustainable?

4

The cost of supply of water and the treatment of wastewater depends upon the economies of scale. Often, the bulk infrastructure for an urban concentration passes through an unserved community. Is this an opportunity to alleviate inequality? If so, how can a more equitable dispensation be achieved?

5

The hardship of water scarcity is most acute in rural environments; whether from drought or poor infrastructure, such communities understand the impact on a deeply personal level. In order to mobilise action in the sector towards greater equality, more people need to understand and appreciate this impact. How could this be achieved?





# PART G: FINANCIAL INFORMATION

Independent Auditor's Report	98
Audit and Risk Committee Report	106
Annual Financial Statements	108

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

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## Report of the Auditor-General to Parliament on Trans-Caledon Tunnel Authority

### Report on the audit of the financial statements

#### Qualified opinion

1. I have audited the financial statements of the Trans-Caledon Tunnel Authority (TCTA) set out on pages 108 to 279, which comprise the aggregated statement of financial position as at 31 March 2019, the aggregated statement of comprehensive income, aggregated statement of changes in equity, aggregated statement of cash flows, as well as the notes to the annual financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the entity as at 31 March 2019, and the financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa 1999 (Act No.1 of 1999) (PFMA)

#### Basis for qualified opinion

##### AMD receivable

3. I was unable to obtain sufficient appropriate audit evidence regarding the Acid Mine Drainage (AMD) receivable as the financial models provided as audit evidence for the receivable did not substantiate the amounts disclosed in the annual financial statements. I was unable to confirm this receivable by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to AMD receivable stated at R727 million (2018: R774 million), as disclosed in note 14 to the annual financial statements.

##### Provision for compensation

4. Included in note 17 to the annual financial statements, is a provision stated at R375 million (2018: R340 million) relating to compensation to individuals affected by the loss of income as a result of re-appropriation of land in respect of the Lesotho Highlands Water Project (LHWP). I was unable to obtain sufficient appropriate audit evidence to substantiate the provision for compensation, as disclosed in note 17 to the annual financial statements. I was unable to confirm the provision by alternative means. As a consequence, I was unable to determine whether any adjustments were required to the amounts of provision for compensation in the annual financial statements.

##### Capital commitments

5. I was unable to obtain sufficient appropriate audit evidence for Capital commitments, as disclosed in note 22 to the annual financial statements. The capital commitments schedule provided as audit evidence did not substantiate the amounts disclosed in the annual financial statements. I was unable to confirm the commitments by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to commitments stated at R520 million (2018: R280 million), in note 22 to the annual financial statements.

#### Context for the opinion

6. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

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

7. I am independent of the entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants and, parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### Key audit matters

9. Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole and in forming my opinion, and I do not provide a separate opinion or conclusion on these matters.

Key audit matter	How the matter was addressed in the audit
<p><b>Tariff receivable</b></p> <p>Tariff receivable amount to R20 354 million, as disclosed in note 10.4 to the annual financial statements.</p> <p>Tariff receivable is a non-derivative financial asset with determinable receipts based either on costs to be reimbursed or a tariff determined to enable TCTA to repay the project debt and operating costs over long term periods.</p> <p>Tariff receivable is a key audit area due to significant management judgement involved, the complex financial models developed to value the receivable, the significant audit effort that is required to validate the balance and its significance in the business of TCTA. This is also the largest asset balance on the aggregated statement of financial position.</p> <p>In particular, there is significant focus on considering whether the tariff receivable is valued appropriately as the TCTA determines the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate. The estimated future cash flows are subject to significant judgement, assumptions, and estimates about future events.</p> <p>These included an assessment of:</p> <ul style="list-style-type: none"> <li>• The estimation of current and future construction costs, which is derived from the approved long term cost plans. Matters arising in the current year including variation orders and actual progress versus expected progress, which alter this assessment each year.</li> <li>• The projection of water volume consumption required for each project.</li> <li>• The internal rate of return used to discount all cash flows for projects.</li> <li>• Consumer Price Index used to estimate future net cash flows.</li> </ul> <p>Based on the points noted above and the significance of the tariff receivable balance, this area remained an area of focus for the period under review.</p>	<p>My procedures included amongst others, the following:</p> <ul style="list-style-type: none"> <li>• I made use of an auditor's expert (IFRS expert) to assess reasonability and appropriateness of the financial models and its compliance to the relevant accounting standards (IFRS 9). I reviewed the tariff receivable models for mathematical accuracy, and consistency of formulae used across all tariff models as at reporting date.</li> <li>• I inspected the consistency of the effective interest rate in the current year to prior years and to the date of project inception, and assessed its applicability to the nature of the receivable.</li> <li>• I inspected the agreements and MoU's between TCTA and the Department of Water and Sanitation (DWS) to determine whether the relationship between the two parties justified the assumptions management made in the configuration of the financial models. (e.g. whether the essence or substance of the contractual obligations of the parties, supported the valuation method applied).</li> <li>• I assessed the reasonability of total construction costs incurred across tariff models.</li> <li>• I assessed the reasonability of forecasts of water volumes, Consumer Price Index (CPI), forecast tariff rates and total construction costs across tariff models.</li> <li>• I reviewed the reasonability of the disclosure and presentation relating to the tariff receivable as well as the presentation of current and non-current tariff receivables.</li> </ul>

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

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### Material uncertainty relating to going concern

10. I draw attention to the matter below. My opinion is not modified in respect of this matter.
11. I draw attention to note 27 to the annual financial statements, which indicates that a qualified audit opinion is, unless waived, an event of default in some of TCTA's Vaal River System (VRS) loans. This results in an indication of a material uncertainty on TCTA's ability to continue as a going concern.

### Emphasis of matter

12. I draw attention to the matter below. My opinion is not modified in respect of this matter.

### Restatement of corresponding figures

13. As disclosed in note 26 to the annual financial statements, the corresponding figures for 31 March 2018 have been restated as a result of errors in the financial statements of the entity at the year ended, 31 March 2019.

### Other matter

14. I draw attention to the matter below. My opinion is not modified in respect of this matter.

### Previous period audited by a predecessor auditor

15. The financial statements of the previous year were audited by a predecessor auditor in terms of section 4(3) of the Public Audit Act, on 31 August 2018.

### Responsibilities of accounting authority for the financial statements

16. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
17. In preparing the financial statements, the accounting authority is responsible for assessing TCTA's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

### Auditor-General's responsibilities for the audit of the financial statements

18. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
19. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

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

## Report on the audit of the annual performance report

### Introduction and scope

20. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
21. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators/ measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
22. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
23. The material findings in respect of the usefulness and reliability of the selected objectives are as follows:

### Objective 2 - Manage the implementation of projects to meet defined objectives

#### Achievement of critical project milestones dates

24. The entity did not have a project charter that sets out clear critical project milestones and criteria to allow for consistent collection of data for the MWP project. As a result, the following targets were not measurable:
  - Finalise handover of project from DWS and initiate project preparatory activities
  - Handover report completed July 2018

#### Approval of critical project milestone dates (MCWAP 2A: Tender design and documentation complete by March 2019)

25. The entity did not prepare technical indicator descriptions, which would enable the determination of the nature and the required level of performance for the above indicator and or target. The target was not specific on what constitutes tender documentation and whether tender completion refers to the date when specifications are complete or when the bidders had responded and provided all documentation. Therefore, the target was furthermore not measurable.

### Objective 3 - Operate and maintain AMD Plants and LHWP infrastructure in accordance with requirements

#### Maintaining or reducing of water levels within the mine voids

26. There is no direct correlation between the targets and the indicators since the indicators relate to the maintenance or reduction of water level in the voids and the target refers to the volumes of water treated. In addition, the technical indicator description for quality of water treated, does not define the numerator and denominator factors to be considered in determining the percentages targeted (within 90-94):
  - An average volume of water treated in the Western Basin of between 30 – 33 Ml/d
  - Quality of treated water from the Western Basin, Central and Eastern Basin within 90-94% of DWS specification



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

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### Objective 4 - Structure project funding and secure institutional arrangements, as well as requesting necessary authorisations

#### Institutional arrangement secured

27. The entity reported on targets which are not within the control of the TCTA and which do not require TCTA performance to achieve them. The following serve as examples:
- AMD-LTS: Agreements submitted to the parties (Department of Water and Sanitation and each off-taker) for signing by June 2018
  - MWP: Terms of reference prepared and ready for signature by key stakeholder principal in September 2018
28. I did not raise any material findings on the usefulness and reliability of the reported performance information for those objectives:
- Objective 5 – Raise Funding for implementation of infrastructure projects; and
  - Objective 6 – Manage debt within the approved borrowing limits and ensure debt will be repaid.

#### Other matters

29. I draw attention to the matters below.

#### Achievement of planned targets

30. Refer to the annual performance report in Section B of the Integrated Annual Report for information on the achievement of planned targets for the year and explanations provided for the under/ over achievement of a number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 29 to 34 of this report.

#### Adjustment of material misstatements

31. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Objective 2 Manage the implementation of projects to meet defined objectives. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

### Report on the audit of compliance with legislation

#### Introduction and scope

32. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
33. The material findings on compliance with specific matters in key legislations are as follows:

#### Annual financial statements

34. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA.

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

35. Material misstatements on non-current assets, current assets, liabilities, revenue and expenditure identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided for non-current assets, current assets, non-current liabilities, current liabilities and disclosure items resulted in the annual financial statements receiving a qualified opinion.

### Expenditure management

36. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R104 million as disclosed in note 25 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of this amount related to expenditure incurred in the prior years, but identified in the current year. The irregular expenditure was mainly caused by deviations that were not properly approved.
37. Effective and appropriate steps were not taken to prevent fruitless expenditure amounting to R1 million as disclosed in note 25 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by payments for licenses not utilised due to post implementation challenges that were identified during the system change from Accpac to Oracle.

### Procurement and contract management

38. Some of the goods, works or service were not procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA. Similar instances of non-compliance were also reported in the prior year.

### Other information

39. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.
40. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
41. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
42. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

### Internal control deficiencies

43. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the performance report and the findings on compliance with legislation included in this report.

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

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44. The leadership of the entity did not adequately establish policies and procedures related to key finance business processes and components, in order to enable and support the understanding and execution of internal control objectives, processes and responsibilities on certain balances and transactions reported in the annual financial statements related to the projects being implemented in Lesotho. In addition, leadership did not effectively implement clarifying standard operating procedures relating to certain aspects of performance reporting.
45. Management did not implement adequate proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support credible financial and performance reporting. Although implementation occurs across borders, certain supporting schedules are not obtained and quality assured prior to inclusion in the annual financial statements. This resulted in significant delays in submission of information impacting the audit process and ultimately the audit outcome.
46. Management did not always understand the requirements of the SCM legislation and National Treasury Framework for Programme Performance Information (FMPPi) and thus inadequately applied the requirements of the SCM legislation and the FMPPi.

### Other reports

47. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

### Investigations

48. An independent consultant conducted two forensic investigations into the procurement processes in respect of the Central and Eastern Acid Mine Drainage projects, at the request of the board of directors. The investigations were concluded in the previous period and resulted in disciplinary and criminal proceedings against two ex-employees and the relevant service providers, in respect of the Central Basin. One employee's service was terminated and the other received a written warning and subsequently resigned. The criminal investigations were still ongoing at the date of this report.

*Auditor-General*

Pretoria

20 December 2019



AUDITOR - GENERAL  
SOUTH AFRICA

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

## Annexure - Auditor-General's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the entity's compliance with respect to the selected subject matters.

### Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
  - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the [board of directors, which constitutes the accounting authority
  - conclude on the appropriateness of accounting authority use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the TCTA ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease continuing as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
  - obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion

### Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.
5. From the matters communicated to those charged with governance, I determine those matters that were of the most significance in the audit of the financial statements of the current period and are therefore key audit matters. I describe these matters in this auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in this auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

## AUDIT AND RISK COMMITTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2019

### 1. AUDIT AND RISK COMMITTEE RESPONSIBILITY

The Audit and Risk Committee is pleased to present the report for the financial year ended 31 March 2019.

The Committee has adopted formal terms of reference, approved by the Board of Directors. The terms of reference cover, among others, the Committee's statutory duties, monitoring and oversight role on: financial and non-financial reporting and disclosure; adequacy and effectiveness of the system of internal controls, risk management and governance processes.

The Committee reports that it has fulfilled all its statutory duties as required by the PFMA, has conducted its affairs in compliance with its terms of reference as adopted by the Board, and has discharged all its responsibilities contained therein.

### 2. EXECUTION OF STATUTORY DUTIES

In the conduct of its duties the committee has, inter alia, reviewed the following functions:

#### 2.1 Effectiveness of Internal Control

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted by the entity revealed some weaknesses, which have been raised with management, and for which agreed action plans have already been put in place to address them in the ensuing period.

Through our analysis of audit reports and engagement with management we can report that the system on internal control for the period under review was found as partially adequate and effective. These include specifically control weaknesses controls around procurement. The Auditor General has further a major issue of inadequate supporting documentation in relation to transactions for Lesotho Highlands Water Project. This resulted in significant or material non-compliance with prescribed policies and procedures.

The Audit Committee has reviewed the report of the Auditor General and confirm that there are financial reporting challenges arising from structural weaknesses with the project that will need to be addressed urgently in the next period. The Committee has received commitment from management that a working team comprising of all the parties within the Lesotho Highlands project, the Department of Water and Sanitation, the Lesotho counterparts, including the LHDA and the LHWC will be established.

#### 2.2 Internal Audit

The committee acknowledges the gradual improvement within the division in effectively supporting the committee

in fulfilling its role. The capacity and competency is being augmented through a co-source internal audit partnership. To cater for the growing size of the entity and the complexities inherent in the TCTA activities.

#### 2.3 Risk Management

TCTA has a Risk Management Framework and Policy which is being implemented by management and regularly monitored by the Committee. Enhancements to the process have been recommended and it is expected that implementation is underway, to effectively manage key risks. The risk areas of concern that need to be expedited:

- Embedding risk management in daily operations to fully realise the benefits of Enterprise-wide Risk Management (ERM).
- Effective management of debt, arising from delays experienced in the receipt of revenue from DWS, which results in delays of project implementation which are of national importance.
- The need to improve overall ICT Governance, including but not limited to the IT Infrastructure, as an enabler to the implementation of the TCTA Strategy.
- Enhance compliance to applicable legislation and policies on, for example, irregular expenditure, consequence management etc. The committee acknowledges the impracticability of implementing Note 3 of the NT Regulations relating to irregular expenditure and this matter is currently under discussion with the National Treasury.
- The Committee has highlighted delays in key and significant projects, due to the DWS dependency for funding arrangements.

#### 2.4 Governance

- The Board is committed to good corporate governance and embraces the King IV principles of effective leadership, ethical culture, performance and legitimacy.
- The committee seeks to integrate these principles into policies and procedures in the ensuing period.

#### 2.5 Combined Assurance

The committee is committed to implementing combined assurance to obtain maximum benefit from all assurance providers. A Combined Assurance Framework has been adopted for full implementation in the 2020/21.

#### 2.6 Annual and Monthly Management Reports Submitted in Terms of Legislation

Monthly and quarterly reports on financial and performance information were presented in the committee meetings and monitored throughout the year. The committee recognises that management information provided requires improvement to satisfy legislative requirements and improvements are in process.

#### 2.7 Evaluation of annual financial statements

The committee has reviewed the annual financial statements and acknowledges the findings of the AGSA. There is a



need by all relevant stakeholders for TCTA to review the governance structures in relation to the Treaty obligations, to ensure that information required for financial reporting is supported and accessible timeously.

In respect of the annual financial statements, the Committee

- Confirmed the going concern as the basis of preparation of the annual financial statements;
- Reviewed compliance with the financial conditions of loan covenants;
- Examined and reviewed the annual financial statements, and all financial information disclosed to the public, prior to submission and approval by TCTA's Board of Directors;
- Ensured that the annual financial statements fairly present the financial position of TCTA as at the end of the financial year, as well as the results of operations and cash flows for the financial year;

- Considered accounting treatment, significant unusual transactions and accounting judgments, especially those relating to the Tariff Receivable, which is the present value of the entitlement to future revenues from DWS to repay all expenditure incurred on the projects.

### 3. AUDIT AND RISK COMMITTEE MEETING ATTENDANCE

The Audit and Risk Committee consists of the members listed hereunder. During the financial year under review, the Committee met nine (9) times and appropriate feedback was provided to the Board on matters that are within the mandate of the committee. The table below reflect the members attendance.

Committee Members	2018/04/20	26-May-2018 (Continuation)	2018/05/29	31-May-2018 (Continuation)	2018/07/24	28-July-2018 (Continuation)	28-August-2018 (Special)	2018/10/23	31-October-2018 (Continuation)	2018/11/20	30-November-2018 (Continuation)	2019/01/22	2019-01-29 (Special)	25-March-2019 (Special)
JRD Modise (Chairperson)	✓	✓	✓	]	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
MJ Ellman	✓	A	✓	✓	✓	✓	]	✓	✓	✓	✓	✓	✓	✓
S Makhathini	✓	✓	]	]	✓	]	A	]	]	]	]	✓	]	A
S Roopa	✓	✓	✓	✓	✓	A	✓	✓	✓	✓	✓	✓	✓	✓
O Busari (Acting CEO)	✓	]	✓	✓	✓	✓	✓	NM	NM	NM	NM	NM	NM	NM
P Sechemane (CEO)	NA	NA	NA	NA	NA	NA	NA	A	✓	✓	✓	A	✓	✓

✓ = Present; A = Apology; NM = No longer a member; ] = Teleconference; NA = Not Appointed;

### 4. DATE AUDIT COMMITTEE RECOMMENDED ANNUAL FINANCIAL STATEMENTS

As at the date of the report, the Committee is comprised of the following members:

- M Ramataboe
- S Roopa
- M Maponya
- N Baloyi

The Committee recommended approval of the Annual Financial Statements on 11 December 2019.



Maemili Ramataboe  
Chairperson

## AGGREGATED STATEMENT OF FINANCIAL POSITION FOR THE PERIOD ENDED 31 MARCH 2019

	Note(s)	2019 R mil	2018 Restated * R mil
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	8	6	6
Intangible assets	9	4	14
Tariff receivable*	10.4	18 976	20 253
AMD receivable	14	415	569
<b>Total Non-Current Assets</b>		<b>19 402</b>	<b>20 842</b>
<b>Current Assets</b>			
Tariff receivable*	10.4	1 378	3 617
Short-term financial market investments	10.5	482	371
Loans and other receivables	12	229	259
Prepayments	13	279	127
Cash and cash equivalents	18	3 048	3 849
AMD receivable	14	312	205
<b>Total Current Assets</b>		<b>5 728</b>	<b>8 428</b>
		<b>25 131</b>	<b>29 270</b>
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>RESERVES</b>			
Retained income	11	836	640
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Long-term financial market liabilities	10.6.3	20 672	17 653
Provisions	17	355	323
<b>Total Non-Current Liabilities</b>		<b>21 027</b>	<b>17 976</b>
<b>Current Liabilities</b>			
Trade and other payables	15	1 141	1 044
Non-contractual amounts	16.1	187	75
Provisions	17	57	39
Short-term financial market liabilities	10.6.2	1 882	9 496
<b>Total Current Liabilities</b>		<b>3 268</b>	<b>10 654</b>
		<b>24 294</b>	<b>28 630</b>
<b>TOTAL LIABILITIES</b>			
		<b>25 131</b>	<b>29 270</b>
<b>TOTAL EQUITY AND LIABILITIES</b>			

The accounting policies on pages 114 to 125 and the notes on pages 126 to 261 form an integral part of the annual financial statements

## AGGREGATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2019

	Note(s)	2019 R mil	2018 Restated * R mil
<b>Construction revenue</b>	19	688	542
<b>Construction costs</b>	19	(688)	(542)
<b>Other operating income</b>		1 471	1 474
<b>Expenses</b>		(1 471)	(1 692)
Legal fees and litigation costs		(9)	(12)
Depreciation	8	(1)	(4)
Amortisation	9	(10)	(6)
Operating costs for the work in Lesotho	30	(83)	(166)
Lesotho Highlands Water Commission (LHWC) costs	23.2.1	(14)	(16)
Staff costs	29.3	(157)	(92)
Directors' emoluments and related costs	23.3	(9)	(10)
Royalties and license fees	28	(918)	(914)
AMD operations and maintenance	29	(228)	(273)
Other operating expenses	29	(42)	(199)
<b>Operating surplus/(deficit)</b>			<b>(219)</b>
<b>Net finance income/(costs)</b>		197	(456)
Finance income	20.1	3 103	2 935
Finance costs	20.2	(2 906)	(3 391)
<b>Surplus/(deficit) for the year</b>		<b>198</b>	<b>(675)</b>
<b>Total comprehensive income (loss) for the year</b>		<b>198</b>	<b>(675)</b>

\* See Note 4 & 25

## AGGREGATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2019

	Retained income R mil	Total equity R mil
<b>Restated* Balance at 31 March 2017</b>	<b>1 313</b>	<b>1 313</b>
Loss for the year	(675)	(674)
<b>Total comprehensive Loss for the year</b>	<b>(675)</b>	<b>(674)</b>
Opening balance as previously reported	638	639
<b>Balance at 31 March 2018 as restated</b>	<b>638</b>	<b>639</b>
Surplus for the year	198	198
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>198</b>	<b>198</b>
<b>Balance at 31 March 2019</b>	<b>837</b>	<b>837</b>

\* See Note 4 & 25

## AGGREGATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2019

		2019	2018
	Note(s)	R mil	Restated * R mil
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts on tariff receivable		9 877	6 218
Cash paid to suppliers and employees		3 334	(2 955)
Cash generated from project activities	A	6 543	3 264
Interest paid	C	(2 205)	(2 202)
<b>Net cash from operating activities</b>		<b>4 338</b>	<b>1 062</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Disposal of property, plant and equipment		-	1
Purchase of property, plant and equipment	8	(1)	(1)
Purchase of other intangible assets	9	-	(4)
Payments to acquire financial assets		(125)	-
Proceeds on the sale of financial assets		-	2 634
Interest received	B	265	364
<b>Net cash from investing activities</b>		<b>139</b>	<b>2 994</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long-term borrowings		6 550	-
Repayments on long-term borrowings		(11 778)	(2 826)
Proceeds from short-term borrowings		230	244
Repayments on short-term borrowings		(278)	(183)
Movement in other liability 1		-	-
<b>Net cash from financing activities</b>		<b>(5 276)</b>	<b>(2 765)</b>
<b>Total cash movement for the year</b>		<b>(800)</b>	<b>1 289</b>
Cash at the beginning of the year		3 849	2 559
<b>Total cash at end of the year</b>		<b>3 049</b>	<b>3 848</b>

\* See Note 4 & 25



## NOTES TO THE AGGREGATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2019

	2019 R mil	2018 R mil
<b>A. CASH (USED IN)/GENERATED FROM PROJECT ACTIVITIES</b>		
Surplus for the year	198	(675)
<b>Adjustments for non cash flow items:</b>		
Depreciation on non-current assets	11	10
Net interest income	2 636	3 013
Interest income and imputed interest on tariff receivable	(2 832)	(2 118)
Construction revenue	(686)	(542)
Other income	(1 471)	(1 696)
Non cash flow in operating expenses	(11)	(290)
<b>Changes in working capital:</b>		
Loans and other receivables	(51)	(59)
Prepayments	(97)	4
Payables and provisions (excluding interest payable)	73	14
Capitalised to/(removed from) tariff receivable	8 814	5 198
Non cash flow item in accounts receivable	(40)	403
Non cash flow item in accounts payable	(3)	3
<b>Cash (used in)/generated from project activities</b>	<b>6 541</b>	<b>3 265</b>
<b>B. INTEREST RECEIVED</b>		
<b>Amount due at beginning of the year</b>	18	65
<b>Income during the year adjusted for non-cash items</b>	251	317
Interest accrued	270	371
Bond premium amortised	(17)	(52)
Interest on RSA account	(2)	(2)
<b>Amount due at the end of the year</b>	(4)	(18)
<b>Interest received</b>	<b>265</b>	<b>364</b>

## NOTES TO THE AGGREGATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2019

	2019 R mil	2018 R mil
<b>C. INTEREST PAID</b>		
Amount not paid at beginning of the year	(443)	(514)
<b>Expensed during the year adjusted for non-cash items</b>	<b>(2 191)</b>	<b>(2 131)</b>
Amount expensed (excluding imputed interest)	(2 906)	(3 384)
Less: bond discount amortised	7	6
Deficit on switch auction	1	-
Capital adjustment to inflation-linked liability	656	1 104
Interest on compensation	25	28
Interest capitalised to the principal amount	30	115
Accrued interest on switched bonds	(4)	-
<b>Amount not paid at the end of the year</b>	<b>429</b>	<b>443</b>
<b>Interest paid</b>	<b>(2 205)</b>	<b>(2 202)</b>
<b>D. RECONCILIATION OF FINANCIAL MARKET LIABILITIES TO FINANCING ACTIVITIES AS AT 31 MARCH</b>		
<b>Liabilities at beginning of year</b>	<b>27 149</b>	<b>28 741</b>
Long-term borrowings	17 654	25 504
Short-term borrowings	9 495	3 237
<b>Cash flow from financing activities</b>	<b>(5 276)</b>	<b>(2 765)</b>
<b>Non cash flow items</b>	<b>680</b>	<b>1 173</b>
- Capitalised interest	30	115
- Capital adjustment to inflation-linked liability	660	1 104
- Bond discount / premium	(10)	(46)
<b>Liabilities as at end of year</b>	<b>22 554</b>	<b>27 149</b>
Long-term borrowings	20 672	17 654
Short-term borrowings	1 882	9 495

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 1. GENERAL INFORMATION

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

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

#### 2.1 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). In terms of IAS 8 section 10, where IFRS does not specifically apply to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy where that policy results in reliable financial statements and information which users can use for their economic decision-making needs. These financial statements are a faithful representation of the financial position, financial performance and cash flows of the entity; they reflect the economic substance of transactions, other events and conditions and not merely the legal form, they are neutral and free from bias and they are prudent, complete in all material aspects.

The Accounting Standards Board (ASB), as mandated by the PFMA set the reporting standards for the preparation of annual financial statements of government institutions, has issued Directive 12 which requires that qualifying entities prepare their annual financial statements in accordance with the Generally Recognised Accounting Practices (GRAP). The Directive has set out the criteria that institutions are to meet in order to qualify for the application of GRAP as the reporting framework. TCTA has conducted the self-assessment in accordance with the criteria in the Directive which indicates, on initial assessment that TCTA qualifies to apply the standards of GRAP in the preparation of the annual financial statements. In terms of section 92 of the PFMA, TCTA has been exempted to apply GRAP as a reporting framework and to allow the continuance of the International Financial Reporting Standards (IFRS), as reporting framework. This exemption is granted for the financial years ending 2019 to 2023.

#### 2.2 Basis of preparation

The financial statements have been prepared on the accrual and historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The preparation of financial statements in conformity with IFRS, requires the use of certain critical accounting estimates and judgements. It also requires management to exercise its judgement in the process of applying TCTA's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3. TCTA presents financial information on an individual project basis on the statement of financial position, statement of comprehensive income( note 6) and the statement of cash flows (Annexure A) of TCTA which will be useful to the users of these financial statements.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 2.3 Summary of significant accounting policies

#### 2.3.1 Property, plant and equipment

##### Recognition and measurement

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

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

##### 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.

##### 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.

Office Furniture	4 years
Motor vehicles	4 years
Computer Hardware and Office equipment	2 years
Networking equipment	2 years
Video conferencing equipment	2 years

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

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

##### Leasehold improvements

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

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

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Impairment

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

#### Recoverable amount

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

#### Fair value less cost of disposal

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

#### Value in use

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

#### 2.3.2 Intangible assets

##### Recognition and measurement

##### Acquired separately

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

##### Subsequent costs

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

##### Useful lives

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

##### Amortisation

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

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

Computer software 2 years

### Impairment

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

### 2.3.3 Financial assets

#### Classification

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

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

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

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

#### 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:

- The first is externally, where the counterparty's credit rating is considered, country of origin, their expertise in investments and the track record of the organisation is taken into account.
- The second aspect is the internally generated assessment, which deals with liquidity and credit of the organisation. This is to allow TCTA to set clearly defined limits that ensure spreading of risk and limits exposure to particular assets or industry.
- 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 of short to medium term duration. They also must subscribe to industry organisations for similar type instruments with clearly defined benchmarks.

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

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



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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 consists of the right to receive cash from the Department of Water and Sanitation (DWS) with respect to construction work completed on DWS projects or services rendered by TCTA in managing debt on each project. The tariff receivable arises as a result of TCTA incurring costs in terms of the directive from the Minister of Human Settlements, Water and Sanitation in each project.

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

TCTA revises its estimates of costs and revenue 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 effective interest rate determined in accordance with IFRS 9. The adjustment is recognised in the Statement of Comprehensive Income. The critical accounting estimates and judgements from management are included in note 3.

TCTA previously fixed the effective interest rate calculated at initial recognition which resulted in an adjustment of the carrying amount when future cash flows were re-estimated. The adjustment was recognised in the Statement of Comprehensive income as an AG8 adjustment per IFRS 39. The new standard still makes provision for this adjustment however, management have amended the accounting policy relating to the subsequent measurement of the tariff receivable. Refer to note 24 for detailed analysis on the impact.

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

#### Loans and receivables

Loans and receivables are measured at amortised cost.

#### Impairment of financial assets

Financial assets, other than those that are measured at fair value through surplus or deficit are individually assessed for impairment at initial recognition and a loss allowance is recognised if there is any indication of impairment as the present value of expected credit losses over the lifetime of the individual asset. At each reporting date, the loss allowance for a financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on the financial asset has not increased significantly since the initial recognition, the loss allowance is measured at an amount equal to 12-month expected credit losses. If, in the next reporting date, the credit risk of a financial asset that was assessed to have significantly increased in the previous reporting date, is assessed to no longer significantly increased the loss allowance is measured at an amount equal to 12-month expected credit losses at the current reporting date, except for trade receivables or contract assets that results from transactions that are within the scope of IFRS 15, and do not contain a significant financing component in accordance with IFRS 15 (or when the entity applies the practical expedient in accordance with paragraph 63 of IFRS 15). The loss allowance for these is always measured at an amount equal to lifetime expected credit losses. An impairment gain or loss is recognised at each reporting date if the loss allowance amount as measured at a reporting date is different from the loss allowance amount as measured at a previous reporting period. The impairment gain or loss amount equals the difference between the two amounts being compared. TCTA assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. When assessing the significance of the increase in credit risk, TCTA uses the change in the risk of a default occurring over the expected life of the financial asset instead of the change in the amount of expected credit losses by comparing the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition and consider reasonable and supportable information (both

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

past and forward looking information), that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition

TCTA takes into account the following information in the assessment of its credit risk:

- TCTA's mandate and its importance to the relevant section of South Africa's economy.
- The agreement between TCTA and its counterparties. - The nature of TCTA's counterparties.
- The recoverability of the counterparties' receivables.
- Any other relevant information.

In addition to the reasonable and supportable information that is available without undue cost or effort, TCTA measures expected credit losses of a financial asset in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; and. - The time value of money;.

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.

Loans and receivables comprise amounts due by DWS on projects funded from the fiscus. TCTA recovers the costs incurred on mandated projects from DWS on a monthly basis and the payment terms are as set in the Memorandum of Agreement between TCTA and DWS.

### **Derecognition of financial assets**

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

### **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.

### **Cash and cash equivalents**

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

### **2.3.4 Financial liabilities**

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Short-term financial market liabilities

##### Funding portfolio

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

##### Strategic portfolio

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

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

TCTA engages in repurchase agreements in locally registered bonds, within limits, with the panel of marketmakers 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.

##### Other financial liabilities

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

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

#### Long-term financial market liabilities

##### Funding portfolio

Comprises the long-term funding for the specific projects as detailed below:

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

##### Trade and other payables

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

##### Derecognition of financial liabilities

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

#### 2.3.5 Offsetting

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 2.3.6 Finance costs

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

### 2.3.7 Employee benefits

#### Short-term employee benefits

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

#### Leave benefits

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

#### Termination benefits

Termination benefits are 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.

### 2.3.8 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.

#### Compensation

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

The annual cash flows are increased by the forecast Lesotho CPI rate. These cash flows are considered management's best estimate of the obligation payable to the LHDA and are discounted at a market-related discount rate reflective of the appropriate time value of money. The compensation provision raised by TCTA relates to the RSA government's obligation.

The provision for compensation has been revised to include an additional amount relating to compensation for host communities where households affected by the project have elected to be resettled. This amount is intended to fund infrastructure projects for the benefit of the host communities. The lumpsum provision is calculated by the LHDA based on the area of range land lost and the agreed rate per hectare. The undisbursed lumpsum amount is escalated on an annual basis using the Lesotho CPI rate. TCTA has adopted the LHDA method of valuation. (refer note 23.5).

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 23.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Provision for leave pay

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.

#### Provision for incentives

The TCTA remuneration policy allows for a performance bonus to be paid annually based on a formal assessment of each individual's job-related performance during the year.

#### 2.3.9 Liabilities of the water delivery component of the project in Lesotho

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

TCTA's Notice of Establishment (NOE) of March 2000 places the obligation on TCTA as part of its non-Treaty functions to fulfil all the RSA's financial obligations in terms of or resulting from the Treaty.

The RSA's financial obligations in terms of the Treaty on the water transfer part located within Lesotho includes making cost related payments to the LHDA in terms of Article 10, Royalty Payments to GOL in terms of Article 12 (refer to note 2.3.11) and contributions to the operating costs of the Lesotho Highlands Water Commission (LHWC) in terms of Article 9.

Cost related payments include all costs wholly and reasonably incurred by the LHDA for the implementation and operation and maintenance of the water transfer part of the project. Cost related payments are payable when the costs become due for payment by the LHDA, in the case of borrowings raised by the LHDA, the payments will become due when the loans become redeemable. The RSA has elected to repay loans raised by the LHDA directly to the lenders (refer to note 10.9.3). Article 10(5) further provides that cost related payments to the LHDA may be made on cash flow forecasts presented by the LHDA to allow the LHDA to meet its payment obligations. TCTA and LHDA entered into a Memorandum of Understanding (MOA) effective 1 April 2005 that provides an operating framework for making funds available to the LHDA for the payment of water transfer costs incurred by the LHDA. The framework requires the LHDA to submit cash flow forecasts on a monthly/weekly basis to TCTA for payment. This arrangement has the effect that the borrowings for the project are centralised within the TCTA and ensures better management of the RSA's contingent liabilities associated with Government guarantees.

The LHWC is a bi-national commission established in terms of the Treaty and is responsible and accountable to the two Governments for the successful implementation of the LHWP. The LHWC comprises of two delegations representing the respective Governments and is administered by a Secretariat. The LHWC located in Maseru, has approval, monitoring and advisory powers over the activities of the LHDA and TCTA. Decision making by the LHWC is on a consensus basis and serves as the channel for government inputs on the LHWP. The running costs of the LHWC are shared by the governments of the RSA and the GOL. Each party is liable for the costs of its own delegation and all other costs are met by the parties on an equal basis. TCTA makes monthly funding contributions to the LHWC for the RSA share of the operating costs.

#### 2.3.10 Construction contracts

TCTA construction contracts relate to infrastructure projects which TCTA is directed to implement by the Minister of Human Settlements, Water and Sanitation from time to time. These infrastructure projects are accounted for in terms of IFRS 15 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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

or ultimate purpose or use. TCTA applies IFRS 15 Construction Contracts separately for each construction contract as required in the directive from the Minister of Human Settlements, Water and Sanitation.

When the performance obligations of construction contracts are satisfied over time, TCTA recognises contract revenue and contract costs associated with the construction contract as revenue and expenses respectively by reference to the input method in IFRS 15.

### Contract costs

Contract costs comprise:

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

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

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

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

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

### Contract revenue

Contract revenue comprises:

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

The input method of recognizing revenue is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract cost. TCTA will recognise revenue using the input methods as it closely reflects the amounts due as revenue as it recovers all costs incurred at cost. This is relevant for capital expenditure costs and costs that relate to project management and project finance, and contributes to TCTA's progress in satisfaction of its performance obligations.

### 2.3.11 Royalties

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

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

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

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



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

It comprises of:

- 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).
- 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 statement of comprehensive Income in the period it is incurred.

#### 2.3.12 Interest income

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

#### 2.3.13 Leasing

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

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

##### Finance leases - lessee

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

##### Operating leases - lessee

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

#### 2.3.14 Related party transactions

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

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

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 2.3.15 Fruitless and wasteful and irregular expenditure

Fruitless and wasteful expenditure is defined as expenditure which was made in vain and could 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.

### 2.3.16 Impairment of assets

The entity assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment deficit.

An impairment deficit of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment deficit of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment deficit recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment deficit does not exceed the carrying amount that would have been determined had no impairment deficit been recognised for the asset in prior periods.

A reversal of an impairment deficit of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in surplus or deficit. Any reversal of an impairment deficit of a revalued asset is treated as a revaluation increase.

### 2.3.17 Contingent liabilities

Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A provision is recognised in the accounting records if the contingency is probable and the amount of the liability can be reasonably estimated.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 3. 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.

#### 3.1 Provision for compensation

This provision relates to compensation payments being paid on the LHWP over a fifty-year period. TCTA is reliant on the LHDA for information relating to the compensation provision at year end, as well as payments made to the respective recipients. The provision has been based on the expected payments for the water transfer contracts, derived from the information obtained from the LHDA, adjusted for expected future increases in CPI in Lesotho as obtained from BER (Bureau for Economic Research). The future cash flows are present valued at a year-end rate representative of appropriate time value of money for the underlying cash flows. Refer to note 17 for the reconciliation of the compensation provision.

#### 3.2 Estimates of cash flows imputed in the tariff receivable financial asset

At the inception of each project, TCTA estimates the construction costs to be incurred and tariffs to be received over the debt repayment period.

The projected costs are based on the estimates of timing and cost as approved by the TCTA Board and the respective project off-takers in the project charters. At each reporting date, these estimates are revised to take into account changes in the timing of the contract, costs due to escalation and variation orders.

TCTA estimates the future receipt of tariffs from DWS using projected demand consumption as forecast by DWS, to arrive at a tariff that will repay all debt and operating costs when the long-term facilities expire. The estimated tariff will also include the forecasting of inflation where the project water supply agreement with DWS allows for inflationary increases in the tariff over the life of the project. Water demand consumption and inflation are revised on an annual basis using the best estimates available from DWS and reputable economic research agencies respectively. Refer to note 10.

#### 3.3 Operating segments

IFRS 8 requires that the results and information with regards to identified segments are regularly reviewed by the entity's Chief Operating Decision Maker (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 6 for further disclosures.

#### 3.4 Provision for incentives

The incentive provision is estimated at the end of each financial year. The total incentive pool is based on the total actual salaries incurred for the year, multiplied by a factor based on the performance rating of the entity. The performance rating is determined with reference to the expected organisational score and the resulting amount of the final pool is approved at the discretion of the Board of Directors. The provision for incentives can be found in note 17.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 4. CHANGES IN ACCOUNTING POLICY

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

#### Application of IFRS 9 Financial Instruments

In the current year, the entity has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 replaces IAS 39 Financial Instruments and introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the entity's financial statements are described below.

The entity has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

#### Classification and measurement of financial assets

The date of initial application (i.e. the date on which the entity has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 01 April 2018. Accordingly, the entity has applied the requirements of IFRS 9 to instruments that have not been derecognised as at 01 April 2018 and has not applied the requirements to instruments that have already been derecognised as at 01 April 2018. Comparatives in relation to instruments that have not been derecognised as at 01 April 2018 have been restated where appropriate.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The measurement requirements are summarised below:

Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost.

Debt investments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income.

All other debt investments and equity investments are subsequently measured at fair value through surplus or deficit, unless specifically designated otherwise.

The entity may, on initial recognition, irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies in other comprehensive income.

The entity may irrevocably designate a debt investment that meets the amortised cost or fair value through other comprehensive income criteria as measured at fair value through surplus or deficit if doing so eliminates or significantly reduces an accounting mismatch.

When a debt investment measured at fair value through other comprehensive income is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to surplus or deficit as a reclassification adjustment. In contrast, for an equity investment designated as measured at fair value through other comprehensive income, the cumulative gain or loss previously recognised in other comprehensive income is not subsequently reclassified to surplus or deficit.

Debt instruments that are subsequently measured at amortised cost or at fair value through other comprehensive income are subject to new impairment provisions using an expected loss model. This contrasts the incurred loss model of IAS39.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 4. CHANGES IN ACCOUNTING POLICY (CONTINUED)

TCTA reviewed and assessed existing financial assets as at 01 April 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had no impact on the entity's financial assets.

#### Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the entity to recognise a loss allowance for expected credit losses on debt investments subsequently measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets and loan commitments to which the impairment requirements of IFRS 9 apply. In particular, IFRS 9 requires the entity to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the entity is required to measure the loss allowance for that financial instrument at an amount equal to 12 months expected credit losses. IFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables in certain circumstances.

As at 01 April 2018, TCTA reviewed and assessed the existing financial assets, amounts due from customers for impairment using reasonable and supportable information that was available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at 01 April 2017 and 01 April 2018. The result of the assessment is as follows:

#### Tariff receivables

The entity has assessed that there is a low risk of non-payment from the Department of Water and Sanitation. TCTA assessed the payment history of the Department and the payment subsequent to year end and has concluded that although late payment is not indicative of a risk of default due to the fact that all amounts to date are received no later than 120 days.

#### Short-term market investments

All short-term market investments are assessed to have low credit risk at each reporting date as they are held with reputable banking institutions. These items are assessed to have low credit risk at each reporting date based on their respective external credit ratings (external rating AA).

#### Classification and measurement of financial liabilities

One major change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in surplus or deficit. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to surplus or deficit, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in surplus or deficit.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

The application of IFRS 9 has had no impact on the classification and measurement of the entity's financial liabilities.

### Application of IFRS 15 Revenue from contracts with customers

In the current year, the entity has applied IFRS 15 Revenue from Contracts with Customers (as revised in April 2016) and the related consequential amendments to other IFRSs. IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services.

IFRS 15 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of these new requirements as well as their impact on the entity financial statements are described below. Refer to the revenue accounting policy for additional details.

The entity has applied IFRS 15 with an initial date of application of 01 April 2018 in accordance with the fully retrospective transitional approach, by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 01 April 2018. The comparative information has therefore not been restated.

The application of IFRS 15 has not resulted in any material changes to revenue recognition as the new standard makes provision for the recognition of revenue over time by using the input method which is materially similar to the stage of completion method previously applied by TCTA.

## 5. NEW STANDARDS AND INTERPRETATIONS

### 5.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

#### Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers

The amendment provides clarification and further guidance regarding certain issues in IFRS 15. These items include guidance in assessing whether promises to transfer goods or services are separately identifiable; guidance regarding agent versus principal considerations; and guidance regarding licenses and royalties.

The effective date of the amendment is for years beginning on or after 01 January 2018.

The entity has adopted the amendment for the first time in the 2019/18 annual financial statements.

The impact of the amendment is not material.

#### IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 5. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

requirements by introducing a “fair value through other comprehensive income” (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in surplus or deficit.
- With regard to the measurement of financial liabilities designated as at fair value through surplus or deficit, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in surplus or deficit. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through surplus or deficit is presented in surplus or deficit.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after 01 January 2018.

The entity has adopted the standard for the first time in the 2019 annual financial statements. The impact of the standard is set out in note 4 Changes in Accounting Policy.

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation. IFRS 15 also includes extensive new disclosure requirements.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

The entity has adopted the standard for the first time in the 2019 annual financial statements. The impact of the standard is set out in note 4 Changes in Accounting Policy.

The aggregate impact of the initial application of the statements and interpretations on the entity's annual financial statements is expected to be as follows:

### 6. SEGMENTAL INFORMATION

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

#### 6.1 Operating segments

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

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

#### 6.2 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 assesses 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 Human Settlements, Water and Sanitation.

The mandate and directives are funded by government or TCTA arranges commercial funding and manages the debt repayment. In the second instance, TCTA earns revenue for the services it provides in respect of its liability management, project implementation and treasury management services. The revenue ensures that TCTA is able to repay the liabilities incurred.

In terms of IFRS two or more operating segments may be aggregated into a single operating segment if aggregation is consistent with the core principle of the standard, have similar economic characteristics, and if the segments are similar in certain aspects. The aggregated financial statements are merely a sum total of TCTA's assets, liabilities, income and expenses. TCTA therefore includes a full statement of financial position and statement of comprehensive income in note 5.4 below as well as the segmental cash flows as an annexure (Annexure A) to these financial statements to fulfil its obligation of separate reporting.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 6. SEGMENTAL INFORMATION (CONTINUED)

#### 6.3 Entity-wide disclosures

DESCRIPTION OF THE SEGMENT	CURRENT WORK	ACRONYM
<p><b>Vaal River System:</b></p> <p>Treaty Functions as per Section 21 of the Notice of Establishment Delivery Tunnel North of the Lesotho Highlands Water Project Sections 24 (a), (b) and (c)</p> <ul style="list-style-type: none"> <li>To fulfil the RSA financial obligations in terms of or resulting from the Treaty</li> <li>To receive the water from LHDA and discharge into the Ash River</li> <li>Additional functions pertaining to the release of the water</li> </ul>	<p>Royalty payments to the Government of Lesotho.</p> <p>Payments for :</p> <ul style="list-style-type: none"> <li>the operation and maintenance of the water transfer component in Lesotho undertaken by Lesotho Highlands Development Authority the construction of Phase II and</li> <li>Lesotho Highlands Water Commission costs</li> </ul>	<b>VRS</b>
<p><b>Advisory Services:</b></p> <p>Advice to institutions on various matters pertaining to the construction of infrastructure and the viability of the water sector.</p> <p>The Income Agreement, signed in 2001 between DWS and TCTA, established the principle of using water use charges on the Vaal River System to enable TCTA to meet its financial obligations incurred when carrying out a directive of the Minister, where no alternative source of income was provided (transfers or separate income streams).</p>	Strategic Integrated Project-3 & 18. Mzimvubu Water project	<b>VRS</b>
<p>Sections 24 (d)Other functions that may be assigned to the Authority interms of Section 103 (2) of the National Water Act Combined borrowing programme for LHWP and AMD funded from the cash flow from the Vaal River system Acid Mine Drainage Project</p> <p><b>The project comprises:</b></p> <p><b>Short-term intervention</b> The installation of pumps to extract water from the Western, Central and Eastern Basins in the Witwatersrand gold fields, neutralisation and reduction in the concentration of metals before discharge into the river system.</p> <p><b>Long-term solution</b> The incorporation of the short-term intervention and further treatment to reduce the total dissolved solids so as to enable DWS to meet its water resource quality objective at the Vaal Barrage.</p>	<p>Management of debt</p> <p>Operation and Maintenance</p> <p>Pre-implementation phase</p>	<b>AMD</b>
<p><b>Berg Water Project</b></p> <p>The project comprises the Berg River Dam and supplementary scheme located in the reaches of the Berg River near Franschhoek, Western Cape.</p>	Management of debt, Project close-out	<b>BWP</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

DESCRIPTION OF THE SEGMENT	CURRENT WORK	ACRONYM
<p><b>Vaal River Eastern Sub-system Augmentation Project</b></p> <p>The project comprises of a scheme to convey water 121km from the Vaal Dam to the Secunda area.</p>	Management of debt, Project close-out	VRESAP
<p><b>Mooi Mgeni Transfer Scheme (Phase 2)</b></p> <p>The project comprises of the Spring Grove Dam on the Mooi River, a fish barrier upstream of the dam and augmentation of the Water Transfer System from the Mooi to the Mpopana River.</p>	Management of debt, Project close-out	MMTS-2
<p><b>Komati Water Scheme Augmentation Project</b></p> <p>This project forms part of the Vaal River Eastern Subsystem. The project comprises the installation of a system to convey water to Eskom's power stations in Mpumalanga.</p>	Management of debt.	KWSAP
<p><b>Olifants River Water Resource Development Project</b></p> <p>Phase 2C: The project comprises a 40 km pipeline from De Hoop Dam to Steelpoort Phase 2B: A new funding model is being developed. Once developed and approved it will enable the scope of work to be determined.</p>	Implementation  Advisory	ORWRDP
<p><b>Mokolo - Crocodile Water Augmentation Project</b></p> <p>Phase 1: The project comprises of a scheme to convey water 43km from the Mokolo Dam to the Lephale area Phase 2A: The project comprises of a scheme to transfer water 160km from the Crocodile River, near Thabazimbi, to the Lephale area</p>	Management of debt  Project close-out Pre-implementation	MCWAP
<p><b>Mooi Mgeni Transfer Scheme (Phase I)</b></p> <p>This project comprises the refurbishment of the existing transfer scheme from Mearns Weir into the Mgeni system.</p>	Project close-out	MMTS-1
<p><b>Umgeni</b></p> <p>The MMTS-2 directive was amended on 20 March 2014 to include the construction of a potable water pipeline for Umgeni Water as part of the water transfer project.</p>	Project close-out	UMGENI
<p><b>Offtake to the town of Kriel</b></p> <p>The project comprises of a 3km pipeline from the KWSAP to Kriel Water treatment works and the upgrading of the works</p>	Project management services	KRIEL
<p><b>Mzimvubu River Water Project</b></p> <p>This project is in the Mzimvubu area in the Eastern Cape. The scope of work and the sources of funding are still to be determined.</p>	Advisory stage.	MRWP
<p><b>Trans Caledon Tunnel Authority - Corporate</b></p>		TCTA-C
<p><b>Berg River-Voëlvelei Augmentation Scheme</b></p>	Pre-implementation	BRVAS

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 6. SEGMENTAL INFORMATION (CONTINUED)

#### 6.4 Operating segments: financial results

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

##### 6.4.1 Segmental Statement of Financial Position as at 31 March 2019

	Note(s)	VRS R mil	BWP R mil	VRESAP R mil	MCWAP-1 R mil	MMTS-2 R mil
<b>ASSETS</b>						
<b>Non-Current Assets</b>						
Property, plant and equipment	8	6	-	-	-	-
Intangible assets	9	4	-	-	-	-
Tariff receivable*	10.4	11361	535	4 022	785	1 211
AMD receivable	14	415	-	-	-	-
<b>Total Non-Current Assets</b>		<b>11 788</b>	<b>535</b>	<b>4 022</b>	<b>785</b>	<b>1 211</b>
<b>Current Assets</b>						
Tariff receivable*	10.4	879	37	225	23	153
Short-term financial market investments	10.5	432	-	-	-	50
Loans and other receivables	12	84	-	-	-	22
Prepayments	13	267	-	-	-	1
Cash and cash equivalents	18	1 593	121	224	592	296
AMD receivable	14	312	-	-	-	-
<b>Total Current Assets</b>		<b>3 567</b>	<b>158</b>	<b>449</b>	<b>615</b>	<b>522</b>
<b>TOTAL ASSETS</b>		<b>15 356</b>	<b>693</b>	<b>4 471</b>	<b>1 400</b>	<b>1 733</b>
<b>EQUITY AND LIABILITIES</b>						
Retained income		56	95	784	-3	-106
<b>LIABILITIES</b>						
<b>Non-Current liabilities</b>						
Long-term financial market liabilities	10.6.3	13 231	438	3 092	1 327	1 362
Provisions	17	355	-	-	-	-
<b>Total Non-Current liabilities</b>		<b>13 586</b>	<b>438</b>	<b>3 092</b>	<b>1 327</b>	<b>1 362</b>
<b>Current liabilities</b>						
Trade and other payables	15	766	19	52	26	73
Non-contractual amounts	16.1	148	4	14	7	6
Provisions	17	57	-	-	-	-
Short-term financial market liabilities	10.6.2	743	137	529	43	398
<b>Total Current liabilities</b>		<b>1 714</b>	<b>160</b>	<b>595</b>	<b>76</b>	<b>477</b>
<b>TOTAL LIABILITIES</b>		<b>15 300</b>	<b>598</b>	<b>3 687</b>	<b>1 403</b>	<b>1 839</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>15 356</b>	<b>693</b>	<b>4 471</b>	<b>1 400</b>	<b>1 733</b>

\* Department of Water and Sanitation (DWS) invoiced debtor 2019: R2.3bn (2018: R3.2bn); additional disclosure in note 10.4.3 Financial statements are rounded to the nearest million. Where balances are zero, the amount is less than R500 000.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

ORWRDP	KWSAP	MMTS-1	UMGENI	KRIEL	TCTA-C	MRWP	MCWAP-2A	BRVAS	TOTAL
R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil
-	-	-	-	-	-	-	-	-	6
-	-	-	-	-	-	-	-	-	5
-	1 062	-	-	-	-	-	-	-	18 976
-	-	-	-	-	-	-	-	-	415
-	<b>1 062</b>	-	-	-	-	-	-	-	<b>19 402</b>
-	61	-	-	-	-	-	-	-	1 378
-	-	-	-	-	-	-	-	-	482
-	-	-	17	6	-	24	69	7	229
11	-	-	-	-	-	-	-	-	279
59	150	-	-	-	14	-	-	-	3 048
-	-	-	-	-	-	-	-	-	312
<b>70</b>	<b>211</b>	-	<b>17</b>	<b>6</b>	<b>14</b>	<b>24</b>	<b>69</b>	<b>7</b>	<b>5 728</b>
<b>70</b>	<b>1 273</b>	-	<b>17</b>	<b>6</b>	<b>14</b>	<b>24</b>	<b>69</b>	<b>7</b>	<b>25 131</b>
-	4	-	4	-	1	-	-	-	836
-	1 223	-	-	-	-	-	-	-	20 672
-	-	-	-	-	-	-	-	-	355
-	<b>1 223</b>	-	-	-	-	-	-	-	<b>21 027</b>
68	11	-	13	6	13	24	67	7	1 141
2	3	-	-	-	-	-	2	-	187
-	-	-	-	-	-	-	-	-	57
-	32	-	-	-	-	-	-	-	1 882
<b>70</b>	<b>46</b>	-	<b>13</b>	<b>6</b>	<b>13</b>	<b>24</b>	<b>69</b>	<b>7</b>	<b>3 267</b>
<b>70</b>	<b>1 269</b>	-	<b>13</b>	<b>6</b>	<b>13</b>	<b>24</b>	<b>69</b>	<b>7</b>	<b>24 294</b>
<b>70</b>	<b>1 273</b>	-	<b>17</b>	<b>6</b>	<b>14</b>	<b>24</b>	<b>69</b>	<b>7</b>	<b>25 131</b>



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 6. SEGMENTAL INFORMATION (CONTINUED)

#### 6.4.2 Restated Segmental Statement of Financial Position as at 31 March 2018

	Note(s)	VRS R mil	BWP R mil	VRESAP R mil	MCWAP-1 R mil	MMTS-2 R mil
<b>ASSETS</b>						
<b>Non-Current Assets</b>						
Property, plant and equipment	8	6	-	-	-	-
Intangible assets	9	14	-	-	-	-
Tariff receivable*	10.4	11 967	570	4 338	820	1 397
AMD receivable	14	569	-	-	-	-
<b>Total Non-Current Assets</b>		<b>12 556</b>	<b>570</b>	<b>4 338</b>	<b>820</b>	<b>1 397</b>
<b>Current Assets</b>						
Financial instruments	10	-	-	-	-	-
Tariff receivable*	10.4	2 920	69	285	183	109
Short-term financial market investments	10.5	321	-	-	-	50
Loans and other receivables	12	53	-	-	57	21
Prepayments	13	115	-	-	-	1
Non-contractual amounts	16.1	-	-	-	-	2
Cash and cash equivalents	18	2 910	72	82	474	209
AMD receivable	14	205	-	-	-	-
<b>Total Current Assets</b>		<b>6 524</b>	<b>141</b>	<b>367</b>	<b>714</b>	<b>392</b>
<b>TOTAL ASSETS</b>		<b>19 298</b>	<b>711</b>	<b>4 705</b>	<b>1 534</b>	<b>1 789</b>
<b>EQUITY AND LIABILITIES</b>						
Retained Earnings		(198)	111	845	(33)	(97)
<b>LIABILITIES</b>						
<b>Non-Current Liabilities</b>						
Long-term financial market liabilities	10.6.3	9 671	515	3 286	1 497	1 450
Provisions	17	323	-	-	-	-
<b>Total Non-Current Liabilities</b>		<b>9 994</b>	<b>515</b>	<b>3 286</b>	<b>1 497</b>	<b>1 450</b>
<b>Current Liabilities</b>						
Trade and other payables	15	724	5	50	24	69
Non-contractual amounts	16.1	59	3	5	3	-
Provisions	17	39	-	-	-	-
Short-term financial market liabilities	10.6.2	8 462	77	519	43	367
<b>Total Current Liabilities</b>		<b>9 502</b>	<b>85</b>	<b>574</b>	<b>70</b>	<b>436</b>
<b>TOTAL LIABILITIES</b>		<b>19 496</b>	<b>600</b>	<b>3 860</b>	<b>1 567</b>	<b>1 886</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>19 298</b>	<b>711</b>	<b>4 705</b>	<b>1 534</b>	<b>1 789</b>

\* Department of Water and Sanitation (DWS) debtor R2.3bn (2018: R3.2bn); additional disclosure in note 10.4.3  
Financial statements are rounded to the nearest million. Where balances are zero, the amount is less than R500 000.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

ORWRDP R mil	KWSAP R mil	MMTS-1 R mil	UMGENI R mil	KRIEL R mil	TCTA-C R mil	MRWP R mil	MCWAP-2A R mil	BRVAS R mil	TOTAL R mil
-	-	-	-	-	-	-	-	-	6
-	-	-	-	-	-	-	-	-	14
-	1 161	-	-	-	-	-	-	-	20 253
-	-	-	-	-	-	-	-	-	569
-	<b>1 161</b>	-	-	-	-	-	-	-	<b>20 842</b>
-	-	-	-	-	-	-	-	-	-
-	50	-	-	-	-	-	-	-	3 617
-	-	-	-	-	-	-	-	-	371
26	-	1	17	6	-	17	60	-	259
11	-	-	-	-	-	-	-	-	127
-	-	-	-	-	-	-	-	-	-
1	70	-	-	-	31	-	-	-	3 849
-	-	-	-	-	-	-	-	-	205
<b>38</b>	<b>120</b>	<b>1</b>	<b>17</b>	<b>6</b>	<b>31</b>	<b>17</b>	<b>60</b>	-	<b>8 428</b>
<b>38</b>	<b>1 281</b>	<b>1</b>	<b>17</b>	<b>6</b>	<b>31</b>	<b>17</b>	<b>60</b>	-	<b>29 270</b>
-	6	-	4	-	-	-	-	-	640
-	1 234	-	-	-	-	-	-	-	17 653
-	-	-	-	-	-	-	-	-	323
-	<b>1 234</b>	-	-	-	-	-	-	-	<b>17 976</b>
37	13	1	13	6	31	12	59	-	1 044
1	-	-	-	-	-	5	1	-	75
-	-	-	-	-	-	-	-	-	39
-	28	-	-	-	-	-	-	-	9 496
<b>38</b>	<b>41</b>	<b>1</b>	<b>13</b>	<b>6</b>	<b>31</b>	<b>17</b>	<b>60</b>	-	<b>10 654</b>
<b>38</b>	<b>1 275</b>	<b>1</b>	<b>13</b>	<b>6</b>	<b>31</b>	<b>17</b>	<b>60</b>	-	<b>28 630</b>
<b>38</b>	<b>1 281</b>	<b>1</b>	<b>17</b>	<b>6</b>	<b>31</b>	<b>17</b>	<b>60</b>	-	<b>29 270</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 6. SEGMENTAL INFORMATION (CONTINUED)

#### 6.4.3 As previously stated in the Statement of Financial Position as at 31 March 2018

	Note(s)	VRS R mil	BWP R mil	VRESAP R mil	MCWAP R mil	MMTS-2 R mil
<b>ASSETS</b>						
<b>Non-Current Assets</b>						
Property, plant and equipment	8	6	-	-	-	-
Intangible assets	9	14	-	-	-	-
Tariff receivable*	10.4	18 647	458	3 717	565	1 412
AMD receivable	14	-	-	-	-	-
<b>Total Non-Current Assets</b>		<b>18 667</b>	<b>458</b>	<b>3 717</b>	<b>565</b>	<b>1 412</b>
<b>Current Assets</b>						
Tariff receivable*	10.4	2 652	47	196	-	111
Short-term financial market investments	10.5	321	-	-	-	50
Loans and other receivables	12	53	-	-	-	22
Prepayments	13	76	-	-	-	1
Cash and cash equivalents	18	2 910	72	82	474	209
<b>Total Current Assets</b>		<b>6 012</b>	<b>119</b>	<b>278</b>	<b>474</b>	<b>393</b>
<b>Current Assets</b>		<b>24 679</b>	<b>577</b>	<b>3 995</b>	<b>1 039</b>	<b>1 805</b>
<b>LIABILITIES</b>						
<b>Non-Current Liabilities</b>						
Long-term financial market liabilities	10.6.3	9 671	515	3 286	1 497	1 450
Provisions	17	282	-	-	-	-
<b>Total Non-Current Liabilities</b>		<b>9 953</b>	<b>515</b>	<b>3 286</b>	<b>1 497</b>	<b>1 450</b>
<b>Current Liabilities</b>						
Trade and other payables	15	858	5	51	25	68
Non-contractual amounts	16.1	59	3	5	4	1
Provisions	17	39	-	-	-	-
Short-term financial market liabilities	10.6.2	8 462	77	519	43	367
<b>Total Current Liabilities</b>		<b>9 418</b>	<b>85</b>	<b>575</b>	<b>72</b>	<b>436</b>
<b>TOTAL LIABILITIES</b>		<b>19 371</b>	<b>600</b>	<b>3 861</b>	<b>1 569</b>	<b>1 886</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>24 679</b>	<b>577</b>	<b>3 995</b>	<b>1 039</b>	<b>1 805</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

ORWRDP R mil	KWSAP R mil	MMTS-1 R mil	UMGENI R mil	KRIEL R mil	TCTA-C R mil	MRWP R mil	TOTAL R mil
-	-	-	-	-	-	-	6
-	-	-	-	-	-	-	14
-	1 099	-	-	-	-	-	25 898
-	-	-	-	-	-	-	-
-	<b>1 099</b>	-	-	-	-	-	<b>25 918</b>
-	46	-	-	-	-	-	3 052
-	-	-	-	-	-	-	371
95	-	1	17	6	-	17	211
11	-	-	-	-	-	-	88
1	70	-	-	-	31	-	-
<b>107</b>	<b>1 215</b>	<b>1</b>	<b>17</b>	<b>6</b>	<b>31</b>	<b>17</b>	<b>3 721</b>
<b>107</b>	<b>1 215</b>	<b>1</b>	<b>17</b>	<b>6</b>	<b>31</b>	<b>17</b>	<b>33 489</b>
-	1 234	-	-	-	-	-	17 653
-	-	-	-	-	-	-	282
-	<b>1 234</b>	-	-	-	-	-	<b>17 935</b>
106	12	1	13	6	31	12	1 188
1	-	-	-	-	-	5	78
-	-	-	-	-	-	-	39
-	28	-	-	-	-	-	9 496
<b>107</b>	<b>40</b>	<b>1</b>	<b>13</b>	<b>6</b>	<b>31</b>	<b>17</b>	<b>10 801</b>
<b>107</b>	<b>1 274</b>	<b>1</b>	<b>13</b>	<b>6</b>	<b>31</b>	<b>17</b>	<b>28 736</b>
<b>107</b>	<b>1 215</b>	<b>1</b>	<b>17</b>	<b>6</b>	<b>31</b>	<b>17</b>	<b>33 489</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 6. SEGMENTAL INFORMATION (CONTINUED)

#### 6.4.4 Restated Segmental Statement of Financial Position as at 31 March 2017

	Note(s)	VRS R mil	BWP R mil	VRESAP R mil	MCWAP-1 R mil
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	8	10	-	-	-
Intangible assets	9	16	-	-	-
Tariff receivable*	10.4	15 018	640	4 544	991
AMD Receivable	14	601	-	-	-
<b>Total Non-Current Assets</b>		<b>15 645</b>	<b>640</b>	<b>4 544</b>	<b>991</b>
<b>Current Assets</b>					
Tariff receivable*	10.4	781	133	148	91
Short-term financial market investments	10.5	2 951	-	-	-
Loans and other receivables	12	25	-	-	-
Prepayments	13	41	-	-	-
Cash and cash equivalents	18	1 525	80	60	447
AMD Receivable	14	175	-	-	-
<b>Total Current Assets</b>		<b>5 497</b>	<b>215</b>	<b>208</b>	<b>538</b>
<b>Total Assets</b>		<b>21 142</b>	<b>855</b>	<b>4 752</b>	<b>1 529</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Liabilities</b>					
<b>EQUITY</b>					
Retained income		396	128	911	(47)
<b>Non-Current liabilities</b>					
Long term financial market liabilities	10.6.3	17 074	653	3 409	1 540
Provisions	17	330	-	-	-
<b>Total Non-Current liabilities</b>		<b>17 404</b>	<b>653</b>	<b>3 409</b>	<b>1 540</b>
<b>Current Liabilities</b>					
Trade and other payables	15	854	8	57	3
Non contractual liabilities	16.1	85	-	-	-
Provisions	17	50	-	-	-
Short term financial market liabilities	10.6.2	2 353	67	865	33
<b>Current liabilities</b>		<b>3 342</b>	<b>75</b>	<b>431</b>	<b>36</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>21 142</b>	<b>855</b>	<b>4 752</b>	<b>1 529</b>

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

MMTS-2	ORWRDP	KWSAP	MMTS-1	UMGENI	KRIEL	MCWAP-2A	TOTAL
R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil
-	-	-	-	-	-	-	10
-	-	-	-	-	-	-	16
1 409	-	1 085	-	-	-	-	23 688
-	-	-	-	-	-	-	601
<b>1 409</b>	<b>-</b>	<b>1 085</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24 315</b>
113	-	101	-	-	-	-	1 365
101	-	-	-	-	-	-	3 052
34	-	-	-	16	13	39	128
1	85	-	-	-	-	-	127
263	30	154	-	-	-	-	2 559
-	-	-	-	-	-	-	175
<b>513</b>	<b>115</b>	<b>255</b>	<b>-</b>	<b>16</b>	<b>13</b>	<b>39</b>	<b>7 407</b>
<b>1 922</b>	<b>115</b>	<b>1 340</b>	<b>-</b>	<b>16</b>	<b>13</b>	<b>39</b>	<b>31 722</b>
(81)	-	3	-	4	-	-	1 313
1 538	-	1 290	-	-	-	-	25 504
-	-	-	-	-	-	-	330
<b>1 538</b>	<b>-</b>	<b>1 290</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25 834</b>
68	97	20	-	12	13	39	1 171
101	-	-	-	-	-	-	186
-	-	-	-	-	-	-	50
896	-	23	-	-	-	-	4 237
<b>465</b>	<b>115</b>	<b>46</b>	<b>-</b>	<b>12</b>	<b>13</b>	<b>39</b>	<b>5 644</b>
<b>1 922</b>	<b>115</b>	<b>1 340</b>	<b>-</b>	<b>16</b>	<b>13</b>	<b>39</b>	<b>31 722</b>



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 6. SEGMENTAL INFORMATION (CONTINUED)

#### 6.4.5 As previously stated in the Statement of Financial Position as at 31 March 2017

	Note(s)	VRS R mil	BWP R mil	VRESAP R mil	MCWAP R mil
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	8	10	-	-	-
Intangible assets	9	16	-	-	-
Tariff receivable*	10.4	18 360	499	3 853	826
AMD Receivable	14	-	-	-	-
<b>Total Non-Current Assets</b>		<b>18 386</b>	<b>499</b>	<b>3 853</b>	<b>826</b>
<b>Current Assets</b>					
Tariff receivable*	10.4	737	135	69	-
Short-term financial market investments	10.5	2 951	-	-	-
Loans and other receivables	12	25	-	-	-
Prepayments	13	41	-	-	-
Non-contractual amounts	16.1	-	2	-	-
Cash and cash equivalents	18	1 525	80	60	447
<b>Total Current Assets</b>		<b>5 279</b>	<b>217</b>	<b>129</b>	<b>447</b>
<b>Total Assets</b>		<b>23 665</b>	<b>716</b>	<b>3 982</b>	<b>1 273</b>
<b>LIABILITIES</b>					
<b>Non-Current Liabilities</b>					
Long-term financial market liabilities	10.6.3	17 074	653	3 409	1 540
Provisions	17	290	-	-	-
<b>Total Non-Current Liabilities</b>		<b>17 364</b>	<b>653</b>	<b>3 409</b>	<b>1 540</b>
<b>Current Liabilities</b>					
Trade and other payables	15	855	8	57	42
Non-contractual amounts	16.1	85	-	9	-
Provisions	17	50	-	-	-
Short-term financial market liabilities	10.6.2	2 353	67	365	33
<b>Total Current Liabilities</b>		<b>3 343</b>	<b>75</b>	<b>431</b>	<b>75</b>
<b>TOTAL LIABILITIES</b>		<b>20 707</b>	<b>728</b>	<b>3 840</b>	<b>1 615</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>23 665</b>	<b>716</b>	<b>3 982</b>	<b>1 273</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

MMTS-2	ORWRDP	KWSAP	MMTS-1	UMGENI	KRIEL	TCTA-C	MRWP	TOTAL
R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil
-	-	-	-	-	-	-	-	10
-	-	-	-	-	-	-	-	16
1 550	-	1 153	-	-	-	-	-	26 241
-	-	-	-	-	-	-	-	-
<b>1 550</b>	<b>-</b>	<b>1 153</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26 267</b>
-	-	-	-	-	-	-	-	941
101	-	-	-	-	-	-	-	3 052
26	-	-	-	16	13	-	-	80
1	85	-	-	-	-	-	-	127
-	-	-	-	-	-	-	-	2
263	30	154	-	-	-	-	-	2 559
<b>391</b>	<b>115</b>	<b>154</b>	<b>-</b>	<b>16</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>6 761</b>
<b>1 941</b>	<b>115</b>	<b>1 307</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33 028</b>
1 538	-	1 290	-	-	-	-	-	25 504
-	-	-	-	-	-	-	-	290
<b>1 538</b>	<b>-</b>	<b>1 290</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25 794</b>
61	97	20	-	12	13	-	-	1 165
4	18	3	-	-	-	-	-	119
-	-	-	-	-	-	-	-	50
396	-	23	-	-	-	-	-	3 237
<b>458</b>	<b>115</b>	<b>46</b>	<b>12</b>	<b>-</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>4 568</b>
<b>1 996</b>	<b>115</b>	<b>1 336</b>	<b>12</b>	<b>-</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>30 362</b>
<b>1 941</b>	<b>115</b>	<b>1 307</b>	<b>16</b>	<b>-</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>33 028</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 6. SEGMENTAL INFORMATION (CONTINUED)

#### 6.4.6 Segmental Statement of Comprehensive Income for the year ended 31 March 2019

	Note(s)	VRS R mil	BWP R mil	VRESAP R mil	MCWAP-1 R mil	MMTS-2 R mil
<b>CONSTRUCTION REVENUE</b>	20	598	-	-	(6)	2
<b>CONSTRUCTION COSTS</b>	20	(598)	-	-	6	(2)
<b>OTHER OPERATING INCOME</b>		1 426	5	8	7	18
<b>EXPENSES</b>		(1 426)	(5)	(8)	(7)	(18)
Legal fees and litigation costs		(8)	-	-	-	(2)
Depreciation	8	(11)	-	-	-	-
Operating costs for the work in Lesotho	30	(83)	-	-	-	-
Lesotho Highlands Water Commission (LHWC) costs	24.2.1	(14)	-	-	-	-
Staff costs	29.3	(125)	(4)	(5)	(6)	(12)
Directors' emoluments and related costs	24.3	(9)	-	-	-	-
Royalties and license fees	28	(918)	-	-	-	-
AMD operations and maintenance	29	(228)	-	-	-	-
Other operating expenses	29	(30)	(1)	(3)	(1)	(4)
<b>Operating loss</b>		-	-	-	-	-
<b>Net finance income/(costs)</b>		254	(15)	(60)	30	(9)
Finance income	21.1	2 308	37	309	170	161
Finance Cost	21.2	2 054	52	369	140	170
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>254</b>	<b>(15)</b>	<b>(60)</b>	<b>30</b>	<b>(9)</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

ORWRDP R mil	KWSAP R mil	MMTS-1 R mil	UMGENI R mil	KRIEL R mil	MCWAP-2A R mil	MRWP R mil	BRVAS R mil	TOTAL R mil
60	1	-	-	1	16	7	7	687
(60)	(1)	-	-	(1)	(16)	(7)	(7)	(688)
-	7	-	-	-	-	-	-	1 471
-	(7)	-	-	-	-	-	-	(1 471)
-	-	-	-	-	-	-	-	(10)
-	-	-	-	-	-	-	-	(11)
-	-	-	-	-	-	-	-	(83)
-	-	-	-	-	-	-	-	(14)
-	(5)	-	-	-	-	-	-	(157)
-	-	-	-	-	-	-	-	(9)
-	-	-	-	-	-	-	-	(918)
-	-	-	-	-	-	-	-	(228)
-	(2)	-	-	-	-	-	-	(41)
-	-	-	-	-	-	-	-	(23)
-	(2)	-	-	-	(1)	-	-	197
-	118	-	-	-	(1)	-	-	3 103
-	120	-	-	-	(1)	-	-	2 906
-	<b>(2)</b>	-	-	-	<b>(1)</b>	-	-	<b>198</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 6. SEGMENTAL INFORMATION (CONTINUED)

#### 6.4.7 Segmental Statement of Comprehensive Income for the year ended 31 March 2018

	Note(s)	Restated *	Restated *	Restated *	Restated *
		VRS R mil	BWP R mil	VRESAP R mil	MCWAP-1 R mil
<b>CONSTRUCTION REVENUE</b>	20	321	-	-	45
<b>CONSTRUCTION COSTS</b>	20	(321)	-	-	(45)
<b>OTHER OPERATING INCOME</b>		1 436	6	9	8
<b>EXPENSES</b>		<b>(1 655)</b>	<b>(6)</b>	<b>(9)</b>	<b>(8)</b>
Legal fees and litigation costs		(10)	-	-	-
Depreciation	8	(10)	-	-	-
Operating costs for the work in Lesotho	30	(166)	-	-	-
Lesotho Highlands Water Commission (LHWC) costs	24.2.1	(16)	-	-	-
Staff costs	29.3	(68)	(4)	(6)	(6)
Directors' emoluments and related costs	24.3	(10)	-	-	-
Royalties and license fees	28	(914)	-	-	-
AMD operations and maintenance	29	(273)	-	-	-
Other operating expenses	29	(188)	(2)	(3)	(2)
<b>Operating deficit</b>		<b>(219)</b>	-	-	-
<b>Net finance income/(costs)</b>	21.1	(375)	(17)	(68)	14
Finance income		2 125	40	309	162
Finance costs	21.2	(2 500)	(57)	(377)	(148)
<b>Deficit for the year</b>		<b>(594)</b>	<b>(17)</b>	<b>(68)</b>	<b>14</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

Restated *	Restated *	Restated *	Restated *	Restated *	Restated *	Restated *	Restated *
MMTS-2 R mil	ORWRDP R mil	KWSAP R mil	MMTS-1 R mil	UMGENI R mil	KRIEL R mil	MCWAP-2A R mil	TOTAL R mil
3	134	-	1	1	8	29	542
(3)	(134)	-	(1)	(1)	(8)	(29)	(542)
8	-	6	-	-	-	-	1 474
<b>(8)</b>	-	<b>(6)</b>	-	-	-	-	<b>(1 692)</b>
(2)	-	-	-	-	-	-	(12)
-	-	-	-	-	-	-	(10)
-	-	-	-	-	-	-	(166)
-	-	-	-	-	-	-	(16)
(4)	-	(4)	-	-	-	-	(92)
-	-	-	-	-	-	-	(10)
-	-	-	-	-	-	-	(914)
-	-	-	-	-	-	-	(273)
(2)	-	(2)	-	-	-	-	(199)
-	-	-	-	-	-	-	<b>(219)</b>
(15)	-	4	-	-	-	-	(456)
166	-	132	-	-	-	-	2 935
(181)	-	(128)	-	-	-	-	(3 391)
<b>(16)</b>	-	<b>4</b>	-	-	-	-	<b>(675)</b>



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 6. SEGMENTAL INFORMATION (CONTINUED)

#### 6.4.8 As previously stated

	Note(s)	VRS R mil	BWP R mil	VRESAP R mil	MCWAP R mil
<b>CONSTRUCTION REVENUE</b>	20	249	-	-	73
<b>CONSTRUCTION COSTS</b>	20	(249)	-	-	(73)
<b>OTHER OPERATING INCOME</b>		1 688	6	9	8
<b>EXPENSES</b>		<b>(1 688)</b>	<b>(6)</b>	<b>(9)</b>	<b>(8)</b>
Legal fees and litigation costs		(10)	-	-	-
Depreciation	8	(4)	-	-	-
Amortisation		(6)	-	-	-
Operating costs for the work in Lesotho	30	(200)	-	-	-
Lesotho Highlands Water Commission (LHWC) costs	24.2.1	(16)	-	-	-
Staff costs	29.3	(68)	(4)	(6)	(6)
Directors' emoluments and related costs	24.3	(10)	-	-	-
Royalties and license fees	28	(914)	-	-	-
AMD operations and maintenance	29	(273)	-	-	-
Other operating expenses	29	(187)	(2)	(3)	(2)
<b>Operating loss</b>		-	-	-	-
<b>Net finance income/(costs)</b>		2 350	(11)	(8)	(188)
Finance income	21.1	4 842	69	395	113
Finance costs	21.2	(2 492)	(80)	(403)	(301)
<b>Loss for the year</b>		<b>2 356</b>	<b>(11)</b>	<b>(8)</b>	<b>(188)</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

MMTS-2 R mil	ORWRDP R mil	KWSAP R mil	MMTS-1 R mil	UMGENI R mil	KRIEL R mil	TOTAL R mil
3	203	-	1	1	8	538
(3)	(203)	-	(1)	(1)	(8)	(538)
8	-	6	-	-	-	1 725
<b>(8)</b>	-	<b>(6)</b>	-	-	-	<b>(1 725)</b>
(2)	-	-	-	-	-	(12)
-	-	-	-	-	-	(4)
-	-	-	-	-	-	(6)
-	-	-	-	-	-	(200)
-	-	-	-	-	-	(16)
(4)	-	(4)	-	-	-	(92)
-	-	-	-	-	-	(10)
-	-	-	-	-	-	(914)
-	-	-	-	-	-	(273)
(2)	-	(2)	-	-	-	(198)
-	-	-	-	-	-	-
(26)	-	(30)	-	-	-	2 087
165	-	134	-	-	-	5 718
(191)	-	(164)	-	-	-	(3 631)
<b>(26)</b>	-	<b>(30)</b>	-	-	-	<b>2 091</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 7. FINANCIAL INSTRUMENT RISK MANAGEMENT

#### 7.1 Capital management

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

The capital structure of TCTA consists of short-, medium- and long-term debt (borrowings as detailed in note 10.6) and equity (comprising accumulated surpluses or deficits).

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

TCTA's borrowing limits per project are reviewed on an annual basis by the Minister of Human Settlements, Water and Sanitation, with the concurrence of the Minister of Finance. The borrowing limits are based on TCTA's borrowing requirements in order to fulfil the Republic of South Africa's financial obligations in terms of, or resulting from, the Treaty and other directives received from the Minister (Refer to note 7.2.1).

#### **Optimal capital structure:**

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

#### 7.2 Financial risk management objectives

The Board has overall responsibility for the establishment and oversight of risk management within the organisation and approves the risk management framework and 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 Finance Committee, comprising of at least three non-executive directors and the CEO, assists management and the Board in this regard. It oversees how management monitors compliance to funding and risk management policies and reviews the adequacy of the risk management framework in relation to the risks that TCTA is exposed to.

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

TCTA's market activities expose it to market risk (including currency risk, interest rate risk, etc.) credit risk and liquidity risk (Refer notes 7.2.1-7.2.3).

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 approaches 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.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

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.

### 7.2.1 Liquidity stress test scenarios as at Thursday, 11 April 2019

TCTA has performed a liquidity stress test in order to assess its ability to meet its debt obligations in the next 12 months and beyond. The assessment was performed on Thursday, 11 April 2019 and considers two scenarios:

#### Scenario 1

- This scenario which assumes the estimated time from the Thursday, 11 April 2019 until the date that the cash resources are fully depleted assuming no cash is recovered through the tariff receivable and no additional funding is obtained.
- The table below represents stress tests to determine the number of days each project's cash resources would last, assuming TCTA does not receive any payments from DWS. The calculation takes the opening cash balance and deducts all the cash outflow forecast over the period.

#### Estimated number of days as at 11 April 2019 exhaustion of cash resources assuming no tariffs are received in the foreseeable future

Project	Current cash balances R mil	Days till cash is depleted	Anticipated depletion date <sup>(1)</sup>	Undrawn liquidity facilities <sup>(2)</sup> R mil	Notes
MMTS - Project Bank Account	63	48	29-May-19	326	Note 1
VRS	2 115	77	27-Jun-19	6 000	Note 2
BWP	50	77	27-Jun-19	700	Note 3
VRESAP	224	97	17-Jun-19	115	Note 4
KWSAP	149	337	13-Mar-20	750	
ORWRDP	58	>355 days	31-Mar-20	-	
MMTS 2 - Debt Service Account	282	>355 days	After March 2020	-	
MCWAP-1	592	>355 days	After March 2020	200	

<sup>(1)</sup> The liquidity of all the projects under this scenario is robust Expected date at which the cash resources will be depleted

<sup>(2)</sup> TCTA has available facilities that enable each project to drawdown if required, except ORWRDP which is funded from the fiscus.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 7. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

#### Notes

- The liquidity risk for MMTS-2 in the table above is impacted by the maturity of commercial paper on the 30 May 2019, this risk is further mitigated by the potential use of undrawn facilities of R326m which would be sufficient to meet the expected cash outflows post 31st March 2020.
- The liquidity risk for the VRS project in the table above is impacted by the Loan payments to the value of R 550 million on the 30 April 2019, Capex for LHWP 2 to the value of R 208 million on the 30 April 2019 and 31 May 2019, as well as the coupon payments on the WSP bonds to the value of R 421 million on the 31 May 2019. This risk is further mitigated by the potential use of undrawn facilities of R6 billion which would be sufficient to meet the expected cash outflows post 31st March 2020.
- The liquidity risk for BWP in the table above is mitigated by the potential use of undrawn facility of R700m which would be sufficient to meet the expected cash outflows post 31st March 2020.
- The liquidity risk for VRESAP in the table above is impacted by maturing commercial paper to the value of R160 million on the 30 April 2019 and 18 July 2019, as well as Debt service to the value of R 71 million on the 18 June 2019. This risk is further mitigated by rolling the maturing commercial paper and the use of R115 million support facilities, which will be sufficient to meet the expected cash outflows post 31 March 2020.

#### Scenario 2

This scenario considers the estimated time from the 11 April 2019 until the date that the cash resources are fully depleted assuming that cash is received through the tariff receivable but no additional funding is obtained.

The table below represents the number of days each project's cash resources would last assuming TCTA receives timely payments (in respect of the tariff receivable) from DWS.

#### Estimated number of days as at 11 April 2019 at which exhaustion of cash resources applies assuming the forecast tariff receivable is received

Project	Current cash balances R mil	Days till cash is depleted	Anticipated depletion date <sup>(1)</sup>	Undrawn liquidity facilities <sup>(2)</sup> R mil	Notes
MMTS - Project Bank Account	63	354	30-Mar-20	326	Note 1
ORWRDP	58	>355 DAYS	31-Mar-20	-	
VRESAP	857	>355 DAYS	After March 2020	115	
BWP	283	>355 DAYS	After March 2020	700	
VRS	8 233	>355 DAYS	After March 2020	6 000	
MMTS 2 - Debt Service Account	734	>355 DAYS	After March 2020	-	
KWSAP	335	>355 DAYS	After March 2020	750	
MCWAP	824	>355 days	After March 2020	200	

<sup>(1)</sup> The liquidity of all the projects under this scenario is robust Expected date at which the cash resources will be depleted

<sup>(2)</sup> TCTA has available facilities that enables each project to drawdown if required, except ORWRDP which is funded from the fiscus.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### Notes

1. The liquidity of all the projects under this scenario is robust, subject to DWS making payments to TCTA on time.

TCTA and DWS are presently investigating mechanisms for ring-fencing of the receipt of tariff revenue by DWS from consumers to only be used to repay the tariff that is due to TCTA. This will ensure timely payment of tariffs by DWS to TCTA.

### VRS

#### A. Financing facilities

##### Funding sources and utilisation at 31 March:

	2019	2018
	R million	R million
<b>Total borrowing authority</b>		
Global limit	42 500	36 800
Utilisation	(13 973)	(18 585)
<b>Available</b>	<b>28 527</b>	<b>18 215</b>

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

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

#### Total utilisation of capital market and commercial paper facilities

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

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



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 7. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

2019	Individual limit R mil	Disbursed <sup>(3)</sup> R mil	Available <sup>(3)</sup> R mil	Outstanding debt <sup>(3)</sup> R mil
<b>Utilisation of approved facilities</b>				
Commercial Paper Programme (including Term Paper)	4 000	-	4 000	-
Capital Market - WS05	7 000	-	7 000	-
Capital Market - WSP2 <sup>(1)</sup>	2 176	-	2 176	-
Capital Market - WSP3	1 000	32	968	32
Capital Market - WSP4	1 000	97	903	96
Capital Market - WSP5 <sup>(1)</sup>	13 824	9 538	4 286	9 419
	29 000	9 667	19 333	9 547
<b>Repurchases</b>				
Repurchases for the year	1 000	-	1 000	-

2019	Individual limit R mil	Disbursed <sup>(3)</sup> R mil	Available <sup>(3)</sup> R mil	Outstanding debt R mil
<b>Utilisation of approved facilities</b>				
Loan <sup>(1)</sup>	1 000	1 000	-	1 000
Loan <sup>(1)</sup>	500	-	500	-
Loan <sup>(1)</sup>	3 000	3 000	-	2 900
Loan <sup>(1)</sup>	1 000	-	1 000	-
Loan <sup>(1)</sup>	1 000	500	500	500
	6 500	4 500	2 000	4 400

2018	Individual limit R mil	Issued R mil	Disbursed <sup>(3)</sup> R mil	CPI adjusted value <sup>(2)</sup> R mil	Outstanding debt <sup>(3)</sup> R mil
<b>Utilisation of approved facilities</b>					
Commercial Paper Programme (including Term Paper)	4 000	77	3 923	-	77
Capital Market - WS05	7 000	3 525	3 475	8 804	8 375
Capital Market - WSP2	2 176	-	2 176	-	-
Capital Market - WSP3	1 000	32	968	-	32
Capital Market - WSP4	1 000	97	903	-	95
Capital Market - WSP5	13 824	9 538	4 286	-	9 518
	29 000	13 269	15 731	8 804	18 097

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

<sup>(2)</sup> This includes the nominal at the CPI rate.

<sup>(3)</sup> This includes unrealised discount/premium and excludes loan commitments reflected in the table below.

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.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### Loan commitments

Total utilisation of local and foreign loans	2019	2018	2019	2018
	Utilisation	Utilisation	Outstanding debt	Outstanding debt
	R mil	R mil	R mil	R mil
Local loans	27	34	27	34
Foreign loans	-	3	-	3
	27	37	27	37

### B. Government-guaranteed facilities

TCTA has in place government-guaranteed liquidity facilities of R100 million (2018: 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 2019, these facilities were not utilised (2018: unused).

### C. Liquidity and interest risk tables

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

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

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities.

The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in Note 10.5 and 10.6.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

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

2019 Non-derivative financial assets / (liabilities)	Weighted average effective interest rate  %	Total undiscounted current financial assets / (liabilities)  R mil	Non-current financial assets / (liabilities)		Total undiscounted non-current financial assets / (liabilities)  R mil	Total undiscounted financial assets / (liabilities)  R mil
			1-5 years R mil	>5 years R mil		
<b>Financial assets</b>						
Tariff receivable	11.5%	2 317	-	11 586	11 586	13 903
Loans and receivables	N/A	53	-	-	-	53
Fixed term investments	7.52%	432	-	-	-	432
Cash and cash equivalents <sup>(1)</sup>	6.93%	1 592	-	-	-	1 592
<b>Financial asset maturities</b>		<b>4 394</b>	<b>-</b>	<b>11 586</b>	<b>11 586</b>	<b>15 980</b>
<b>Financial liabilities</b>						
Bonds	9.09%	(891)	(10 807)	-	(10 807)	(11 698)
CPI-linked bonds	8.50%	-	-	-	-	-
Commercial paper	6.87%	-	-	-	-	-
Term paper	8.37%	-	-	-	-	-
Fixed rate loans: Local	10.16%	(15)	(14)	-	(14)	(29)
Variable rate loans: local <sup>(1)</sup>	9.03%	(1 059)	(2 216)	(4 286)	(6 502)	(7 561)
Trade and other payables (excluding interest payable) <sup>(2)</sup>	N/A	(342)	-	-	-	(342)
<b>Financial liabilities maturities</b>		<b>(2 307)</b>	<b>(13 037)</b>	<b>(4 286)</b>	<b>(17 323)</b>	<b>(19 630)</b>
<b>Net financial asset/ (liabilities)</b>		<b>2 087</b>	<b>(13 037)</b>	<b>7 300</b>	<b>(5 737)</b>	<b>(3 650)</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

2018 Non-derivative financial assets / (liabilities)	Weighted average effective interest rate  %	Total undiscounted current financial assets / (liabilities)  R mil	Non-current financial assets / (liabilities)		Total undiscounted non-current financial assets / (liabilities)  R mil	Total undiscounted financial assets / (liabilities)  R mil
			1-5 years  R mil	>5 years  R mil		
Tariff receivable	14%	5 039	-	12 219	12 219	17 258
Loans and receivables	N/A	53	-	-	-	53
Fixed term investments	8.19%	321	-	-	-	321
Cash and cash equivalents <sup>(1)</sup>	7.01%	2 910	-	-	-	2 910
<b>Financial asset maturities</b>		<b>8 323</b>	<b>-</b>	<b>12 219</b>	<b>12 219</b>	<b>20 542</b>
<b>Financial liabilities</b>						
Bonds	9.09%	(870)	(11 537)	-	(11 537)	(12 407)
CPI-linked bonds	11.54%	(9 250)	(8 637)	-	(8 637)	(17 887)
Commercial paper	6.87%	(2)	-	-	-	(2)
Term paper	8.37%	(75)	(75)	-	(75)	(150)
Fixed rate loans: Local	10.16%	(9)	(33)	-	(33)	(42)
Variable rate loans: local <sup>(1)</sup>	7.74%	(3)	-	-	-	(3)
Trade and other payables (excluding interest payable) <sup>(2)</sup>	N/A	(492)	-	-	-	(492)
<b>Financial liabilities maturities</b>		<b>(10 701)</b>	<b>(20 282)</b>	<b>-</b>	<b>(20 282)</b>	<b>(30 983)</b>
<b>Net financial asset/ (liabilities)</b>		<b>(2 378)</b>	<b>(20 282)</b>	<b>12 219</b>	<b>(8 063)</b>	<b>(10 441)</b>

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

<sup>(2)</sup> Accrued interest has been included with the applicable instruments in the table above.

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

## BWP

### A. Financing facilities

#### Funding sources and utilisation at 31 March:

	2019 R million	2018 R million
<b>Total borrowing authority</b>		
Borrowing limit <sup>(1)</sup>	715	770
Utilisation	(575)	(593)
<b>Available</b>	<b>140</b>	<b>177</b>

<sup>(1)</sup> 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.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 7. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

2019	Individual limit	Disbursed (3)	Available (3)	Outstanding debt
Utilisation of approved facilities	R mil	R mil	R mil	R mil
Commercial Paper Programme	450	-	450	-
Loan <sup>(1)</sup>	500	400	100	210
Loan <sup>(1)(2)(3)</sup>	EUR 100	EUR 100	-	315
Loan	300	50	250	50
			<b>800</b>	<b>575</b>

2018	Individual limit	Disbursed (3)	Available (3)	Outstanding debt (3)
Utilisation of approved facilities	R mil	R mil	R mil	R mil
<b>Total issued to date</b>				
Commercial Paper Programme	450	0	450	-
Loan <sup>(1)</sup>	500	400	100	220
Loan <sup>(1)(2)(3)</sup>	EUR 100	EUR 100	-	373
Loan	300	-	300	-
			<b>850</b>	<b>593</b>

<sup>(1)</sup> The facilities are not available for further drawdowns.

<sup>(2)</sup> This is a Euro denominated facility drawn in Rands and repaid in Rands.

<sup>(3)</sup> All amounts are in ZAR unless otherwise stated.

#### B. Liquidity and interest risk tables

The liquidity and interest risk tables are included for each project and include 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 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 10.5 and 10.6.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

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

Non-derivative financial assets / (liabilities)	Weighted average effective interest rate %	Total undiscounted current financial assets / (liabilities) R mil	Non-current financial assets / (liabilities)		Total undiscounted non-current financial assets / (liabilities) R mil	Total undiscounted financial assets / (liabilities) R mil
			1-5 years R mil	>5 years R mil		
<b>2019</b>						
<b>Financial assets</b>						
Tariff receivable	4,73	65	340	310	650	715
Loans and receivables	Not Applicable	1	-	-	-	1
Cash and cash equivalents <sup>(1)</sup>	7.05	121	-	-	-	121
<b>Financial asset maturities</b>		<b>187</b>	<b>340</b>	<b>310</b>	<b>650</b>	<b>837</b>
Fixed rate loans: Local <sup>(2)</sup>	8.35	(138)	(396)	(169)	(565)	(703)
Variable rate loans: local <sup>(1) (2)</sup>	9.12	(51)	-	-	-	(51)
Trade and other payables (excluding interest payable) <sup>(3)</sup>	Not Applicable	(12)	-	-	-	(12)
<b>Financial liabilities maturities</b>		<b>(201)</b>	<b>(396)</b>	<b>(169)</b>	<b>(565)</b>	<b>(766)</b>
<b>Net financial asset/ (liabilities)</b>		<b>(14)</b>	<b>(56)</b>	<b>141</b>	<b>85</b>	<b>71</b>
<b>2018</b>						
<b>Financial assets</b>						
Tariff receivable	4,45	98	320	374	694	792
Cash and cash equivalents (1)	6.30	72	-	-	-	72
<b>Financial asset maturities</b>		<b>170</b>	<b>320</b>	<b>374</b>	<b>694</b>	<b>864</b>
<b>Financial liabilities</b>						
Fixed rate loans: Local <sup>(2)</sup>	9.33	(125)	(437)	(247)	(684)	(809)
Trade and other payables (excluding interest payable) <sup>(3)</sup>	Not Applicable	(4)	-	-	-	(4)
<b>Financial liabilities maturities</b>		<b>(129)</b>	<b>(437)</b>	<b>(247)</b>	<b>(684)</b>	<b>(813)</b>
<b>Net financial asset/ (liabilities)</b>		<b>41</b>	<b>(117)</b>	<b>127</b>	<b>10</b>	<b>51</b>

<sup>(1)</sup> 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. The variable interest rate investments are on demand.

<sup>(2)</sup> Loan repayments are made periodically as per the respective agreements.

<sup>(3)</sup> Accrued interest has been included with the applicable instruments in the table.

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



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 7. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

#### VRESAP

##### A. Financing facilities

Funding sources and utilisation at 31 March:

	2019 R million	2018 R million
<b>Total borrowing authority</b>		
Borrowing limit	4 039	4 111
Utilisation	(3 621)	(3 805)
<b>Available</b>	<b>418</b>	<b>306</b>

2019	Individual limit R mil	Disbursed <sup>(3)</sup> R mil	Available <sup>(3)</sup> R mil	Outstanding debt <sup>(3)</sup> R mil
<b>Utilisation of approved facilities</b>				
Commercial Paper Programme	500	390	110	380
Loan <sup>(1)(2)</sup>	EUR 85	EUR 85	-	591
Loan	1350	1350	-	1 273
Loan	1 000	981	19	907
Loan	155	155	-	120
Loan	350	350	-	350
			<b>129</b>	<b>3 621</b>

2018	Individual limit R mil	Disbursed <sup>(2)</sup> R mil	Available <sup>(2)</sup> R mil	Outstanding debt <sup>(3)</sup> R mil
<b>Utilisation of approved facilities</b>				
Commercial Paper Programme (including Term Paper)	400	393	7	382
Loan <sup>(1)(2)</sup>	EUR 85	EUR 85	-	645
Loan	1350	1350	-	1 353
Loan	1000	991	9	908
Loan	155	155	-	128
Loan	350	350	-	389
			<b>16</b>	<b>3 805</b>

<sup>(1)</sup> This is a Euro denominated facility drawn in Rands and repaid in Rands.

<sup>(2)</sup> All amounts are in ZAR unless otherwise stated.

##### B. Liquidity and interest risk tables

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 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 10.5 and 10.6.

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

Non-derivative financial assets / (liabilities)	Weighted average effective interest rate	Total undiscounted current financial assets / (liabilities)	Non-current financial assets / (liabilities)		Total undiscounted noncurrent financial assets / (liabilities)	Total undiscounted financial assets / (liabilities)
	%	R mil	1-5 years R mil	>5 years R mil	R mil	R mil
<b>2019</b>						
<b>Financial assets</b>						
Tariff receivable	6.46	499	2 025	2 298	4 323	4 822
Cash and cash equivalents <sup>(1)</sup>	6.83	224	-	-	-	224
<b>Financial asset maturities</b>		723	2 025	2 298	4 323	5 046
<b>Financial liabilities</b>						
Term paper	8.05	(340)	(50)	-	(50)	(390)
Fixed rate loans <sup>(2)</sup>	10.03	(409)	(1 576)	(1 646)	(3 222)	(3 631)
Variable rate loans <sup>(1)(2)</sup>	9.15	(100)	(430)	(1 453)	(1 883)	(1 983)
Trade and other payables (excluding interest payable) <sup>(3)</sup>	Not Applicable	(35)	-	-	-	(35)
<b>Financial liabilities maturities</b>		(884)	(2 056)	(3 099)	(5 155)	(6 039)
<b>Net financial assets/(liability)</b>		(161)	(31)	(801)	(832)	(993)
<b>2018</b>						
<b>Financial assets</b>						
Tariff receivable	6.39	580	2 291	3 679	5 970	6 550
Cash and cash equivalents <sup>(1)</sup>	6.84	82	-	-	-	82
<b>Financial asset maturities</b>		662	2 291	3 679	5 970	6 632
<b>Financial liabilities</b>						
Term paper	7.58	(338)	(55)	-	(55)	(393)
Fixed rate loans <sup>(2)</sup>	10.02	(415)	(1 600)	(2 030)	(3 630)	(4 045)
Variable rate loans <sup>(1)(2)</sup>	9.64	(97)	(419)	(1 572)	(1 991)	(2 088)
Trade and other payables (excluding interest payable) <sup>(3)</sup>	Not Applicable	(14)	-	-	-	(14)
<b>Financial liabilities maturities</b>		(864)	(2 074)	(3 602)	(5 676)	(6 540)
<b>Net financial asset/ (liabilities)</b>		(202)	217	77	294	92

<sup>(1)</sup> 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. The variable interest rate investments are on demand.

<sup>(2)</sup> Loan repayments are made periodically as per the respective agreements.

<sup>(3)</sup> Accrued interest has been included with the applicable instruments in the table.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 7. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

#### MCWAP-1

##### A. Financing facilities

Funding sources and utilisation at 31 March:

	2019	2018
	R million	R million
<b>Total borrowing authority</b>		
Borrowing limit	4 400	2 229
Utilisation	(1 369)	(1 540)
<b>Available</b>	<b>3 031</b>	<b>689</b>

	Individual limit	Disbursed	Available	Outstanding debt
Utilisation of approved facilities	R mil	R mil	R mil	R mil
<b>2019</b>				
Loan	700	498	-	479
Loan	200	-	200	-
Loan	600	225	-	83
Loan	700	700	-	807
	<b>2 200</b>	<b>1 423</b>	<b>200</b>	<b>1 369</b>
<b>2018</b>				
Loan	700	498	-	498
Loan	200	-	200	-
Loan	600	225	-	225
Loan	700	700	-	817
	<b>2 200</b>	<b>1 423</b>	<b>200</b>	<b>1 540</b>

##### 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 MCWAP-1.

##### 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 10.5 and 10.6.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

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

Non-derivative financial assets / (liabilities)	Weighted average effective interest rate	Total undiscounted current financial assets / (liabilities)	Non-current financial assets / (liabilities)		Total undiscounted noncurrent financial assets / (liabilities)	Total undiscounted financial assets / (liabilities)
			1-5 years	>5 years		
	%	R mil	R mil	R mil	R mil	R mil
<b>2019</b>						
<b>Financial assets</b>						
Tariff receivable	13.59	132	526	1 227	1 753	1 885
Cash and cash equivalents <sup>(1)</sup>	7.15	592	-	-	-	592
<b>Financial asset maturities</b>		724	526	1 227	1 753	2 477
<b>Financial liabilities</b>						
Fixed rate loans	9.08	(120)	(498)	(1 321)	(1 819)	(1 939)
Variable rate loans <sup>(1)(2)</sup>	9.26	(50)	(201)	(467)	(668)	(718)
Trade and other payables (excluding interest payable) <sup>(3)</sup>	Not Applicable	(13)	-	-	-	(13)
<b>Financial liabilities maturities</b>		(183)	(699)	(1 788)	(2 487)	(2 670)
<b>Net financial asset/ (liabilities)</b>		<b>541</b>	<b>(173)</b>	<b>(561)</b>	<b>(734)</b>	<b>(193)</b>
<b>2018</b>						
<b>Financial assets</b>						
Tariff receivable	12,35	306	384	1 569	1 953	2 259
Cash and cash equivalents (1)	7.11	474	-	-	-	474
<b>Financial asset maturities</b>		780	384	1 569	1 953	2 733
<b>Financial liabilities</b>						
Fixed rate loans <sup>(2)</sup>	9.45	(115)	(485)	(1 499)	(1 984)	(2 099)
Variable rate loans <sup>(1)(2)</sup>	9.29	(70)	(278)	(671)	(949)	(1 019)
Trade and other payables (excluding interest payable) <sup>(3)</sup>	Not Applicable	(12)	-	-	-	(12)
<b>Financial liabilities maturities</b>		(197)	(763)	(2 170)	(2 933)	(3 130)
<b>Net financial asset/ (liabilities)</b>		<b>583</b>	<b>(379)</b>	<b>(601)</b>	<b>(980)</b>	<b>(397)</b>

<sup>(1)</sup> 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. The variable interest rate investments are on demand.

<sup>(2)</sup> Loan repayments are made periodically as per the respective agreements.

<sup>(3)</sup> Accrued interest has been included with the applicable instruments in the table.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 7. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

#### MMTS-2

##### A. Financing facilities

Funding sources and utilisation at 31 March:

	2019		2018	
Total borrowing authority	R million		R million	
Borrowing limit	1 860		1 966	
Utilisation	(1 760)		(1 817)	
<b>Available</b>	<b>100</b>		<b>149</b>	

	Individual limit	Disbursed <sup>(2)</sup>	Available <sup>(2)</sup>	Outstanding debt
	R mil	R mil	R mil	R mil
<b>Utilisation of approved facilities</b>				
<b>2019</b>				
Commercial Paper Programme	400	324	76	310
Loan	250		250	-
Loan <sup>(1)(2)</sup>	EUR 80	EUR 54	EUR 0	609
Loan <sup>(1)(2)</sup>	EUR 70	EUR 45	EUR 0	516
Loan <sup>(1)(2)</sup>	EUR 45	EUR 29	EUR 0	325
			-	<b>1 760</b>
<b>2018</b>				
Commercial Paper Programme	400	290	110	279
Loan	250		250	-
Loan <sup>(1)(2)</sup>	EUR 80	EUR 54	EUR 0	660
Loan <sup>(1)(2)</sup>	EUR 70	EUR 45	EUR 0	539
Loan <sup>(1)(2)</sup>	EUR 45	EUR 29	EUR 0	339
			-	<b>1 817</b>

<sup>(1)</sup> This is a Euro denominated facility drawn in Rands and repaid in Rands

<sup>(2)</sup> All amounts are in ZAR unless otherwise stated.

Before the funding strategy is implemented, the borrowing limit is monitored to ensure it is not exceeded.

##### B. Liquidity and interest risk tables

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

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

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in Note 10.5 and 10.6.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

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

Non-derivative financial assets / (liabilities)	Weighted average effective interest rate	Total undiscounted current financial assets / (liabilities)	Non-current financial assets / (liabilities)		Total undiscounted noncurrent financial assets / (liabilities)	Total undiscounted financial assets / (liabilities)
			1-5 years	>5 years		
	%	R mil	R mil	R mil	R mil	R mil
<b>2019</b>						
<b>Financial assets</b>						
Tariff receivable	10,15	291	761	1 321	2 082	2 373
Loans and receivables	n/a	22	-	-	-	22
Fixed term investments	7.01	50	-	-	-	50
Cash and cash equivalents <sup>(1)</sup>	6.68	346	-	-	-	346
<b>Financial asset maturities</b>		<b>709</b>	<b>761</b>	<b>1 321</b>	<b>2 082</b>	<b>2 791</b>
<b>Financial liabilities</b>						
Term paper	7.92	(324)	-	-	-	(324)
Fixed rate loans <sup>(2)</sup>	8.93	(104)	(371)	(474)	(845)	(949)
Variable rate loans <sup>(1)(2)</sup>	10.25	(122)	(487)	(932)	(1 419)	(1 541)
Trade and other payables (excluding interest payable) <sup>(3)</sup>	N/A	(24)	-	-	-	(24)
<b>Financial liabilities maturities</b>		<b>(574)</b>	<b>(858)</b>	<b>(1 406)</b>	<b>(2 264)</b>	<b>(2 838)</b>
<b>Net financial asset/ (liabilities)</b>		<b>135</b>	<b>(97)</b>	<b>(85)</b>	<b>(182)</b>	<b>(47)</b>
<b>2018</b>						
<b>Financial assets</b>						
Tariff receivable	9.5	252	708	1 867	2 575	2 827
Loans and receivables	N/A	22	-	-	-	22
Fixed term investments	7.02	50	-	-	-	50
Cash and cash equivalents <sup>(1)</sup>	6.44	209	-	-	-	209
<b>Financial asset maturities</b>		<b>533</b>	<b>708</b>	<b>1 867</b>	<b>2 575</b>	<b>3 108</b>
<b>Financial liabilities</b>						
Term paper	7.88	(290)	-	-	-	(290)
Fixed rate loans <sup>(2)</sup>	8.93	(109)	(389)	(560)	(949)	(1 058)
Variable rate loans <sup>(1)(2)</sup>	9.71	(124)	(484)	(1 050)	(1 534)	(1 658)
Trade and other payables (excluding interest payable) <sup>(3)</sup>	N/A	(43)	-	-	-	(43)
<b>Financial liabilities maturities</b>		<b>(566)</b>	<b>(873)</b>	<b>(1 610)</b>	<b>(2 483)</b>	<b>(3 049)</b>
<b>Net financial asset/ (liabilities)</b>		<b>(33)</b>	<b>(165)</b>	<b>257</b>	<b>92</b>	<b>59</b>

<sup>(1)</sup> 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. The variable interest rate investments are on demand.

<sup>(2)</sup> Loan repayments are made periodically as per the respective agreements.

<sup>(3)</sup> Accrued interest has been included with the applicable instruments in the table.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 7. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

#### ORWRDP

##### A. Liquidity and interest risk tables

The liquidity and interest risk tables are included for each project and include 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 10.5 and 10.6.

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

Non-derivative financial assets / (liabilities)	Weighted average effective interest rate %	Total undiscounted current financial assets / (liabilities) R mil	Non-current financial assets / (liabilities)		Total undiscounted noncurrent financial assets / (liabilities) R mil	Total undiscounted financial assets / (liabilities) R mil
			1-5 years R mil	>5 years R mil		
<b>2019</b>						
<b>Financial assets</b>						
Cash and cash equivalents <sup>(1)</sup>	6.56	59	-	-	-	59
<b>Financial asset maturities</b>		59	-	-	-	59
<b>Net financial asset/ (liabilities)</b>		<b>59</b>	-	-	-	<b>59</b>
<b>2018</b>						
<b>Financial assets</b>						
Loans and receivables	Not Applicable	78	-	-	-	78
Cash and cash equivalents <sup>(1)</sup>	6.26	1	-	-	-	1
<b>Financial asset maturities</b>		<b>79</b>	-	-	-	<b>79</b>
<b>Financial liabilities</b>						
Trade and other payables (excluding interest payable)	Not Applicable	(106)	-	-	-	(106)
<b>Financial liabilities maturities</b>		<b>(106)</b>	-	-	-	<b>(106)</b>
<b>Net financial asset/ (liabilities)</b>		<b>(27)</b>	-	-	-	<b>(27)</b>

<sup>(1)</sup> 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. The variable interest rate investments are on demand.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### KWSAP

#### A. Financing facilities

Funding sources and utilisation at 31 March:

	2019	2018
	R million	R million
<b>Total borrowing authority</b>		
Borrowing limit	1 408	1 419
Utilisation	(1 255)	(1 261)
<b>Available</b>	<b>153</b>	<b>158</b>

Utilisation of approved facilities	Individual limit R mil	Disbursed R mil	Available R mil	Outstanding debt <sup>(3)</sup> R mil
<b>2019</b>				
Commercial Paper Programme	500	-	500	-
Loan	400	369	31	322
Loan	600	600	-	932
Loan	250	-	250	-
	<b>1 750</b>	<b>969</b>	<b>781</b>	<b>1 254</b>
<b>2018</b>				
Commercial Paper Programme	500	-	500	-
Loan	400	369	31	346
Loan	600	600	-	916
Loan	250	-	250	-
	<b>1 750</b>	<b>969</b>	<b>781</b>	<b>1 262</b>

#### B. Liquidity and interest risk tables

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

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

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities.

The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in Note 10.5 and 10.6.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 7. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

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

Non-derivative financial assets / (liabilities)	Weighted average effective interest rate	Total undiscounted current financial assets / (liabilities)	Non-current financial assets / (liabilities)		Total undiscounted noncurrent financial assets / (liabilities)	Total undiscounted financial assets / (liabilities)
	%	R mil	1-5 years R mil	>5 years R mil	R mil	R mil
<b>2019</b>						
<b>Financial assets</b>						
Tariff receivable	6,84	140	511	1 140	1 651	1 791
Cash and cash equivalents <sup>(1)</sup>	7.09	150	-	-	-	150
<b>Financial asset maturities</b>		290	511	1 140	1 651	1 941
<b>Financial liabilities</b>						
Fixed rate loans <sup>(2)</sup>	9.59	(117)	(488)	(1 208)	(1 696)	(1 813)
Variable rate loans <sup>(1)(2)</sup>	9.10	(34)	(157)	(501)	(658)	(692)
Trade and other payables (excluding interest payable) <sup>(3)</sup>	Not Applicable	(2)	-	-	-	(2)
<b>Financial liabilities maturities</b>		(153)	(645)	(1 709)	(2 354)	(2 507)
<b>Net financial asset/ (liabilities)</b>		<b>137</b>	<b>(134)</b>	<b>(569)</b>	<b>(703)</b>	<b>(566)</b>
<b>2018</b>						
<b>Financial assets</b>						
Tariff receivable	9,55	166	569	1 661	2 230	2 396
Cash and cash equivalents <sup>(1)</sup>	6.77	70	-	-	-	70
<b>Financial asset maturities</b>		236	569	1 661	2 230	2 466
<b>Financial liabilities</b>						
Fixed rate loans <sup>(2)</sup>	9.59	(102)	(472)	(1 305)	(1 777)	(1 879)
Variable rate loans: local <sup>(1)(2)</sup>	8.82	(24)	(147)	(541)	(688)	(712)
Trade and other payables (excluding interest payable) <sup>(3)</sup>	Not Applicable	(11)	-	-	-	(11)
<b>Financial liabilities maturities</b>		(137)	(619)	(1 846)	(2 465)	(2 602)

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

<sup>(2)</sup> Loan repayments are made periodically as per the respective agreements.

<sup>(3)</sup> Accrued interest has been included with the applicable instruments in the table.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 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 10.5 and 10.6.

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

Non-derivative financial assets / (liabilities)	Weighted average effective interest rate	Total undiscounted current financial assets / (liabilities)	Non-current financial assets / (liabilities)		Total undiscounted noncurrent financial assets / (liabilities)	Total undiscounted financial assets / (liabilities)
			1-5 years	>5 years		
	%	R mil	R mil	R mil	R mil	R mil
<b>2019</b>						
<b>Financial assets</b>						
Loans and receivables	Not Applicable	1	-	-	-	1
<b>Financial asset maturities</b>		<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>
<b>Financial liabilities</b>						
Trade and other payables (excluding interest payable)	Not Applicable	(1)	-	-	-	(1)
<b>Financial liabilities maturities</b>		<b>(1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>
<b>Net financial asset/ (liabilities)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2018</b>						
<b>Financial assets</b>						
Loans and receivables	Not Applicable	1	-	-	-	1
<b>Financial asset maturities</b>		<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>
<b>Financial liabilities</b>						
Trade and other payables (excluding interest payable)	Not Applicable	(1)	-	-	-	(1)
<b>Financial liabilities maturities</b>		<b>(1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>
<b>Net financial asset/ (liabilities)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 7. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

#### UMGENI

##### A. Liquidity and interest risk tables

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

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

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in Note 10.5 and 10.6.

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

Non-derivative financial assets / (liabilities)	Weighted average effective interest rate	Total undiscounted current financial assets / (liabilities)	Non-current financial assets / (liabilities)		Total undiscounted noncurrent financial assets / (liabilities)	Total undiscounted financial assets / (liabilities)
			1-5 years	>5 years		
	%	R mil	R mil	R mil	R mil	R mil
<b>2019</b>						
<b>Financial assets</b>						
Loans and receivables	Not Applicable	17	-	-	-	17
<b>Financial asset maturities</b>		<b>17</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17</b>
<b>Financial liabilities</b>						
Trade and other payables (excluding interest payable)	Not Applicable	(13)	-	-	-	(13)
<b>Financial liabilities maturities</b>		<b>(13)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13)</b>
<b>Net financial asset/ (liabilities)</b>		<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>
<b>2018</b>						
<b>Financial assets</b>						
Loans and receivables	Not Applicable	17	-	-	-	17
<b>Financial asset maturities</b>		<b>17</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17</b>
<b>Financial liabilities</b>						
Trade and other payables (excluding interest payable)	Not Applicable	(13)	-	-	-	(13)
<b>Financial liabilities maturities</b>		<b>(13)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13)</b>
<b>Net financial asset/ (liabilities)</b>		<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### KRIEL

#### A. Liquidity and interest risk tables

##### 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 10.5 and 10.6.

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

Non-derivative financial assets / (liabilities)	Weighted average effective interest rate	Total undiscounted current financial assets / (liabilities) R mil	Non-current financial assets / (liabilities)		Total undiscounted noncurrent financial assets / (liabilities) R mil	Total undiscounted financial assets / (liabilities) R mil
			1-5 years R mil	>5 years R mil		
<b>2018</b>						
<b>Financial assets</b>						
Loans and receivables	Not Applicable	6	-	-	-	6
<b>Financial asset maturities</b>		<b>6</b>	-	-	-	<b>6</b>
<b>Financial liabilities</b>						
Trade and other payables (excluding interest payable) (2)	Not Applicable	(6)	-	-	-	(6)
<b>Financial liabilities maturities</b>		<b>(6)</b>	-	-	-	<b>(6)</b>
<b>Net financial asset/ (liabilities)</b>		<b>-</b>	-	-	-	<b>-</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 7. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

#### MRWP

##### A. Liquidity and interest risk tables

###### 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 10.5 and 10.6.

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

Non-derivative financial assets / (liabilities)	Weighted average effective interest rate	Total undiscounted current financial assets / (liabilities)	Non-current financial assets / (liabilities)		Total undiscounted noncurrent financial assets / (liabilities)	Total undiscounted financial assets / (liabilities)
	%	R mil	1-5 years	>5 years	R mil	R mil
<b>2019</b>						
<b>Financial assets</b>						
Loans and receivables	Not Applicable	17	-	-	-	17
<b>Financial asset maturities</b>		17	-	-	-	17
<b>Financial liabilities</b>						
Trade and other payables (excluding interest payable)	Not Applicable	(12)	-	-	-	(12)
<b>Financial liabilities maturities</b>		(12)	-	-	-	(12)
<b>Net financial asset/ (liabilities)</b>		<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>
<b>2018</b>						
<b>Financial assets</b>						
Loans and receivables	Not Applicable	17	-	-	-	17
<b>Financial asset maturities</b>		17	-	-	-	17
<b>Financial liabilities</b>						
Trade and other payables (excluding interest payable)	Not Applicable	(12)	-	-	-	(12)
<b>Financial liabilities maturities</b>		(12)	-	-	-	(12)
<b>Net financial asset/ (liabilities)</b>		<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### TCTA-C

#### A. Liquidity and interest risk tables

##### 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 10.5 and 10.6.

As at 31 March, TCTA-C had contractual maturities as summarised below:

Non-derivative financial assets / (liabilities)	Weighted average effective interest rate	Total undiscounted current financial assets / (liabilities)	Non-current financial assets / (liabilities)		Total undiscounted noncurrent financial assets / (liabilities)	Total undiscounted financial assets / (liabilities)
	%	R mil	1-5 years	>5 years	R mil	R mil
<b>2019</b>						
<b>Financial assets</b>						
Loans and receivables	Not Applicable	31	-	-	-	31
Cash and cash equivalents <sup>(1)</sup>	6.65	14	-	-	-	14
<b>Financial asset maturities</b>		<b>45</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45</b>
<b>Financial liabilities</b>						
Trade and other payables (excluding interest payable)	Not Applicable	(31)	-	-	-	(31)
<b>Financial liabilities maturities</b>		<b>(31)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(31)</b>
<b>Net financial asset/ (liabilities)</b>		<b>14</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14</b>
<b>2018</b>						
<b>Financial assets</b>						
Loans and receivables	Not Applicable	31	-	-	-	31
<b>Financial asset maturities</b>		<b>31</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31</b>
<b>Financial liabilities</b>						
Trade and other payables (excluding interest payable) <sup>(2)</sup>	Not Applicable	(31)	-	-	-	(31)
<b>Financial liabilities maturities</b>		<b>(31)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(31)</b>
<b>Net financial asset/ (liabilities)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> 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. The variable interest rate investments are on demand.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 7. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

#### BRVAS

##### 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 BRVAS.

##### 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 10.5 and 10.6.

As at 31 March, BRVAS had contractual maturities as summarised below

Non-derivative financial assets / (liabilities)	Weighted average effective interest rate	Total undiscounted current financial assets / (liabilities)	Non-current financial assets / (liabilities)		Total undiscounted noncurrent financial assets / (liabilities)	Total undiscounted financial assets / (liabilities)
	%	R mil	1-5 years R mil	>5 years R mil	R mil	R mil
<b>2019</b>						
<b>Financial assets</b>						
Tariff receivable		1	-	-	-	1
<b>Financial asset maturities</b>		1	-	-	-	1
<b>Financial liabilities</b>						
Trade payable		(1)	-	-	-	(1)
<b>Financial liabilities maturities</b>		(1)	-	-	-	(1)
<b>Net financial asset/ (liabilities)</b>		-	-	-	-	-
<b>2018</b>						
<b>Financial assets</b>						
Tariff receivable		1	-	-	-	1
<b>Financial asset maturities</b>		1	-	-	-	1
<b>Financial liabilities</b>						
<b>Net financial asset/ (liabilities)</b>		1	-	-	-	1

<sup>(1)</sup> 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. The variable interest rate investments are on demand.

<sup>(2)</sup> Accrued interest has been included with the applicable instruments in the table.

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 7.2.2 Credit risk

TCTA invests excess funds with counterparties and this exposes the organisation to credit risk. Credit risk is defined as the risk that a counterparty defaults on its obligations on maturity or redemption or presentation of paper for settlement, resulting in financial deficit to TCTA.

The credit risk is in two forms i.e. (i) the risk of financial deficit resulting from the failure of a counterparty to honour its obligations in accordance with the terms and conditions of a contract or (ii) the risk of financial deficit resulting from the failure of a counterparty to a financial transaction to effect timely settlement, in the correct amount and currency, of its obligations according to the terms and conditions of the relevant transaction(s). This section relates to the credit risk on financial market investments and derivatives as disclosed in the statement of financial position. Refer to note

10.4 for the assessment of the credit quality of the tariff receivable and note 12.2 for loans and other receivables.

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

Hence, credit risk at TCTA is managed through the following:

- ensuring that TCTA deals with reputable counterparties;
- liaison with credit rating agencies;
- allocating counterparty investment limits;
- continuous monitoring of the financial status of counterparties;
- annual review of counterparty limits; and
- daily monitoring of utilisation of counterparty limits.

Limits are allocated based on the following:

- limits are allocated to counterparties with a minimum short-term rating of P-1 and long-term rating of A from Moody's rating agency, or the equivalent from the other rating agencies;
- an internal credit rating score is calculated based on qualitative and quantitative factors;
- the allocated credit limit can be up to 10% of shareholders' funds, depending on the internal credit rating, with a cap of R 1 500 million per counterparty; and
- the credit limit consumption of forward exchange contracts (FECs) with commercial banks is determined according to the Risk Policy whereby the maximum of a calculated risk weighting value or the mark-to-market value of an instrument will be used as the consumption against the credit limit of a specific counterparty.

To further mitigate against the credit risk associated with derivative instruments, TCTA has negotiated International Swap and Derivatives Association Master Agreement (ISDA) agreements with the various market-makers.

The credit limit per counterparty refers to the overall limit for all TCTA projects. Refer to note 6.2.2.1 to 6.2.2.7 for further detail for each project.

#### Concentration risk

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 7. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

Similar credit ratings in the notes below, refer to different counterparties and are therefore not combined.

2019		Utilisation									
Moody's Ratings:	Credit limit	VRS Investments	BWP Investments	VRESAP Investments	MCWAP Investments	MMTS-2 Investments	ORWRDP Investments	KWSAP Investments	Total utilisation	Available	
Long-term	Short-term	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil
Aa1	P-1	1500	259	22	59	86	301	19	23	769	731
Aa1	P-1	1500	286	10	28	15	8	1	13	361	1 139
Aa1	P-1	1500	225	4	12	2	7	10	1	261	1 239
Aaa	P-1	1500	14	4	11	2	6	10	1	48	1 452
Aa1	P-1	332	318	-	-	-	-	-	-	318	14
Aa1	P-1	1500	233	11	46	21	11	19	13	354	1 146
		*	99	11	10	52	3	-	12	187	-
		**	323	34	33	291	-	-	54	735	-
		*	184	18	18	89	8	-	23	340	-
		*	82	7	7	34	1	-	10	141	-
Aa3	P-1	500	1	-	-	-	-	-	-	1	499
		<b>8 332</b>	<b>2 024</b>	<b>121</b>	<b>224</b>	<b>592</b>	<b>345</b>	<b>59</b>	<b>150</b>	<b>3 515</b>	<b>6 220</b>

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

\*\* This investment or counterparty is subject to a maximum of 50% of the project funds

2018		Utilisation									
Moody's Ratings:	Credit limit	VRS Investments	BWP Investments	VRESAP Investments	MCWAP Investments	MMTS-2 Investments	ORWRDP Investments	KWSAP Investments	Total utilisation	Available	
Long-term	Short-term	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil
Aa1	P-1	1500	122	7	8	47	162	-	10	356	1 144
Aa1	P-1	1500	249	15	15	1	14	-	13	307	1 193
Aa1	P-1	1500	180	14	14	-	6	-	11	225	1 275
Aaa	P-1	1500	84	15	14	51	7	-	18	189	1 311
Aa1	P-1	1500	395	-	-	-	24	1	-	420	1 080
		*	138	-	5	24	5	-	2	174	-
		**	1 385	-	7	236	18	-	-	1 646	-
		*	482	1	13	78	14	-	10	598	-
		*	225	-	6	37	9	-	6	283	-
		<b>7 500</b>	<b>3 260</b>	<b>52</b>	<b>82</b>	<b>474</b>	<b>259</b>	<b>1</b>	<b>70</b>	<b>4 198</b>	<b>6 003</b>

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

\*\* This investment or counterparty is subject to a maximum of 50% of the project funds

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 7.2.3 Market risk

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

TCTA's activities expose it primarily to the financial risks of changes in interest rates. There is no foreign currency denominated borrowings.

#### Interest rate risk

Interest rate risk is the risk of financial loss arising from adverse fluctuations in market interest rates. This is the risk that adverse changes in interest rates will cause a reduction in net income caused by increased cost from financial liabilities including repricing of TCTA's floating debt obligations and the short-term rollover of maturing debt.

TCTA manages interest rate risk by fixing a portion of its debt depending on market conditions. The Risk and Finance Committee approved an optimal capital structure where a minimum of 70% debt is fixed for all projects post construction. Currently most of the projects are above the approved capital structure.

TCTA does not have any derivatives hedging interest rate risk, instead attainment of the optimal capital structure and the proactive interest rate risk management strategies are applied.

#### VRS

##### Fixed vs. variable rate loans

The following table details the interest rate exposure for VRS.

The optimal capital structure based on the sensitivity simulation is 70% fixed (2018:70%) and 30% floating (2018:30%). This ensures limited fluctuation of the cumulative debt curve.

The ratio of fixed to floating debt as at 31 March 2019 was 69% (2018: 53%) fixed and 31% (2018: 47%) floating.

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

	Borrowings at fixed rates	Borrowings at variable rates	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Interest -rate exposure on borrowings	R mil	R mil		
<b>2019</b>				
Borrowings	9 572	4 400	69 %	31 %
<b>2018</b>				
Borrowings	9 680	8 455	53 %	47 %

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 7. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

#### Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2018: +/- 100bps) and +200bps and -200bps (2018: +/- 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 VRS's financial instruments held at the reporting date. All other variables are held constant.

Sensitivity analysis: Impact on surplus / (deficit)	2019 R mil	2018 R mil
<b>Financial liabilities</b>		
Change in interest rates of -100bps	37	6
Change in interest rates of +100bps	(37)	(6)
Change in interest rates of -200bps	74	12
Change in interest rates of +200bps	(74)	(12)
<b>Financial assets</b>		
Change in interest rates of -100bps	(18)	(20)
Change in interest rates of +100bps	18	20
Change in interest rates of -200bps	(36)	(40)
Change in interest rates of +200bps	37	40

The table above excludes the tariff receivable.

Currently TCTA does not have any derivatives hedging interest rate risk. Interest rate risk is managed through achievement of optimal capital structure, and continuous monitoring of short-, medium- and long-term interest rates' exposures.

A change in interest rates will not have an impact on equity (2018: no impact).

#### BWP

##### Fixed vs. variable rate loans

The ratio of fixed to floating debt as at 31 March 2019 was 91% (2018: 100%) fixed and 9% (2018: 0%) floating.

Interest -rate exposure on borrowings	Borrowings at fixed rates R mil	Borrowings at variable rates R mil	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
<b>2019</b>				
Borrowings	525	50	91 %	9 %
<b>2018</b>				
Borrowings	593	-	100 %	- %

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 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 (2018: +/- 100bps) and +200bps and -200bps (2018: +/- 200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on BWP's financial instruments held at the reporting date. All other variables are held constant.

Sensitivity analysis: Impact on surplus / (deficit)	2019 R mil	2018 R mil
<b>Financial liabilities</b>		
Change in interest rates of -200bps	1	1
Change in interest rates of +200bps	(1)	(1)
<b>Financial assets</b>		
Change in interest rates of -100bps	(1)	(1)
Change in interest rates of +100bps	1	1
Change in interest rates of -200bps	(2)	(2)
Change in interest rates of +200bps	2	2

The table above excludes the tariff receivable.

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

A change in interest rates will not have an impact on equity (2018: no impact).

### VRESAP

#### Fixed vs. variable rate loans

The ratio of fixed to floating debt as at 31 March 2019 was 64% (2018: 65%) fixed and 36% (2018: 35%) floating.

Interest -rate exposure on borrowings	Borrowings at fixed rates R mil	Borrowings at variable rates R mil	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
<b>2019</b>				
Borrowings	2 321	1 300	64 %	36 %
<b>2018</b>				
Borrowings	2 489	1 316	65 %	35 %

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 7. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

#### Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2018: +/- 100bps) and +200bps and -200bps (2018: +/- 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)	2019 R mil	2018 R mil
<b>Financial liabilities</b>		
Change in interest rates of -100bps	15	13
Change in interest rates of +100bps	(15)	(13)
Change in interest rates of -200bps	30	26
Change in interest rates of +200bps	(30)	(26)
<b>Financial assets</b>		
Change in interest rates of -100bps	(2)	(1)
Change in interest rates of +100bps	2	1
Change in interest rates of -200bps	(3)	(3)
Change in interest rates of +200bps	3	3

The table above excludes the tariff receivable.

A change in interest rates will not have an impact on equity (2018: no impact).

#### MCWAP

##### Fixed vs. variable rate loans

The ratio of fixed to floating debt as at 31 March 2019 was 72% (2018: 66%) fixed and 28% (2018: 34%) floating.

Interest -rate exposure on borrowings	Borrowings at fixed rates R mil	Borrowings at variable rates R mil	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
<b>2019</b>				
Borrowings	991	379	72 %	28 %
<b>2018</b>				
Borrowings	1 011	529	66 %	34 %



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 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 (2018: +/- 100bps) and +200bps and -200bps (2018: +/- 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 the reporting date. All other variables are held constant.

<b>Sensitivity analysis: Impact on surplus / (deficit)</b>	<b>2019 R mil</b>	<b>2018 R mil</b>
<b>Financial liabilities</b>		
Change in interest rates of -100bps	5	5
Change in interest rates of +100bps	(5)	(5)
Change in interest rates of -200bps	10	11
Change in interest rates of +200bps	(10)	(11)
<b>Financial assets</b>		
Change in interest rates of -100bps	(5)	(4)
Change in interest rates of +100bps	5	4
Change in interest rates of -200bps	(10)	(8)
Change in interest rates of +200bps	10	8

The table above excludes the tariff receivable.

A change in interest rates will not have an impact on equity (2018: no impact).

### MMTS-2

#### Fixed vs. variable rate loans

The ratio of fixed to floating debt as at 31 March 2019 was 35% (2018: 36%) fixed and 65% (2018: 64%) floating.

<b>Interest -rate exposure on borrowings</b>	<b>Borrowings at fixed rates R mil</b>	<b>Borrowings at variable rates R mil</b>	<b>Fixed rate borrowings as % of total debt book</b>	<b>Variable rate borrowings as % of total debt book</b>
<b>2019</b>				
Borrowings	609	1 151	35 %	65 %
<b>2018</b>				
Borrowings	660	1 157	36 %	64 %

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 7. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

#### Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2018: +/- 100bps) and +200bps and -200bps (2018: +/- 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's financial instruments held at the reporting date. All other variables are held constant.

Sensitivity analysis: Impact on surplus / (deficit)	2019 R mil	2018 R mil
<b>Financial liabilities</b>		
Change in interest rates of -100bps	12	12
Change in interest rates of +100bps	(12)	(12)
Change in interest rates of -200bps	23	23
Change in interest rates of +200bps	(23)	(23)
<b>Financial assets</b>		
Change in interest rates of -100bps	(2)	(1)
Change in interest rates of +100bps	2	1
Change in interest rates of -200bps	(4)	(2)
Change in interest rates of +200bps	5	2

#### ORWRDP

#### Fixed vs. variable rate loans

There are no borrowings in this project for the current and 2018 financial year as this project is funded from the fiscus.

#### Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2018: +/- 100bps) and +200bps and -200bps (2018: +/- 200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on ORWRDP's financial instruments held at the reporting date. All other variables are held constant.

Sensitivity analysis: Impact on surplus / (deficit)	2019 R mil	2018 R mil
<b>Financial assets</b>		
Change in interest rates of -100bps	(0)	(0) <sup>(1)</sup>
Change in interest rates of +100bps	0	0 <sup>(1)</sup>
Change in interest rates of -200bps	(0)	(0) <sup>(1)</sup>
Change in interest rates of +200bps	0	0 <sup>(1)</sup>

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

The table above excludes the tariff receivable.

A change in interest rates will not have an impact on equity (2018: no impact).

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### KWSAP

#### Fixed vs. variable rate loans

The ratio of fixed to floating debt as at 31 March 2019 was 73% (2018: 75%) fixed and 27% (2018: 25%) floating.

	Borrowings at fixed rates	Borrowings at variable rates	Fixed rate borrowings as % of total debt book	Variable rate borrowings as % of total debt book
Interest -rate exposure on borrowings	R mil	R mil		
<b>2019</b>				
Borrowings	920	335	73 %	27 %
<b>2018</b>				
Borrowings	946	316	75 %	25 %

#### 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 (2018: +/- 100bps) and +200bps and -200bps (2018: +/- 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 the reporting date. All other variables are held constant.

Sensitivity analysis: Impact on surplus / (deficit)	2019 R mil	2018 R mil
<b>Financial liabilities</b>		
Change in interest rates of -100bps	2	4
Change in interest rates of +100bps	(2)	(4)
Change in interest rates of -200bps	3	8
Change in interest rates of +200bps	(3)	(8)
<b>Financial assets</b>		
Change in interest rates of -100bps	(1)	(2)
Change in interest rates of +100bps	1	2
Change in interest rates of -200bps	(2)	(4)
Change in interest rates of +200bps	2	4

The table above excludes the tariff receivable.

A change in interest rates will not have an impact on equity (2018: no impact).

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 7. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

#### 7.2.4 Refinancing risk

Refinancing risk is the possibility that TCTA cannot refinance by borrowing to repay its existing debt. The duration of liabilities can be viewed as the rate at which liabilities will reprice when refinanced. In terms of duration analysis, liabilities with short duration stand to gain by repricing at lower levels on refinancing date in a downward trending environment. But, since managing interest rate risk is more complex than increasing or decreasing the duration mismatch, duration matching is used as a guiding principle. In TCTA, duration is used in conjunction with other interest rate risk mitigation measures such as the sensitivity of the debt curve to changes in the capital structure, water demand, inflation and interest rates.

#### VRS

The table below shows the duration of bonds issued by TCTA as at 31 March:

Bonds	Maturity Date	Amount* issued R mil	Duration Years
<b>2019</b>			
WSP3	2019/05/28	32	0,15
WSP4	2020/05/28	97	1,05
WSP5	2021/05/28	9 433	1,88
		<b>9 562</b>	<b>1,86</b>
Term paper is issued for a period less than a year.			
<b>2018</b>			
WS05	2018/08/01	3 525	0,32
WSP3	2019/05/28	32	1,04
WSP4	2020/05/28	97	1,87
WSP5	2021/05/28	9 538	2,63
		<b>13 192</b>	<b>2,00</b>

\* The movement is due to the redemption of WS05 in August 2018.

#### BWP

As at 31 March 2019 BWP had no term paper and no call paper in issue (2018: no term paper and no call paper).

#### VRESAP

As at 31 March 2019 VRESAP had R340 million term paper and no call paper in issue (2018: R393 million term paper and no call paper). The maturity dates for the various term paper is: R343m within 12 months and R50 m within 5 years.

#### MMTS-2

As at 31 March 2019 MMTS-2 had R324 million term paper and no call paper in issue (2018: R290 million term paper and no call paper). The maturity dates for various term paper is within 12 months.

#### KWSAP

As at 31 March 2019 KWSAP had no term paper and no call paper in issue (2018: no term paper and no call paper).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

8. PROPERTY, PLANT AND EQUIPMENT

	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	4	(4)	-	4	(4)	-
Computer equipment	4	(3)	1	4	(4)	-
Networking equipment	8	(8)	-	8	(8)	-
Office equipment	4	(4)	-	3	(3)	-
Motor vehicles	1	-	1	2	(1)	1
Video conferencing equipment	1	(1)	-	-	-	-
Leasehold improvements	22	(18)	4	22	(17)	5
Equipment under finance lease	2	(2)	-	2	(2)	-
<b>Total</b>	<b>46</b>	<b>(40)</b>	<b>6</b>	<b>45</b>	<b>(39)</b>	<b>6</b>

	Opening balance	Additions	Depreciation	Total
<b>Reconciliation of property, plant and equipment - 2019</b>				
Office furniture	-	-	-	-
Computer equipment	-	1	-	1
Networking equipment	-	-	-	-
Office equipment	-	-	-	-
Motor vehicles	1	-	-	1
Leasehold improvements	5	-	(1)	4
	<b>6</b>	<b>1</b>	<b>(1)</b>	<b>6</b>
<b>Reconciliation of property, plant and equipment - 2018</b>				
Office furniture	-	-	-	-
Computer Equipment	-	1	(1)	-
Networking equipment	-	-	-	-
Office equipment	-	-	-	-
Motor vehicles	-	1	-	1
Video conferencing equipment	-	-	-	-
Leasehold improvements	-	8	(3)	5
		<b>10</b>	<b>(4)</b>	<b>6</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 9. INTANGIBLE ASSETS

	2019			2018		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	37	(33)	4	37	(23)	14

Reconciliation of intangible assets - 2019	Opening balance	Amortisation	Total
Computer software	14	(10)	4

Reconciliation of intangible assets - 2018	Opening balance	Additions	Amortisation	Total
Computer software	16	4	(6)	14

### 10. FINANCIAL INSTRUMENTS

#### 10.1 Financial instruments by category

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

The carrying values of financial assets and liabilities not carried at fair value, approximate their respective fair values.

#### 10.1.1 Accounting classifications of financial assets

Financial assets as per statement of financial position at 31 March 2019:

Financial assets	Note	Carrying amount		Total carrying amount
		At fair value through surplus or deficit R mil	Financial assets at amortised cost R mil	R mil
<b>Financial assets measured at amortised cost</b>				
<b>Non-current financial assets</b>				
Financial market investments	10.5	-	482	482
Fixed term investments and investments on call		-	482	482
<b>Current financial assets</b>				
Cash and cash equivalents	18	-	3 048	3 048
<b>Total financial assets</b>		-	<b>3 530</b>	<b>3 530</b>
<b>Current/Non-current financial assets</b>				
Non-current		-	482	482
Current		-	3 048	3 048

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

Financial assets as per statement of financial position at 31 March 2018:

Financial assets	Note	Carrying amount		Total carrying amount
		At fair value through surplus or deficit R mil	Financial assets at amortised cost R mil	R mil
<b>Financial assets measured at amortised cost</b>				
<b>Non-current financial assets</b>				
Financial market investments	10.5	-	371	371
Fixed term investments and investments on call		-	371	371
<b>Current financial assets</b>				
Cash and cash equivalents	18	-	3 849	3 849
<b>Total financial assets</b>		-	<b>4 220</b>	<b>4 220</b>
<b>Current/Non-current financial assets</b>				
Non-current		-	371	371
Current		-	3 849	3 849



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 10. FINANCIAL INSTRUMENTS (CONTINUED)

#### 10.1.2 Accounting classifications of financial liabilities

Liabilities per statement of financial position at 31 March 2019:

	Note	Carrying amount at amortised cost R mil	Total carrying amount R mil
<b>Financial liabilities</b>			
<b>Financial liabilities measured at amortised cost</b>			
<b>Current financial liabilities</b>	10.6.2		
<b>Financial liabilities measured at amortised cost</b>			
<b>Non-current financial liabilities</b>			
Local debt			
Bonds	10.6.3	9 515	9 515
Other bonds		9 515	9 515
Other borrowings			
Other borrowings by TCTA	10.6.3	11 142	11 142
Fixed rate loans		4 994	4 994
Variable rate loans		5 845	5 845
CPI rate loans		303	303
Other borrowings (LHDA)	10.6.2	16	16
Fixed rate loans		16	16
<b>Current financial liabilities</b>			
Local debt			
Bonds	10.6.3	32	32
Other bonds		32	32
Other borrowings			
Other borrowings by TCTA	10.6.2	1 839	1 839
Fixed rate loans		372	372
Variable rate loans		1 456	1 456
CPI rate loans		11	11
Other commitments (LHDA)		11	11
Fixed rate loans		11	11
<b>Total financial market liabilities measured at amortised cost</b>		<b>22 555</b>	<b>22 555</b>
<b>Trade and other payables</b>		<b>1 141</b>	<b>1 141</b>
<b>Total financial liabilities</b>		<b>23 696</b>	<b>23 696</b>
<b>Current/Non-current financial liabilities</b>		<b>23 696</b>	<b>23 696</b>
Non-current		20 673	20 673
Current		3 023	3 023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### Liabilities per statement of financial position at 31 March 2018:

	Note	Carrying amount at amortised cost R mil	Total carrying amount R mil
<b>Financial liabilities</b>			
<b>Financial liabilities measured at amortised cost</b>			
<b>Current financial liabilities</b>	10.6.2		
<b>Financial liabilities measured at amortised cost</b>			
<b>Non-current financial liabilities</b>			
Local debt			
Bonds	10.6.3	9 644	9 644
Other bonds		9 644	9 644
Other borrowings			
Other borrowings by TCTA	10.6.3	8 982	8 982
Fixed rate loans		5 566	5 566
Variable rate loans		3 114	3 114
CPI rate loans		302	302
Other borrowings (LHDA)	10.6.2	27	27
Fixed rate loans		27	27
<b>Current financial liabilities</b>			
Local debt			
Bonds	10.6.3	8 374	8 374
CPI-linked bonds		8 374	8 374
Other borrowings			
Other borrowings by TCTA	10.6.2	1 112	1 112
Fixed rate loans		357	357
Variable rate loans		745	745
CPI rate loans		10	10
Other commitments (LHDA)		10	10
Fixed rate loans		7	7
Variable rate loans		3	3
<b>Total financial market liabilities measured at amortised cost</b>		28 149	28 149
<b>Trade and other payables</b>		1 044	1 044
<b>Total financial liabilities</b>		29 193	29 193
<b>Current/Non-current financial liabilities</b>		29 193	29 193
Non-current		18 653	18 653
Current		10 540	10 540

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 10. FINANCIAL INSTRUMENTS (CONTINUED)

#### 10.2 Significance of financial instruments

##### 10.2.1 Financial assets

Details on the components of the tariff receivable are in note 10.4. The interest earned on the tariff receivable to compensate for the time value of money, is disclosed as "Finance income" on the statement of comprehensive income and details provided in note 20.1.

##### 10.2.2 Financial liabilities

The most significant financial liability is the bonds issued by TCTA. Note 10.9 provides detail on the respective redemption dates, the interest rate, the value of the issued bonds. Interest is paid semi-annually to bond holders.

#### 10.3 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

As part of the disclosure requirements for fair value measurements, TCTA classifies fair value measurements using a 'fair value hierarchy' that reflects the significance of the inputs used in making the measurements.

Fair value measurements are categorised into a three-level hierarchy, based on the type of inputs to the valuation techniques used, as follows:

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

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

The carrying value of financial assets and liabilities not carried at fair value approximate their respective fair values, except for the bonds issued by LHWP. Disclosed in note 10.3.1.

There have been no transfers between level 1 and level 2 during the year.

##### 10.3.1 Financial liabilities

The fair value of financial liabilities for disclosure purposes is estimated by discounting the contractual future cash flows at the current market interest rate that is available to TCTA for similar financial instruments.

#### VRS

Instruments	2019 R mil	2018 R mil	Fairvalue hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relations of unobservable inputs to fair value
CPI-linked bonds	-	8 975	Level 1	Not applicable	Not applicable	Not applicable
Other bonds	10 090	10 293	Level 2	Not applicable	Not applicable	Not applicable
<b>Total financial liabilities at fair value</b>	<b>10 090</b>	<b>19 268</b>				

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 10.4 Tariff receivable

#### 10.4.1 Totals

Project	2019			2018		
	Long-term R mil	Short-term R mil	Tariff receivable R mil	Long-term R mil	Short-term R mil	Tariff receivable R mil
VRS	11 361	879	12 240	11 967	2 920	14 887
BWP	535	37	572	570	69	639
VRESAP	4 022	225	4 247	4 338	285	4 623
MCWAP-1	785	23	808	820	183	1 003
MMTS-2	1 211	153	1 364	1 397	109	1 506
KWSAP	1 062	61	1 123	1 161	50	1 211
<b>Total</b>	<b>18 976</b>	<b>1 378</b>	<b>20 354</b>	<b>20 253</b>	<b>3 616</b>	<b>23 869</b>

#### 10.4.2 Reconciliation of movements in the tariff receivable

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

Project	Opening Balance 1 April 2018 R mil	Bad debt allow- ance R mil	Construction revenue earned R mil	Other income R mil	Tariffs or transfers received from DWS R mil	Interest income earned on the tariff receivable R mil	Closing Balance 31 March R mil
<b>2019</b>							
VRS	14 887	-	598	1 298	(6 663)	2 119	12 240
BWP	639	-	-	5	(102)	30	572
VRESAP	4 623	-	-	8	(682)	298	4 247
MCWAP-1	1 003	-	(6)	7	(331)	135	808
MMTS-2	1 505	-	2	18	(304)	143	1 364
KWSAP	1 211	-	1	7	(207)	110	1 123
	<b>23 867</b>	<b>-</b>	<b>595</b>	<b>1 343</b>	<b>(8 289)</b>	<b>2 835</b>	<b>20 354</b>
<b>2018</b>							
VRS	15 798	(218)	321	1 176	(4 014)	1 824	14 887
BWP	772	-	-	6	(174)	34	639
VRESAP	4 689	-	-	9	(375)	300	4 623
MCWAP-1	1 071	-	45	8	(254)	132	1 003
MMTS-2	1 522	-	3	8	(174)	146	1 505
KWSAP	1 185	-	-	6	(99)	119	1 211
	<b>25 037</b>	<b>(218)</b>	<b>369</b>	<b>1 213</b>	<b>(5 090)</b>	<b>2 555</b>	<b>23 869</b>

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' floating effective interest rate for each project. The adjustment is recognised in net finance cost.

<sup>(1)</sup>This includes R219 raised as a provision for doubtful debts. Refer to note 10.4.3 for further detail.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 10. FINANCIAL INSTRUMENTS (CONTINUED)

#### 10.4.3 DWS Debtor

The DWS invoiced debtor relates to amounts outstanding from the DWS for commercially funded projects. Included in the tariff receivable are invoiced amounts outstanding from the DWS amounting to R2.3bn (2018:R3.2bn). The ageing of those amounts are reflected below:

Project	Neither past due nor impaired R mil	Past due but not impaired				Total R mil
		<30 days R mil	30-60 days R mil	61-90 days R mil	>90 days R mil	
<b>2019</b>						
VRS	1 121	811	-	-	219	2 151
BWP	17	-	-	-	-	17
VRESAP	55	-	-	-	-	55
MMTS-2	21	-	-	-	3	24
KWSAP	19	-	-	-	-	19
<b>Total</b>	<b>1 233</b>	<b>811</b>	<b>-</b>	<b>-</b>	<b>222</b>	<b>2 266</b>
<b>2018</b>						
VRS	774	939	-	478	657	2 848
VRESAP	38	41	41	-	42	162
MCWAP	-	25	25	-	-	50
MMTS-2	20	40	-	11	24	95
KWSAP	11	10	10	11	11	53
<b>Total</b>	<b>843</b>	<b>1 055</b>	<b>76</b>	<b>500</b>	<b>734</b>	<b>3 208</b>

TCTA invoices to the DWS are due 30 days after the date of invoice for VRS, BWP and MMTS-2. VRESAP invoices are due 30 days after the DWS has billed the users and KWSAP invoices are due 35 days after DWS has billed the user.

In 2019, all invoices were less than 30 days and none were past due except for R 219 million on VRS which is outstanding for more than 90 days. This amount relates to the release of water by DWS to the Free State to provide relief during the drought period, as per instruction from the Director General. This has not increased the credit risk of the debtor's balance due to the fact this is a dispute matter rather than a default event. A provision was raised in the prior year.

#### 10.5 Financial assets: current versus non-current

Financial market investments	2019		2018	
	Current R mil	Non-current R mil	Current R mil	Non-current R mil
VRS	432	-	321	-
MMTS-2	50	-	50	-
<b>Balance on the statement of financial position</b>	<b>482</b>	<b>-</b>	<b>371</b>	<b>-</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 10.5.1 Balances per project

The following are the total current and non-current financial assets disclosed on the statement of financial position:

Project	2019		2018	
	Current R mil	Non-current R mil	Current R mil	Non-current R mil
VRS	3 298	11 778	6 409	12 536
BWP	159	535	142	570
VRESAP	449	4 022	367	4 338
MCWAP-1	615	785	714	820
MMTS-2	521	1 211	390	1 397
ORWRDP	59	-	27	-
KWSAP	211	1 062	120	1 161
MMTS-1	-	-	1	-
UMGENI	17	-	17	-
KRIEL	6	-	6	-
TCTA-C	14	-	31	-
MRWP	24	-	17	-
MCWAP-2A	69	-	60	-
BRVAS	7	-	-	-
<b>Balance on the statement of financial position</b>	<b>5 449</b>	<b>19 393</b>	<b>8 301</b>	<b>20 822</b>

Reconciliation of current and non-current financial assets disclosed on the statement of financial position:

Balances on statement of position	2019	2018	2019	2018
	Current R mil	R mil	Non-current R mil	R mil
Tariff receivable	1 378	3 617	18 976	20 253
Loans and other receivables	229	259	-	-
Financial market investment	482	371	-	-
Cash and cash equivalents	3 048	3 849	-	-
AMD Receivable	312	205	417	569
<b>Total financial assets</b>	<b>5 449</b>	<b>8 301</b>	<b>19 393</b>	<b>20 822</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 10. FINANCIAL INSTRUMENTS (CONTINUED)

#### 10.5.2 Current financial assets per project

	2019	2018
	R mil	R mil
<b>Current financial assets</b>		
<b>VRS</b>		
Tariff receivable	879	2 920
Loans and other receivables	84	53
Financial market investments	432	321
Cash and cash equivalents	1 593	2 910
AMD Receivable	312	205
	<b>3 300</b>	<b>6 409</b>
<b>BWP</b>		
Tariff receivable	37	69
Loans and other receivables	-	-
Financial market investments	-	-
Cash and cash equivalents	121	72
	<b>159</b>	<b>141</b>
<b>VRESAP</b>		
Tariff receivable	225	285
Loans and other receivables	-	-
Financial market investments	-	-
Cash and cash equivalents	224	82
	<b>449</b>	<b>367</b>
<b>MCWAP-1</b>		
Tariff receivable	23	183
Loans and other receivables	-	57
Financial market investments	-	-
Cash and cash equivalents	592	474
	<b>615</b>	<b>714</b>
<b>MMTS-2</b>		
Tariff receivable	153	109
Loans and other receivables	22	22
Financial market investments	50	50
Cash and cash equivalents	296	209
	<b>521</b>	<b>390</b>
<b>ORWRDP</b>		
Loans and receivables (amortised cost)	-	-
Loans and other receivables	-	26
Financial market investments	-	-
Cash and cash equivalents	59	1
	<b>59</b>	<b>27</b>
<b>KWSAP</b>		
Tariff receivable	61	50
Loans and other receivables	-	-
Financial market investments	-	-
Cash and cash equivalents	150	70
	<b>211</b>	<b>120</b>



NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

	2019	2018
	R mil	R mil
<b>Current financial assets</b>		
<b>MCWAP-2A</b>		
Tariff receivable	69	60
Loans and other receivables	-	-
Financial market investments	-	-
Cash and cash equivalents	-	-
	<b>69</b>	<b>60</b>
<b>UMGENI</b>		
Tariff receivable	-	-
Loans and other receivables	17	17
Financial market investments	-	-
Cash and cash equivalents	-	-
	<b>17</b>	<b>17</b>
<b>KRIEL</b>		
Tariff receivable	-	-
Loans and other receivables	6	6
Financial market investments	-	-
Cash and cash equivalents	-	-
	<b>6</b>	<b>6</b>
<b>TCTA-C</b>		
Tariff receivable	-	-
Loans and other receivables	-	-
Financial market investments	-	-
Cash and cash equivalents	14	31
	<b>14</b>	<b>31</b>
<b>MRWP</b>		
Tariff receivable	-	-
Loans and other receivables	24	17
Financial market investments	-	-
Cash and cash equivalents	-	-
	<b>24</b>	<b>17</b>
<b>BRVAS</b>		
Loans and receivables (amortised cost)	-	-
Loans and other receivables	7	-
Held to maturity (amortised cost)	-	-
Cash and cash equivalents	-	-
	<b>7</b>	<b>-</b>
<b>Total current financial assets</b>	<b>5 451</b>	<b>8 299</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 10. FINANCIAL INSTRUMENTS (CONTINUED)

#### 10.5.3 Non-current financial assets per project

	2019		Total noncurrent financial assets R mil	2018		Total noncurrent financial assets R mil
	1 to 5 year R mil	>5 years R mil		1 to 5 year R mil	>5 years R mil	
<b>Non-current financial assets</b>						
<b>VRS</b>						
Tariff receivable	423	10 938	11 361	-	11 967	11 967
AMD receivable	417	-	417	569	-	569
<b>BWP</b>						
Tariff receivable	256	279	535	236	334	570
<b>VRESAP</b>						
Tariff receivable	1 425	2 597	4 022	1 289	3 049	4 338
<b>MCWAP-1</b>						
Tariff receivable	154	631	785	-	820	820
<b>MMTS-2</b>						
Tariff receivable	352	859	1 211	215	1 185	1 400
<b>KWSAP</b>						
Tariff receivable	238	824	1 062	203	958	1 161
<b>Total non-current financial assets</b>	<b>3 265</b>	<b>16 128</b>	<b>19 393</b>	<b>2 512</b>	<b>18 313</b>	<b>20 825</b>

### 10.6 Financial liabilities: current versus non-current

#### 10.6.1 Totals

Project	2019		2018	
	Current R mil	Non-current R mil	Current R mil	Non-current R mil
VRS	1 509	13 231	9 404	9 671
BWP	156	438	82	515
VRESAP	581	3 092	569	3 286
MCWAP-1	69	1 327	67	1 497
MMTS-2	471	1 362	436	1 450
ORWRDP	68	-	37	-
KWSAP	43	1 223	41	1 234
MMTS-1	-	-	1	-
UMGENI	13	-	13	-
KRIEL	6	-	6	-
TCTA-C	13	-	31	-
MRWP	24	-	12	-
MCWAP-2A	67	-	2	-
BRVAS	7	-	-	-
<b>Balance on statement of financial position</b>	<b>3 027</b>	<b>20 673</b>	<b>10 701</b>	<b>17 653</b>

Reconciliation of current and non-current financial liabilities disclosed on the statement of financial position:

Balances on statement of position	2019	2018	2019	2018
	Current R mil	R mil	Non-current R mil	R mil
Borrowings	1 882	9 496	20 673	17 653
Trade and other payables	1 145	1 205	-	-
<b>Total financial liabilities</b>	<b>3 027</b>	<b>10 701</b>	<b>20 673</b>	<b>17 653</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

10.6.2 Current financial market liabilities

	2019 R mil	2018 R mil
<b>VRS</b>		
Borrowings	743	8 462
Trade and other payables	766	942
<b>Total per project</b>	<b>1 509</b>	<b>9 404</b>
<b>BWP</b>		
Borrowings	137	77
Trade and other payables	19	5
<b>Total per project</b>	<b>156</b>	<b>82</b>
<b>VRESAP</b>		
Borrowings	529	519
Trade and other payables	52	50
<b>Total per project</b>	<b>581</b>	<b>569</b>
<b>MCWAP-1</b>		
Borrowings	43	43
Trade and other payables	26	24
<b>Total per project</b>	<b>69</b>	<b>67</b>
<b>MMTS-2</b>		
Borrowings	398	367
Trade and other payables	73	69
<b>Total per project</b>	<b>471</b>	<b>436</b>
<b>ORWRDP</b>		
Trade and other payables	68	37
<b>KWSAP</b>		
Borrowings	32	28
Trade and other payables	11	13
<b>Total per project</b>	<b>43</b>	<b>41</b>
<b>MMTS-1</b>		
Trade and other payables	-	1
<b>UMGENI</b>		
Trade and other payables	13	13
<b>KRIEL</b>		
Trade and other payables	6	6
<b>TCTA-C</b>		
Trade and other payables	13	31
<b>MRWP</b>		
Trade and other payables	24	12
<b>MCWAP-2A</b>		
Trade and other payables	67	2
<b>BRVAS</b>		
Trade and other payables	7	-
<b>Total current financial liabilities</b>	<b>3 027</b>	<b>10 701</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 10. FINANCIAL INSTRUMENTS (CONTINUED)

#### 10.6.3 Non-current financial liabilities

Project	2019		Total non-current financial liabilities R mil	2018		Total non-current financial liabilities R mil
	1 to 5 year R mil	>5 years R mil		1 to 5 year R mil	>5 years R mil	
<b>VRS</b>						
Local debt: Bonds	10 495	2 720	13 215	9 644	-	9 644
Other borrowings VRS	16	-	16	27	-	27
	<b>10 511</b>	<b>2 720</b>	<b>13 231</b>	<b>9 671</b>	<b>-</b>	<b>9 671</b>
<b>BWP</b>						
Borrowings	299	139	438	309	206	515
<b>VRESAP</b>						
Borrowings	986	2 106	3 092	925	2 361	3 286
<b>MCWAP-1</b>						
Borrowings	220	1 107	1 327	234	1 263	1 497
<b>MMTS-2</b>						
Borrowings	383	979	1 362	370	1 080	1 450
<b>KWSAP</b>						
Borrowings	191	1 032	1 223	166	1 068	1 234

#### 10.7 Interest rates

Project	2019 %	2018 %
<b>VRS</b>		
Loans bear effective interest at rates ranging from	*8.5 to 9.2	*4.8 to 10,2
Project weighted average rate including Bonds and Commercial Paper	9,28	9,62
Project weighted average rate including Capital Market and Commercial Paper	9,26	9,62

\* The interest rate applicable to one of the development funding foreign loans is 4.8%. This is a Euro loan facility drawn as ZAR funding.

The project funded at a weighted average rate of:

Project	2019 %	2018 %
BWP	8,42	8,33
VRESAP	9,73	9,68
MMTS-2	9,37	9,14
KWSAP	9,46	9,40
MCWAP	9,13	9,42

ORWRDP and MMTS-1 are funded from the fiscus and the weighted average cost of capital is therefore not applicable.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 10.8 Exchange rates (closing rates)

The following are exchange rates utilised by TCTA as at 31 March 2019:

Foreign currency	2019		2018	
	Bid Rand	Offer Rand	Bid Rand	Offer Rand
Euros	16,280	16,283	14,613	14,618

### 10.9 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 mil	Nominal/ capital indexed issued R mil
WS05	Inflation	2018/08/01	5,00 %	7 000	0 *
WSP2	Nominal	2017/05/28	9,00 %	2 176	0**
WSP3	Nominal	2019/05/28	9,00 %	1 000	32
WSP4	Nominal	2020/05/28	9,00 %	1 000	97
WSP5	Nominal	2021/05/28	9,00 %	13 824	9,433**

\* Inflation indexed bond matured on 1 August 2018.

Value of bonds	2019		2018	
	Fair value R mil	Nominal value R mil	Fair value R mil	Nominal value R mil
<b>Authorised</b>		29500***		29500***
<b>Issued</b>	10090*	9561**	19268*	18021**
Unrealised premium to be amortised over the life of the loan	-	38	-	68
Unrealised discount to be amortised over the life of the loan	-	(52)	-	(71)
Unrealised amortisation of CPI upliftment for WS05	-	-	-	(447)

\* The fair value of the locally registered bonds issued is measured at the market price at financial year-end.

\*\* The amounts in issue may not exceed the consolidated capital market guarantee of R21 billion.

\*\*\* This includes a limit of R4.5 billion on WS03 that matured on 15 September 2010.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 10. FINANCIAL INSTRUMENTS (CONTINUED)

#### 10.10 Offsetting financial assets and financial liabilities

TCTA enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. These agreements generally allows the aggregation of all transactions in a single net amount for amounts in the same currency, owed by each counterparty on a single day, to be paid by the one party to the other. Derivative agreements are settled net in terms of these ISDA agreements. International Securities Market Association (ISMA) netting agreements govern net settlement between counterparties in relation to certain capital market transactions and balances owing, such as repurchase agreements and are therefore not netted off in the statement of financial position. The right to offset is enforceable on the occurrence of future events such as default on loan agreements or other credit events.

There are no such agreements for 2019 and 2018.

#### 10.11 Long-term liability maturity profile

The tables below indicate TCTA's exposure to fixed and floating interest rates:

##### 10.11.1 Exposure to floating interest rates: liabilities

Project	2019				2018			
	<1 year	1-5 years	>5 years	Total exposure to floating interest rates	<1 year	1-5 years	>5 years	Total exposure to floating interest rates
	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil
VRS	700	980	2 720	4 400	8 455	-	-	8 455
BWP	50	-	-	50	-	-	-	-
VRESAP	351	139	810	1 300	351	134	831	1 316
MCWAP	16	73	290	379	23	103	403	529
MMTS-2	347	180	623	1 150	317	167	674	1 158
KWSAP	3	35	297	335	1	25	289	315
	<b>1 467</b>	<b>1 407</b>	<b>4 740</b>	<b>7 614</b>	<b>9 147</b>	<b>429</b>	<b>2 197</b>	<b>11 773</b>

##### 10.11.2 Exposure to fixed interest rates: Liabilities

Project	2019				2018			
	<1 year	1-5 years	>5 years	Total exposure to fixed interest rates	<1 year	1-5 years	>5 years	Total exposure to fixed interest rates
	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil
VRS	43	9 531	-	9 574	7	9 672	-	9 679
BWP	87	299	139	525	77	309	206	592
VRESAP	178	847	1 296	2 321	168	791	1 530	2 489
MCWAP	27	147	817	991	20	131	860	1 011
MMTS-2	51	203	355	609	51	203	406	660
KWSAP	29	156	735	920	26	141	779	946
TCTA-C	14	-	-	14	31	-	-	31
	<b>429</b>	<b>11 183</b>	<b>3 342</b>	<b>14 954</b>	<b>380</b>	<b>11 247</b>	<b>3 781</b>	<b>15 408</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 10.11.3 Exposure to floating interest rates: Assets

Project	2019				2018			
	<1 year	1-5 years	>5 years	Total exposure to floating interest rates	<1 year	1-5 years	>5 years	Total exposure to floating interest rates
	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil
VRS	1 592	-	-	1 592	2 940	-	-	2 940
BWP	121	-	-	121	52	-	-	52
VRESAP	224	-	-	224	82	-	-	82
MCWAP	592	-	-	592	474	-	-	474
MMTS-2	295	-	-	295	208	-	-	208
ORWRDP	59	-	-	59	1	-	-	1
KWSAP	150	-	-	150	70	-	-	70
	<b>3 033</b>	-	-	<b>3 033</b>	<b>3 827</b>	-	-	<b>3 827</b>

The table above excludes the maturity periods for loans and other receivables and cash and equivalents.

### 10.11.4 Exposure to fixed interest rates: Assets

Project	2019				2018			
	<1 year	1-5 years	>5 years	Total exposure to fixed interest rates	<1 year	1-5 years	>5 years	Total exposure to fixed interest rates
	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil
VRS	432	-	-	432	321	-	-	321
MMTS-2	50	-	-	50	50	-	-	50
	<b>482</b>	-	-	<b>482</b>	<b>371</b>	-	-	<b>371</b>

The table above excludes the maturity periods for loans and other receivables and cash and equivalents.

## 11. ACCUMULATED LOSS

Throughout the project life-cycle, the projects will reflect net surpluses and deficits depending on the phase and repayment profile of the project. This is as a result of the interest expense at that point in time exceeding the interest on the financial asset, a factor that will always reverse by the time the financial asset is extinguished. Management confirms and has illustrated in the going concern analysis that while the surplus/deficit position may vary during the life of the project, all the projects will ultimately repay all their debt, the financial asset will also be nil and hold no surplus or deficit when all the loans for the project are repaid.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 12. LOANS AND OTHER RECEIVABLES

The total includes receivables for ORWRDP and MMTS-1, which have been disclosed as part of current loans and receivables. These projects are funded from the fiscus. UMGENI is funded by Umgeni Water. Loans and other receivables also includes inter-project loan accounts with LHWP

Current	Notes	2019 R mil	2018 R mil
VRS	12.1	84	53
MCWAP-1		-	57
MMTS-2		22	22
ORWRDP		-	26
MMTS-1		-	1
UMGENI		17	17
KRIEL		6	6
MRWP		24	17
MCWAP-2A		69	60
BRVAS		7	-
<b>Total</b>		<b>229</b>	<b>259</b>

BWP, VRESAP, and KWSAP have zero balances for the current and prior period.

*(1) Amounts due from Umgeni Water Board for services delivered*

#### 12.1 VRS Loans and other receivables reconciliation

The table below is a reconciliation of the inter-project loan accounts with VRS/LHWP. The balances mainly consist of recoveries of overhead costs based on an approved recovery model to allocate overhead administration costs to all projects. These balances are settled on a monthly basis and amounts outstanding are subject to interest charged at the WACC rate of VRS/LHWP at the end of each month.

Project	2019 R mil	2018 R mil
BWP	3	-
VRESAP	4	(1)
MCWAP-1	1	(3)
MMTS-2	6	(4)
ORWRDP	32	24
KWSAP	2	(1)
KRIEL	2	2
TCTA-C	13	31
MCWAP-2A	19	2
BRVAS	-	-
	82	50
Other	2	3
<b>Total VRS loans and other receivables</b>	<b>84</b>	<b>53</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 12.2 Credit quality of financial assets that are neither past due nor impaired

When a counterparty fails to make a payment when it is contractually due, that financial asset is past due, even though this does not mean that the counterparty will never pay. This does however mean that it can trigger various actions such as renegotiation, enforcement of covenants or legal proceedings. ORWRDP and MMTS-1 are funded from the fiscus. The customer is the DWS and the credit risk is deemed limited even though DWS is the sole customer.

### 12.3 Ageing of loans and receivables

As at 31 March, the ageing analysis of loans and other receivables are as follows:

2019	Total	Neither past due nor impaired	Past due but not impaired		
			30-60 days	61-90 days	>90 days
Project	R mil	R mil	R mil	R mil	R mil
VRS	84	84	-	-	-
MMTS-2	22	22	-	-	-
UMGENI	17	17	-	-	-
KRIEL	6	6	-	-	-
MRWP	24	24	-	-	-
MCWAP-2A	69	69	-	-	-
BRVAS	7	7	-	-	-
<b>Balance at end of year</b>	<b>229</b>	<b>229</b>	-	-	-

<sup>(1)</sup> Balances outstanding is deemed past due when a counterparty has failed to make a payment when contractually due.

2018	Total	Neither past due nor impaired	Past due but not impaired		
			30-60 days	61-90 days	>90 days
Project	R mil	R mil	R mil	R mil	R mil
VRS	53	53	-	-	-
MCWAP-1	57	57	-	-	-
MMTS-2	22	22	-	-	-
ORWRDP	26	26	-	-	-
MMTS-1	1	1	-	-	-
UMGENI	17	17	-	-	-
KRIEL	6	6	-	-	-
MRWP	17	17	-	-	-
MCWAP-2A	60	60	-	-	-
<b>Balance at end of year</b>	<b>259</b>	<b>259</b>	-	-	-

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 13. 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 statement of comprehensive income in the periods that the expenses are incurred.

Project	2019 R mil	2018 R mil
VRS <sup>(1)</sup>	267	115
MMTS-2	1	1
ORWRDP <sup>(2)</sup>	11	11
<b>Balance at end of year</b>	<b>279</b>	<b>127</b>

<sup>(1)</sup> The R267 million for VRS comprises R99 million (2018: R76 million) relating to funding paid to Lesotho, not utilised by the LHDA; R119 million (2018: R99 million) relating to prepayments made for the Lesotho Community Infrastructure Fund (refer to note 24) and R50 million relates to an advance payment to an AMD contractor.

<sup>(2)</sup> The amount above for ORWRDP, R11 million relates to an advance payment to a contractor. An on demand performance guarantee has been provided as security for the Prepaid expenditure.

### 14. AMD RECEIVABLE

Two-thirds of the costs incurred on the AMD short-term intervention is recoverable from the fiscus. Prior to the current financial year, the repayment terms had not yet been agreed with DWS and hence TCTA incorporated this into the VRS model which implied a recovery period of 20 years. During the current year an implementation agreement for AMD short-term and long-term was drafted and now stipulates the recovery of these costs over a two year period.

AMD Receivable Totals	2019 R mil	2018 R mil
Non-current	415	567
Current	312	205
<b>Total</b>	<b>727</b>	<b>774</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

15. TRADE AND OTHER PAYABLES

	Interest payable Other borrowings by TCTA R mil	Interest payable Other commitments LHDA R mil	Loan Account: LHWP R mil	Loan Account: MMTS 1 R mil	Loan Account: Umgeni R mil	Other creditors R mil	Working capital advance R mil	Balance per project R mil
<b>2019</b>								
VRS	341	1	(32)	-	-	456	-	766
BWP	12	-	3	-	-	4	-	19
VRESAP	35	-	4	-	-	13	-	52
MCWAP-1	13	-	12	-	-	1	-	26
MMTS-2	24	-	6	-	24	18	1	73
ORWRDP	-	-	32	-	-	36	-	68
KWSAP	2	-	2	-	-	7	-	11
KRIEL	-	-	2	-	-	-	4	6
UMGENI	-	-	-	-	-	13	-	13
MRWP	-	-	24	-	-	-	-	24
TCTA-C	-	-	13	-	-	-	-	13
MCWAP-2A	-	-	67	-	-	-	-	67
BRVAS	-	-	7	-	-	-	-	7
<b>Balance at end of year</b>	<b>427</b>	<b>1</b>	<b>140</b>	<b>-</b>	<b>24</b>	<b>548</b>	<b>5</b>	<b>1 141</b>
<b>2018</b>								
VRS	365	1	35	-	-	323	-	724
BWP	1	-	-	-	-	4	-	5
VRESAP	37	-	(1)	-	-	14	-	50
MCWAP-1	13	-	(3)	-	-	14	-	24
MMTS-2	25	-	(4)	-	(57)	24	81	69
ORWRDP	-	-	24	-	-	13	-	37
KWSAP	1	-	(1)	-	-	13	-	13
MMTS-1	-	-	-	1	-	-	-	1
KRIEL	-	-	2	-	-	2	2	6
UMGENI	-	-	-	-	1	12	-	13
MRWP	-	-	12	-	-	-	-	12
TCTA-C	-	-	31	-	-	-	-	31
MCWAP-2A	-	-	59	-	-	-	-	59
<b>Balance at end of year</b>	<b>442</b>	<b>1</b>	<b>154</b>	<b>1</b>	<b>(56)</b>	<b>419</b>	<b>83</b>	<b>1 044</b>

<sup>(1)</sup> The loan account comprises of funds received from Umgeni Water (in terms of the Addendum to the MOA, November 2014) for the construction of the potable water pipeline from the water treatment works at the Spring Grove Dam to a terminal reservoir at Nottingham Road.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 16. NON-CONTRACTUAL AMOUNTS

Non-contractual amounts relate to liabilities and/or assets arising from legislation. This includes payments to the South African Revenue Service (SARS) relating to Value Added Tax (VAT), Skills Development Levy (SDL) and to the Unemployment Insurance Fund (UIF).

TCTA manages its projects separately and record the VAT payable or VAT receivable for each project. The net VAT payable is paid over to SARS.

As at year end there were no balances outstanding for SDL and UIF.

The table below indicates the net amount payable to SARS at the end of March:

#### 16.1 Value Added Tax

Net non-contractual amount	2019 R mil	2018 R mil
Liability	(187)	(75)

The tables below indicate the non-contractual assets and non-contractual liabilities, per project, as disclosed in the statement of financial position:

	2019 R mil	2018 R mil
<b>Non-contractual assets - Value Added Tax</b>		
MMTS-2	-	2
Balance at end of year	-	2
<b>Non-contractual liabilities - Value Added Tax</b>		
VRS	(148)	(59)
BWP	(4)	(3)
VRESAP	(14)	(5)
MCWAP-1	(7)	(3)
MMTS-2	(6)	-
ORWRDP	(2)	(1)
KWSAP	(3)	-
MRWP	-	(5)
MCWAP-2A	(2)	(1)
<b>Balance at end of year</b>	<b>(187)</b>	<b>(77)</b>

#### 16.2 Income Tax

TCTA is a not-for-profit organisation established by DWS (Government) to raise off-budget funding and implement projects (both on and off-budget) on its behalf. By allowing non-profit organisations preferential tax treatment, Government assist by augmenting their financial resources. TCTA applied for this preferential tax treatment as prescribed and its application for tax exemption in terms of the Income Tax Act, 1962, was approved. TCTA is exempted from Income tax as it is a Institution, Board, or Body established by or under any law as defined in the Income Tax Act, 1962.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 17. PROVISIONS

#### Total provisions

The following provisions are the current and non-current provisions for the year:

	2019 R mil	2018 R mil
<b>Current</b>		
Provision for leave pay	14	12
Provision for compensation	21	17
Provision for incentives	22	10
	<b>57</b>	<b>39</b>
<b>Non-Current</b>		
Provision for compensation	355	323

Reconciliation of provisions - 2019	Opening balance	Additions	Utilised during the year	Change in discount factor	Total
Provision for leave pay	12	14	(12)	-	14
Provision for compensation	340	25	(19)	29	375
Provision for incentives	10	22	(10)	-	22
	<b>362</b>	<b>61</b>	<b>(41)</b>	<b>29</b>	<b>411</b>

Reconciliation of provisions - 2018	Opening balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Provision for leave pay	10	12	(10)	-	-	12
Provision for compensation	349	28	(12)	-	(25)	340
Provision for incentives	20	10	(8)	(12)	-	10
	<b>379</b>	<b>50</b>	<b>(30)</b>	<b>(12)</b>	<b>(25)</b>	<b>362</b>

### 18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises cash at banks and cash on hand. Cash and cash equivalents also includes highly liquid investments that are readily available, generally on a "same day" basis.

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 18. CASH AND CASH EQUIVALENTS (CONTINUED)

Project	2019			2018		
	Cash on hand R mil	Other cash and cash equivalents R mil	Total R mil	Cash on hand R mil	Other cash and cash equivalents R mil	Total R mil
VRS	1	1 592	1 593	-	2 910	2 910
BWP	-	121	121	20	52	72
VRESAP	-	224	224	-	82	82
MCWAP-1	-	592	592	-	474	474
MMTS-2	-	296	296	-	209	209
ORWRDP	-	59	59	-	1	1
KWSAP	-	150	150	-	70	70
TCTA-C	-	14	14	-	31	31
<b>Total</b>	<b>1</b>	<b>3 048</b>	<b>3 049</b>	<b>20</b>	<b>3 829</b>	<b>3 849</b>

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.

<sup>(1)</sup> Cash on hand balances were less than R500 000 as at the end of March 2019 for all projects except for VRS and all projects except for BWP in March 2018.

### 19. CONSTRUCTION REVENUE AND COSTS

#### 19.1 Revenue from contracts with customers

Project	2019			2018		
	Construction revenue R mil	Other income R mil	Total revenue R mil	Construction revenue R mil	Other income R mil	Total revenue R mil
VRS	598	1 426	2 024	321	1 436	1 757
BWP	-	5	5	-	6	6
VRESAP	-	8	8	-	9	9
MCWAP-1	(6)	7	1	45	8	53
MMTS-2	2	18	20	3	8	11
ORWRDP	60	-	60	134	-	134
MMTS-1	-	-	-	1	-	1
UMGENI	-	-	-	1	-	1
KRIEL	1	-	1	8	-	8
MCWAP-2A	17	-	17	28	-	28
KWSAP	1	7	8	-	6	6
MRWP	7	-	7	-	-	-
BRVAS	7	-	7	-	-	-
<b>Total</b>	<b>688</b>	<b>1 471</b>	<b>2 159</b>	<b>541</b>	<b>1 474</b>	<b>2 016</b>



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 19.2 Disaggregation of revenue from contracts with customers

The company disaggregates revenue from customers as follows:

#### Construction contracts

Project	Construction R mil	Engineering R mil	Environment R mil	Health & Safety R mil	Overheads R mil	Total Revenue from customers R mil
<b>2019</b>						
VRS	565	2	-	-	30	598
MCWAP-1	(4)	1	(3)	-	-	(6)
MMTS-2	1	1	-	-	-	2
ORWRDP	29	23	1	-	7	60
KWSAP	-	1	-	-	-	1
MCWAP-2A	-	-	-	-	17	17
MRWP	-	-	-	-	7	7
BRVAS	-	-	-	-	7	7
	<b>591</b>	<b>28</b>	<b>(2)</b>	<b>-</b>	<b>68</b>	<b>688</b>
<b>2018</b>						
VRS	271	4	-	46	-	321
MCWAP-2A	27	5	13	-	-	45
MMTS-2	3	-	-	-	-	3
ORWRDP	70	60	3	-	1	134
MCWAP-2A	-	-	-	-	28	28
MMTS-1	1	-	-	-	-	1
UMGENI	1	-	-	-	-	1
KRIEL	6	2	-	-	-	8
	<b>379</b>	<b>71</b>	<b>16</b>	<b>46</b>	<b>29</b>	<b>541</b>

#### Other income

Project	Operating costs for work in Lesotho R mil	Lesotho Highlands Water Commission (LHWC) Costs R mil	Staff Costs R mil	Royalties Paid R mil	AMD operations and maintenance R mil	Other Operating Expenses R mil	Total Revenue from customers R mil
<b>2019</b>							
VRS	83	14	125	918	228	58	1 426
BWP	-	-	4	-	-	1	5
VRESAP	-	-	5	-	-	3	8
MCWAP-1	-	-	6	-	-	1	7
MMTS-2	-	-	12	-	-	6	18
KWSAP	-	-	5	-	-	2	7
	<b>83</b>	<b>14</b>	<b>157</b>	<b>918</b>	<b>228</b>	<b>71</b>	<b>1 471</b>
<b>2018</b>							
VRS	166	16	68	914	273	-	1 437
BWP	-	-	4	-	-	2	6
VRESAP	-	-	6	-	-	3	9
MCWAP-1	-	-	6	-	-	2	8
MMTS-2	-	-	4	-	-	8	12
KWSAP	-	-	4	-	-	2	6
	<b>166</b>	<b>16</b>	<b>92</b>	<b>914</b>	<b>273</b>	<b>17</b>	<b>1 478</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 19. CONSTRUCTION REVENUE AND COSTS (CONTINUED)

#### 19.3 Timing of revenue recognition

Revenue recognised over time

	Construction	Other Income	Total revenue from customers
	R mil	R mil	R mil
<b>2019</b>			
Project			
VRS	598	1 426	2 024
BWP	-	5	5
VRESAP	-	8	8
MCWAP-1	(6)	7	1
MMTS-2	2	18	20
ORWRDP	60	-	60
KWSAP	1	7	8
MCWAP-2A	17	-	17
MRWP	7	-	7
BRVAS	7	-	7
	<b>687</b>	<b>1 471</b>	<b>2 158</b>
<b>2018</b>			
Project	<b>R mil</b>	<b>R mil</b>	<b>R mil</b>
VRS	321	1 436	1 757
BWP	-	6	6
VRESAP	-	9	9
MCWAP-1	45	8	53
MMTS-2	3	8	11
ORWRDP	134	-	134
KWSAP	-	6	6
MMTS-1	1	-	1
UMGENI	1	-	1
KRIEL	8	-	8
MCWAP-2A	28	-	28
	<b>541</b>	<b>1 474</b>	<b>2 015</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 19.4 Performance obligations

A performance obligation is a promise to provide a distinct good or service or a series of distinct goods or services. TCTA is charged with financing and implementing water infrastructure projects. These infrastructure projects are accounted for in terms of IFRS 15: Revenue from Contracts with Customers 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 IFRS 15: Revenue from Contracts with Customers separately for each construction contract as required in the directive from the Minister of Human Settlements, Water and Sanitation. TCTA's performance obligations per contract can be summarized as follows:

- Provide project financing expertise in order to secure funding for the project (only applicable to off-budget projects).
- Implementing the construction of the assets to be delivered to DWS.

Project	< one year R mil	> one year R mil
<b>2019</b>		
VRS	4 200	140 402
BWP	15	135
VRESAP	14	136
MCWAP	290	14 274
MMTS-2	50	265
KWSAP	15	193
	<b>4 584</b>	<b>155 405</b>
<b>2018</b>		
VRS	3 089	152 790
BWP	15	153
VRESAP	9	171
MCWAP	324	14 926
MMTS-2	59	373
KWSAP	26	276
	<b>3 522</b>	<b>168 689</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 20. FINANCE INCOME AND COSTS

#### 20.1 Finance income

2019	Interest income for financial assets at amortised cost		Total: Interest income for financial assets at amortised cost	Interest on compensation	Fair value gain or deficit on derivatives	Finance income per project
	Interest income on financial instruments	Interest income on the tariff receivable				
	R mil	R mil				
VRS	190	2 119	2 309	-	-	2 309
BWP	7	30	37	-	-	37
VRESAP	10	298	308	-	-	308
MCWAP-1	35	135	170	-	-	170
MMTS-2	18	143	161	-	-	161
KWSAP	8	110	118	-	-	118
<b>Finance income</b>	<b>269</b>	<b>2 835</b>	<b>3 103</b>	-	-	<b>3 103</b>

2018	Interest income for financial assets at amortised cost		Total: Interest income for financial assets at amortised cost	Interest on compensation	Finance income per project
	Interest income on financial instruments	Interest income on the tariff receivable			
	R mil	R mil			
VRS	299	1 824	2 124	-	2 124
BWP	6	34	40	-	40
VRESAP	10	300	310	-	310
MCWAP-1	30	132	162	-	162
MMTS-2	21	146	167	-	167
KWSAP	13	119	132	-	132
<b>Finance income</b>	<b>379</b>	<b>2 555</b>	<b>2 935</b>	-	<b>2 935</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 20.2 Finance costs

Finance costs for the year ended are analysed as follows:

	Interest expense for borrowings at amortised cost			Total: Interest income for financial assets at amortised cost R mil	Interest on compensation R mil	Finance cost per project R mil
	Locally issued bonds	Other local debt	Foreign debt			
	R mil	R mil	R mil			
2019						
VRS	1 670	359	-	2 028	25	2 054
BWP	-	52	-	52	-	52
VRESAP	-	369	-	369	-	369
MCWAP-1	-	141	-	141	-	140
MMTS-2	-	170	-	170	-	170
KWSAP	-	120	-	120	-	120
<b>Finance costs</b>	<b>1 670</b>	<b>1 207</b>	<b>-</b>	<b>2 876</b>	<b>25</b>	<b>2 905</b>
2018						
VRS	2 448	14	2	2 464	36	2 500
BWP	-	57	-	57	-	57
VRESAP	-	377	-	377	-	377
MCWAP-1	-	148	-	148	-	148
MMTS-2	-	181	-	181	-	181
KWSAP	-	128	-	128	-	128
<b>Finance costs</b>	<b>2 448</b>	<b>905</b>	<b>2</b>	<b>3 355</b>	<b>28</b>	<b>3 391</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 21. CAPITAL COMMITMENTS

Project	< 1 Year R mil	1-2 Years R mil	2-3 Years R mil	3-4 Years R mil	>4 years R mil	Total per project R mil
<b>2019</b>						
MCWAP	7	1	-	-	-	8
ORWRDP	35	26	-	-	-	61
MMTS-2	12	20	1	-	23	56
MCWAP-2A	20	77	62	114	122	395
<b>Total per period</b>	<b>74</b>	<b>124</b>	<b>63</b>	<b>114</b>	<b>145</b>	<b>520</b>
<b>2018</b>						
MCWAP	40	2	-	-	-	42
ORWRDP	124	64	5	-	-	193
MMTS-2	21	4	1	-	-	26
AMD	15	4	-	-	-	19
<b>Total per period</b>	<b>200</b>	<b>74</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>280</b>

Included in the project costs for MMTS-2 are the capital cost for the refurbishment project (MMTS-1), which is undertaken on behalf of DWS and the construction of a potable water pipeline on behalf of Umgeni Water (and funded by Umgeni Water).

TCTA is obligated to finance LHWP Phase II by way of making cost-related payments to the LHDA. The capital commitments that were approved and contracted as at year amounted to R 2.9 billion (2018:1.8 billion).

### 22. CONTINGENT LIABILITY

#### 22.1 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 discloses all possible or present obligations as a result of these events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. The litigation matters have been detailed below:

##### 22.1.1 PHASE 2 OF THE MOOI-MGENI TRANSFER SCHEME ("MMTS-2")

When TCTA implemented the MMTS-2, it expropriated inter alia land and/or land rights over 18 properties which had a river frontage. In the expropriation notices, TCTA made an offer to compensate, for the market value of the expropriated rights. The title deeds for the expropriated properties contain conditions which entitle the landowners to fish from the banks of the river. A legal opinion obtained from Senior Counsel emphasized how TCTA should deal with the fishing rights so that TCTA's legal risks can be managed properly. Senior Counsel advised that TCTA should expropriate the fishing rights. TCTA obtained valuation reports from a professional valuer which recommended compensation of R85 000 per property with such rights. Following advice from the Senior Counsel, PAJA notices were drafted and sent to the landowners advising them that TCTA intends to expropriate fishing rights. Expropriation notices were then sent to the landowners who were offered compensation as recommended by the valuer. Queries

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

from the landowners who disputed the compensation amounts were dealt with, the title deeds and trust deeds of the landowners were perused to ensure that the expropriation notices had no legal defects. As it stands most of the fishing rights have been expropriated and what is outstanding is the payment of the compensation offered by TCTA and claims from the landowners for increased compensation. On the 26 November 2018, TCTA received a Combined Summons from the remaining two landowners requesting an amount of R1 300 000.00 in respect of the expropriation of their fishing rights. TCTA has less than twenty (20) days upon receiving the Combined Summons to file its intention to defend this claim in the Kwa-Zulu High Court, Pietermaritzburg division. TCTA faces a real legal risk that if it fails to defend the matter using appropriately skilled and experienced attorneys and Counsel, that there is a distinct possibility that many of the landowners whose claims were previously settled at R85 000.00 each, will commence with legal proceedings to claim approximately R600 000.00 per property, as the last two claimants have done. Attorneys have been appointed and an appearance to defend has been entered.

### 22.1.2 LESOTHO HIGHLANDS WATER PROJECT ("LHWP")

Legal opinions were requested from a firm of attorneys and Senior Counsel regarding the validity and enforceability of a Letter of Confirmation of Conclusion of Negotiations dated 28 July 2016 ("Letter of Award") issued by the supply chain manager of TCTA to IWS to undertake the operations, maintenance and management services in respect of the Central Basin Water Treatment Plant commencing with effect 1 August 2016, for a contract amount of approximately R243, 4 million plus VAT and provisional sums thereon for a 36 month period. The legal opinions indicated:

- that the supply chain manager acted ultra vires and without the necessary authority;
- that the supply chain manager must be suspended pending the outcome of an investigation; that disciplinary action should be taken against the supply chain manager.

The continued prosecution of the disciplinary enquiry is warranted in view of the requirements of the PFMA and its peremptory provisions in this regard cannot be waived. The disciplinary process is now finalised and the former employee has been found guilty and his employment with TCTA has been terminated.

TCTA received a Notice of Set-Down for Arbitration which was heard in the CCMA on 18 October 2018. TCTA went on RFQ in October 2018 and a firm of attorneys were appointed to assist, advise and represent TCTA in this matter. The matter remains part heard and is set down for the 3rd of June 2019.

### 22.1.3 LESOTHO HIGHLANDS WATER PROJECT ("LHWP")

TCTA and its former employee concluded a fixed term employment contract on 6 March 2012, in terms of which TCTA appointed him on a fixed-term basis for a period 3 (three) years, effective from 1 March 2012 ("the Employment Contract"). The employment contract was subsequently extended for a period of 2 (two) years, with effect from 1 March 2015 to 28 February 2017. The former employee was seconded to the Department of Water and Sanitation for the both fixed term periods. DWS informed the former employee that TCTA would extend his employment contract. The former employee forwarded various correspondence to TCTA regarding the extension of his employment contract. TCTA wrote to the former employee stating that they will not extend his employment contract. The former employee has taken the matter to both the CCMA and the General Public Service Sectorial Bargaining Council ("GPSSBC"). On 20 February 2018 TCTA and the former employee attended the conciliation regarding the unfair dismissal of the former employee. Points in Limine in respect of jurisdiction were drafted and sent to the GPSSBC and the former employee. The GPSSBC ruled in favour of TCTA regarding the jurisdiction powers that the GPSSBC has over this matter. The matter will continue to be heard at the CCMA. TCTA has appointed a firm of attorneys to represent TCTA at the CCMA. The partly-heard arbitration took place on the 8-9 October 2018 where the Applicant's third and final witness and closing arguments were heard. On the 25 October 2018 the CCMA dismissed the former employee claim. TCTA was then served with an Application for Review in the Labour Court on 4 December 2018. TCTA filed its intention of Oppose this matter in the Labour Court on the 18 December 2018. TCTA's anticipates that this process should be concluded within the next five to six months.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 22. CONTINGENT LIABILITY (CONTINUED)

#### 22.1.4 PHASE 2 OF THE MOOI-MGENI TRANSFER SCHEME ("MMTS-2")

A summons was served out of the High Court in Pietermaritzburg on TCTA on 30 July 2013 by a Land Claimant and 2 others claiming an amount of R5 665 271 alternatively an amount of R4 493 271. Both claims provide for interest to be paid as well as legal costs. It appears from the summons served that the party cited is the Minister, instead of TCTA as the expropriating authority. Upon advice from Counsel, TCTA consented to the joinder application. However, on receipt of the amended particulars of claim, TCTA filed its special plea on the basis that the claim has prescribed in terms of the Expropriation Act. The Department of Water Affairs filed its plea in the interim. A pre-trial conference took place on 2 December 2016. The trial was set down for 6 and 7 November 2017 in the High Court in Pietermaritzburg to deal with the technical point that was raised by TCTA in respect of prescription. A judgment on this point was handed down in this matter against TCTA and this in effect means that the Plaintiff is now free to pursue TCTA for the remainder of its claim. A settlement offer was forwarded to the attorneys of R1 200 000.00 which was rejected. Their attorney requested a settlement of R2 500 000.00 plus payment of legal costs and interest calculated from the date of expropriation to the date of payment. The Discovery process is currently underway and thereafter a trial date will be allocated.

#### 22.1.5 LESOTHO HIGHLANDS WATER PROJECT ("LHWP")

TCTA's Former Employee fixed term contract of employment terminated through effluxion of time on 30 August 2016, and was reinstated with effect from 1 September 2016, following the conclusion of a Reinstatement of Employment and Settlement Agreement was concluded between TCTA and the Employee in January 2018. This Agreement reinstated the Employee to her previous position at TCTA, on the same or similar terms, with effect from 1 September 2016 on a fixed term contract which was to end on 30 August 2019. A letter cancelling the Agreement was dispatched to the Employee on 20 April 2018, upon which she exited the organization. TCTA was served with court documents, Notice of Motion, on 8 May 2018 upon which TCTA instructed a firm of attorneys to represent and advise TCTA on this matter. The matter was heard in the Labour Court on 15-16 November 2018. A judgement was handed in TCTA's favour with the employee having to pay TCTA's costs in this matter. The matter is finalized.

#### 22.1.6 LESOTHO HIGHLANDS WATER PROJECT ("LHWP")

TCTA was served with a Notice of Motion on 5 December 2018 requesting an order from the High Court that TCTA be Joined to the proceedings as it has a material interest in the proceedings together with DWS and the Public Protector, regarding a matter concerning the previous Chief Delegate: LHWP. The joinder application was heard on the 19th of March 2019 in the Pretoria High Court and the order was granted that TCTA be joined to the proceedings as the third Respondent in this application. TCTA is now required to oppose this matter and will be served with the court documents by the applicant on the 27th of March 2019. The matter is currently underway.

#### 22.1.7 ACID MINE DRAINAGE ("AMD")

TCTA expropriated the following land and/or land rights in the Central Basin, inter alia, from the land claimant Trust in order to implement the short-term intervention under the AMD Project. The claim is as follows regarding the expropriated servitudes:

##### Claim A

The trustees claim an amount of R4 084 552.30, together with interest and costs thereon on the basis that TCTA had accepted the offer made by the Trust, alternatively;

##### Claim B

First Right -The expropriation of the first right for Portion 210 of the farm Driefontein 87 IR resulted in the trustees suffering actual financial loss of R618 612.00, together with interest and costs thereon.

Second Right -The expropriation of the second right for the Remainder of Portion 1 of the farm Driefontein 87 IR resulted in the trustees suffering actual financial loss of R1 416 380.79, together with interest and costs thereon.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

Third Right -The expropriation of the third right for the Remainder of Portion 1 of the farm Driefontein 87 IR resulted in the trustee suffering actual financial loss of R1 490 411.10, together with interest and costs thereon.

Fourth Right -The expropriation of the fourth right for the Remainder of Portion 1 of the farm Driefontein 87 IR resulted in the trustees suffering actual financial loss of R84 546.00, together with interest and costs thereon.

Following the issue of summons, the Trust brought an application for summary judgment and the application which was successfully opposed by TCTA resulting in the application being withdrawn. No further steps were taken by the Trust since 2016. However, on 6 February 2019, a firm of attorneys, being TCTA's attorneys of record, TCTA was served with a Notice in Terms of Rule 37(1) from the Trust which relates to discovery proceedings for the disclosure of documents, photographs, authorisations and the like which are relevant to the matter and thereafter pre-trial meetings to be held between the attorneys and counsel to narrow the issues in dispute between the parties. This firm of attorneys previously assisted TCTA in this matter and the legal department is of the view that TCTA's should continue with this firm of attorneys and the same Counsel as well as expert witnesses in this matter. In the present case involving the Trust, the fair market value of the land rights expropriated is in the region of R366 773.00 (three hundred and sixty six thousand even hundred and seventy-three Rand) whereas the amount claimed by the Trust exceeds R4 000 000.00 (four million Rand). Thus the amount claimed by the Trust is in excess of 10 (ten) times the actual value of the land rights as determined by TCTA's expert valuers. Therefore TCTA continued defence of this claim is warranted on legal and commercial basis. In addition, TCTA had previously agreed with the State Attorneys representing the Department of Water and Sanitation ("DWS") that it would undertake the defence of DWS' position in this matter. TCTA was served with a Notice in Terms of Rule 37(1) for a Pre-Trial Conference on 6 February 2019. A submission has been prepared for the use of a firm of attorneys to defend this claim.

### 23. RELATED PARTIES

TCTA is a state-owned entity established under the National Water Act. As such, TCTA is a government related entity and has applied the exemption in paragraph 25 of IAS 24 (Related Party Disclosure). These related parties are either controlled, jointly controlled or significantly influenced by the government of the Republic of South Africa. The significant transactions below are as a result of contractual agreements entered into between TCTA and the related parties in fulfilling TCTA's mandate in terms of directives issue in various projects.

#### 23.1 Trading transactions

##### 23.1.1 DWS

For related party transactions and balances with DWS refer to note 10.4.

##### 23.1.2 DBSA

A government-related entity is an entity that is controlled, jointly controlled or significantly influenced by a government. TCTA and DBSA are both schedule 2; Major Public Entities in terms of the PFMA and report to National Government.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 23. RELATED PARTIES (CONTINUED)

Borrowings per Project	Opening balance 1 April 2018 R mil	Drawdowns R mil	Repayments R mil	Closing balance 31 March 2019 R mil	Interest incurred for the period R mil	Interest outstanding at 31 March 2019 R mil
BWP	220	-	(10)	210	10	-
VRS -LHDA Loans	34	-	(7)	27	2	-
<b>Total transactions with DBSA</b>	<b>254</b>	<b>-</b>	<b>(17)</b>	<b>237</b>	<b>12</b>	<b>-</b>

Borrowings per Project	Opening balance 1 April 2017 R mil	Drawdowns R mil	Repayments R mil	Closing balance 31 March 2018 R mil	Interest incurred for the period R mil	Interest outstanding at 31 March 2018 R mil
BWP	240	-	(20)	220	21	-
VRS	15	-	(15)	-	1	-
VRS-LHDA Loans	38	-	(4)	34	2	-
<b>Total transactions with DBSA</b>	<b>293</b>	<b>-</b>	<b>(39)</b>	<b>254</b>	<b>24</b>	<b>-</b>

#### 23.1.3ESKOM

The following transactions which are collectively significant have occurred with Eskom:

Project	2019 R mil	2018 R mil
VRS	91	79
MMTS-2	-	1
ORWRDP	3	-
<b>Total significant transactions with Eskom</b>	<b>94</b>	<b>80</b>

Eskom includes Eskom Holdings Limited and Eskom Holdings SOC Limited. Payments to Eskom relates to electricity as required by the projects

The VRS transactions includes transaction relating to the AMD project amounting to R 91 million (2018:R89 million).

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 23.2 Other transactions

#### 23.2.1 LHWC Costs

The Government of South Africa and the Government of Lesotho entered into a Treaty with the purpose to provide for the establishment, implementation, operation and maintenance of the LHWP. The LHWC is the body overseeing the two vehicles (TCTA and LHDA) mandated with the execution of the Treaty functions on behalf of the two governments. The LHWC is responsible and accountable for the project, acts on behalf of, advises the governments and is the channel of all government inputs relating to the project.

The running costs of the LHWC, is shared by the governments of the Republic of South Africa and the Kingdom of Lesotho. Each party is liable for the costs of its own delegation and all other costs are met by the parties on an equal basis.

The following amounts represents the costs relating to the LHWC paid for by TCTA:

Payments made to related party	2019 R mil	2018 R mil
LHWP LHWC Cost:RSA contribution and delegations costs	14	16

### 23.3 Compensation of directors and executive management

Short-term employee benefits

TCTA does not contribute to any defined retirement or medical aid fund. It does not have a liability for the provision of retirement funding. The emoluments paid to management include a sum for the provision of their own medical aid and pension benefits.

Total compensation to directors and executive management	2019 R mil	2018 R mil
Non-executive Directors	9	10
Executive Director	4	3
Executive Management	19	18
<b>Total for the year</b>	<b>32</b>	<b>31</b>

#### 23.3.1 Non-executive directors

Directors' emoluments and related costs	2019 R mil	2018 R mil
Emoluments	9	10

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 23. RELATED PARTIES (CONTINUED)

ATTENDANCE FEES					
	Board fees	Ad hoc fees	Travel /other expenses	REMCO / Nominations Committee	Finance & Procurement Committee
	R'000	R'000	R'000	R'000	R'000
2019					
Z Manase	1 261	725	13	-	-
JRD Modise	1 009	26	-	82	-
S Makhathini	363	26	-	35	-
S Roopa	363	44	-	77	131
S Khondlo	363	-	38	68	-
DR J Ellman	363	30	-	20	188
M Chonco	363	-	-	37	131
	<b>4 085</b>	<b>851</b>	<b>51</b>	<b>319</b>	<b>450</b>
2018					
	R'000	R'000	R'000	R'000	R'000
M Hlahla	650	-	-	-	-
Z Manase	692	181	-	17	146
JRD Modise	960	-	-	58	-
S Makhathini	345	19	-	51	34
S Roopa	345	19	26	66	119
S Khondlo	345	-	-	51	-
DR J Ellman	345	10	-	17	109
M Chonco	330	235	9	34	102
	<b>4 012</b>	<b>464</b>	<b>35</b>	<b>294</b>	<b>510</b>

#### 23.3.2 Executive director

2019	Date appointed or resigned	CTC <sup>(1)</sup>	Medical Aid	Total
Director		R'000	R'000	R'000
P Sechemane (Chief Executive Officer) <sup>(2)</sup>	2018/11/01	2 133	16	2 149
O Busari <sup>(3)</sup>	2018/03/23	2 299	-	2 299
<b>Total executive director</b>		<b>4 432</b>	<b>16</b>	<b>4 448</b>

<sup>(1)</sup> This amount refers to guaranteed portion of the Executives remuneration

<sup>(2)</sup> Mr P Sechemane was appointed as the Chief Executive Officer on 22 October 2018

<sup>(3)</sup> Professor O Busari has been acting as the Chief Executive Officer since March 2018 until October 2018.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

Audit & Risk Committee	Human Resources and Transformation Committee	Board meetings	Investment & Technical Committee	Sustainability committee	Grand total	Additional Board Meetings / Ad hoc Fees (Relating to prior year) (2)
R'000	R'000	R'000	R'000	R'000	R'000	R'000
18	-	552	-	128	2 697	(64)
236	-	-	-	54	1 407	(420)
129	37	136	72	-	798	108
165	229	181	-	54	1 244	(58)
18	73	159	102	72	893	4
165	-	136	72	89	1 063	43
18	73	181	72	-	875	(175)
<b>749</b>	<b>412</b>	<b>1 345</b>	<b>318</b>	<b>397</b>	<b>8 977</b>	<b>(562)</b>

R'000	R'000	R'000	R'000	R'000	R'000
-	88	-	-	49	787
53	-	535	-	66	1 690
222	-	420	-	51	1 711
104	88	22	68	-	731
34	236	237	-	68	1 150
34	88	194	97	68	877
121	-	151	68	17	838
-	102	194	68	-	1 074
<b>568</b>	<b>602</b>	<b>1 753</b>	<b>301</b>	<b>319</b>	<b>8 858</b>

2018	Date appointed or resigned	CTC <sup>(1)</sup>	Medical Aid	Total
Director		R'000	R'000	R'000
L Radzuma (Acting Chief Executive Officer) <sup>(2)</sup>	2018/02/28	2 691	31	2 722
O Busari (Acting Chief Executive) <sup>(3)</sup>	2018/03/23	78	-	78
		<b>2 769</b>	<b>31</b>	<b>2 800</b>

<sup>(1)</sup> This amount refers to guaranteed portion of the Executives remuneration.

<sup>(2)</sup> Mr L Radzuma was appointed as the Acting Chief Executive Office on 1 November 2016 until 28 February 2018.

<sup>(3)</sup> Professor O Busari has been acting as the Chief Executive Officer since March 2018 until October 2018

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 23. RELATED PARTIES (CONTINUED)

#### 23.3.3 Executive management

The remuneration of directors and key executives is determined by REMCO having regard to the performance of individuals and market trends.

2019 Executive Managers	Position	Date appointed or resigned	CTC <sup>(1)</sup> R'000	Medical Aid R'000	Sums paid by way of expense <sup>(2)</sup> R'000	Other <sup>(3)</sup> R'000	Total R'000
J Nhlapho	Chief Operations Officer	2007/08/06	269	-	-	-	269
H Nazeer <sup>(4)</sup>	Chief Financial Officer	2007/09/01	3 440	37	98	-	3 575
O Busari <sup>(5)</sup>	Chief Strategy Officer	2009/11/11	1 494	37	-	-	1 531
J Claassens <sup>(6)</sup>	Executive: Project Management and Implementation	2007/04/01	3 301	37	60	-	3 398
L Radzuma	Executive: Chief Risk Officer	2010/07/01	2 684	37	1	-	2 722
N Nkabinde <sup>(7)</sup>	Executive: Project Finance and Treasury	2015/09/01	2 357	37	-	-	2 394
L Gumede	Executive: Enterprise Wide Support Services	2016/02/01	2 063	37	-	10	2 110
H Botha	Executive: Human Resources and Organisational Development	2016/02/01	2 239	37	-	-	2 276
W De Witt <sup>(8)</sup>	Company Secretary	2018/10/01	951	19	-	-	970
<b>Total Executive Management remuneration</b>			<b>18 798</b>	<b>278</b>	<b>159</b>	<b>10</b>	<b>19 245</b>

<sup>(1)</sup> This amount refers to guaranteed portion of the Executives remuneration

<sup>(2)</sup> This amount refers to travel reimbursements

<sup>(3)</sup> This amount refers to long service award

<sup>(4)</sup> H Nazeer received an incentive of R 292 000 in the current relating to the prior year

<sup>(5)</sup> O Busari received an incentive of R 296 000 in the current relating to the prior year

<sup>(6)</sup> J Claassens received an incentive of R 277 000 in the current relating to the prior year

<sup>(7)</sup> N Nkabinde received an incentive of R 195 000 in the current relating to the prior year

<sup>(8)</sup> W De Witt was appointed as the corporate secretary on 1 October 2018



NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

2018	Position	Date appointed or resigned	CTC <sup>(1)</sup> R'000	Medical Aid R'000	Sums paid by way of expense <sup>(2)</sup> R'000	Other <sup>(3)</sup> R'000	Total R'000
<b>Executive Managers</b>							
J Nhlapho	Chief Operations Officer	2007/08/06	653	-	-	-	653
H Nazeer	Chief Financial Officer	2007/09/01	3 269	34	102	-	3 405
O Busari <sup>(4)</sup>	Chief Strategy Officer	2009/11/01	3 334	34	-	-	3 368
J Claassens	Executive: Project Management and Implementation	2007/04/01	3 138	34	71	-	3 243
L Radzuma <sup>(5)</sup>	Chief Risk Officer	2010/07/01	213	3	-	-	216
L Mnisi	Executive: Company Secretariat and Company Secretary	2008/11/01	-	-	-	1 003	1 003
N Nkabinde	Executive: Project Finance and Treasury	2015/09/01	2 243	34	1	-	2 278
L Gumede	Executive: Enterprise Wide Support Services	2016/02/01	1 963	34	-	-	1 997
H Botha	Executive: Human Resources and Organisational Development	2016/02/01	2 131	34	-	15	2 180
<b>Total Executive Management remuneration</b>			<b>16 944</b>	<b>207</b>	<b>174</b>	<b>1 018</b>	<b>18 343</b>

<sup>(1)</sup> This amount refers to guaranteed portion of the Executives remuneration.

<sup>(2)</sup> This amount refers to travel reimbursements.

<sup>(3)</sup> This amount refers to long service award.

<sup>(4)</sup> O Busari appointed as Acting CEO on 23 March 2018.

<sup>(5)</sup> Mr L Radzuma resigned as Acting CEO on 28 February 2018.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 24. COMPLIANCE WITH THE PUBLIC FINANCE MANAGEMENT ACT, 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

"Irregular expenditure" means expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including the PFMA or the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of that Act; or any provincial legislation providing for procurement procedures in that provincial government.

##### The National Treasury Old Framework -1 December 2018 to 16 May 2019

- Effective date of Framework

This Framework takes effect from 1 December 2018 as referred to in the National Treasury Instruction No.1 of 2018/2019.

- Relevant Authority had powers to condone irregular expenditure.

Irregular expenditure referred to the relevant authority for condonation (paragraph 47(b)):

58. Provision is made for the accounting officer or accounting authority to submit requests to the relevant authority to seek condonation of the irregular expenditure.
59. Condonation of irregular expenditure relating to the contravention of other applicable legislation must be forwarded to the National Treasury for attention of the Accountant-General.
60. The requests referred to in paragraph 58 above may only be submitted to the relevant authority if the accounting officer or accounting authority confirms that the department, constitutional institution or public entity, whichever applicable, did not suffer a loss and that value for money was achieved.

"relevant authority" means the person or institution whose approval would have been required prior to entering into that transaction or incurring such expenditure or the institution responsible for the legislation that was transgressed"

##### National Treasury New Framework 17 May 2019 onwards National Treasury is the relevant authority for granting condonation.

Effective date of Framework 3: This Framework takes effect from 1 December 2018 as referred to in the National Treasury Instruction No.1 of 2018/2019. This is applicable to all the matters that were not condoned by the effective date.

"relevant procurement authority" means the Chief Procurement Officer at the National Treasury and the business unit performing a procurement regulatory function at the provincial treasury;

"relevant authority" means the person or institution whose approval would have been required prior to entering into that transaction or incurring such expenditure or the institution responsible for the legislation that was transgressed;

Irregular expenditure referred to the relevant authority for condonation (paragraph 47(b)) 58. Provision is made for the accounting officer or accounting authority to submit requests to the relevant authority to seek condonation of the irregular expenditure.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

59. Condonation of irregular expenditure relating to the contravention of other applicable legislation must be forwarded to the National Treasury for attention of the Accountant General.
60. The requests referred to in paragraph 58 above may only be submitted to the relevant authority if the accounting officer or accounting authority confirms that the department, constitutional institution or public entity, whichever applicable, did not suffer a loss and that value for money was achieved.

### Reconciliation of Irregular expenditure

	2019 Rand	2018 Rand
<b>Opening balance</b>	<b>667 283 532</b>	<b>49 536 584</b>
<b>Irregular expenditure current year</b>	<b>36 908 990</b>	<b>260 727 283</b>
1 Acid Mine Drainage O&M	-	99 305 729
2 Claims	10 496 290	96 257 051
3 Variation Orders	629 547	35 486 798
4 Other	25 783 153	29 677 705
<b>Irregular expenditure from prior years identified and confirmed in the current year</b>	<b>67 496 987</b>	<b>357 286 109</b>
1 Acid Mine Drainage O&M	4 085 618	66 796 009
2 Claims	15 877 002	-
3 Variation Orders	8 161 507	280 020 107
4 Other	39 372 860	10 469 993
Less: Condoned or written off	(23 067 986)	(266 444)
<b>Irregular expenditure awaiting condonation</b>	<b>748,621,523</b>	<b>667 283 532</b>

### 2019 IRREGULAR EXPENDITURE CURRENT YEAR

#### 1. Acid Mine Drainage Operations and Maintenance

Incident	Actions taken	Recovery, condonation or removal of irregular expenditure	Amount Rand
<b>Total for Acid Mine Drainage</b>			-

#### 2. Claims

In accordance with the FIDIC conditions of contract a contractor's claim normally arises where the contractor believes he is entitled to additional compensation under the contract and notifies the PSP of his intention to submit a claim. FIDIC provides a claims resolution process that requires the PSP to issue a determination following consultations with both the client and the contractor on the claim as submitted by the contractor. Should any party not be satisfied it may refer the claim to the Dispute Adjudication Board (DAB). The DAB will decide based on further submissions by the client and contractor. Again, should any party be dissatisfied with the decision the matter may be referred to arbitration for a final ruling, unless an amicable settlement is reached. At each stage of adjudication, the amount awarded, if any, must be paid to the contractor. Likewise, if a lesser amount is awarded the contractor must pay the client the difference.

The resolution of claims may only be finalised long after the contractor has incurred the expenditure or undertaken the works for which he claims additional compensation. The expense however is only recognised by TCTA at the time a ruling has been made in favour of the contractor by an adjudication party.

By definition a claim relates to expenditure that has already been incurred and is subject to an independent adjudication process by professionals to quantify the amount due to in terms of the contract. It is therefore not practically possible to obtain the prior approval of National Treasury in terms of SCM Instruction Note 3 of 2016/17 effective 1 May 2016.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 24. COMPLIANCE WITH THE PUBLIC FINANCE MANAGEMENT ACT, ACT NO. 1 OF 1999, AND TREASURY REGULATIONS (CONTINUED)

Incident	Actions taken	Recovery, condonation or removal of irregular expenditure	Amount Rand
Contravention of PFMA National Treasury Instruction Note 3 of 2016/2017 in respect of Sections 9.1 and 9.2	See Claims Note 1		
<b>AMD Central Basin Contract: 008-008 - Group 5 - Vo 47 Contract 008-041 AECOM- Vo 66</b>			
In August 2014 a notice was issued to the contractor to remedy a non-conformance to the specification. The contractor remedied the defect but submitted a claim. The claim was settled in September 2018. Prior to payment a request for approval was submitted to NT and rejected as ex post facto given that the contractor already commenced with the works.	See Claims Note 2	Not yet condoned	2 449 350
<b>Olifants River Water Development Project: Contract 005-002-Basil Read: Claim 35.1</b>			
The contractor gave a notice to claim on 17 April 2014 pertaining working in a narrow servitude. The Engineer quantifying the claim on the 29 August 2018	See Claims Note 2	Not yet condoned	4 633 329
<b>Olifants River Water Development Project: Contract 005-002-Basil Read: Claim 62</b>			
The contractor claimed for additional security for the period December 2013 to January 2015. The claim was resolved in September 2018.	See Claims Note 2	Not yet condoned	2 752 085
<b>Olifants River Water Development Project: Contract 005-002-Basil Read: Claim 36.1</b>			
The claim arose for the delay incurred due to the engineer's instruction to sieve material from the trench for bedding and backfilling for the period from April 2014 onwards).	See Claims Note 2	Not yet condoned	336 365
<b>Olifants River Water Development Project: Contract 005-002-Basil Read: Claim 38.2</b>			
The claim arose from the 27 December 2016 being declared a public holiday.	See Claims Note 2	Not yet condoned	231 688
<b>MMS-2: Contract 004-041 AECOM SA</b>			
Interest charged on AECOM invoices due to late payment on invoices. Issues on the contract were in dispute and progressed to adjudication before settlement. Late payment happened as due	Condonation process to be initiated in line with the requirements of PFMA Framework on Irregular Expenditure issued in May 2019.	Not yet condoned	93 473
<b>TOTAL CLAIMS</b>			<b>10 496 290</b>

#### Claims Notes:

- 1) TCTA has requested an exemption from the Minister of Finance in terms of section 92 of the Public Finance Management Act 1 of 1999 from the following paragraphs of Instruction Note 3:
  - a. "Section 9.1: The Accounting Officer / Accounting Authority must ensure that contracts are not varied by more than 20% or R 20 million (including VAT) for construction related goods, works and or services, and 15% or R 15 million (including VAT) for all other goods or services of the original contract value.
  - b. Section 9.2: Any deviation in excess of the prescribed thresholds will only be allowed in exceptional cases subject to prior written approval from the relevant treasury."

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

- 2) TCTA has commenced the condonation process in line with the requirements of PFMA Framework on Irregular Expenditure issued in May 2019. Determination tests and assessments were completed and submitted to the Board for consideration. A submission to National Treasury to request condonation has been drafted and is awaiting a report on consequence management actions taken against responsible employees.

### 3. Variation orders:

Incident	Actions taken	Recovery, condonation or removal of irregular expenditure	Amount Rand
Contravention of PFMA National Treasury Instruction Note 3 of 2016/2017 in respect of Sections 9.1 and 9.2	See Variation Order Note 1		
<b>MMTS-2: Contract 004-041 AECOM SA - Various VOs</b>			
These payments were put forward for National Treasury approval which was not obtained as it was ex post facto. Declared value is the remainder of what was declared in prior years.	See Variation Order Note 2	Not yet condoned	593 317
<b>MMTS-2: Contract 004-005 Variation Order No. 46 Rev1</b>			
The Variation Order is for the installation of for the corrosion protection of the steel pipes at the Gowrie Break Pressure Tank.	See Variation Order Note 2	Not yet condoned	36 230
<b>TOTAL VARIATION ORDERS</b>			<b>629 547</b>

#### Variation Order Notes:

- 1) TCTA has requested an exemption from the Minister of Finance in terms of section 92 of the Public Finance Management Act 1 of 1999 from the following paragraphs of Instruction Note 3:
  - a. "Section 9.1: The Accounting Officer / Accounting Authority must ensure that contracts are not varied by more than 20% or R 20 million (including VAT) for construction related goods, works and or services, and 15% or R 15 million (including VAT) for all other goods or services of the original contract value.
  - b. Section 9.2: Any deviation in excess of the prescribed thresholds will only be allowed in exceptional cases subject to prior written approval from the relevant treasury."
- 2) TCTA has commenced the condonation process in line with the requirements of PFMA Framework on Irregular Expenditure issued in May 2019. Determination tests and assessments were completed and submitted to the Board for consideration. A submission to National Treasury to request condonation has been drafted and is awaiting a report on consequence management actions taken against responsible employees.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 24. COMPLIANCE WITH THE PUBLIC FINANCE MANAGEMENT ACT, ACT NO. 1 OF 1999, AND TREASURY REGULATIONS (CONTINUED)

#### 4. Other

Incident	Actions taken	Recovery, condonation or removal of irregular expenditure	Amount Rand
<b>A: CORPORATE: CONTRACT EXPANDED WITH OUT DUE PROCESS BEING FOLLOWED</b>			
Gemini Moon t/a Nexus Travel: Travel Management for the period March to May 2018 due to failed request for quotations.	See Other Note 1	Not yet condoned	292 608
Probability Audit on BRVAS	See Other Note 1	Not yet condoned	2 762
Atlantis Corporate Travel: Travel Management	See Other Note 1	Not yet condoned	79 718
Travel with Flair: Travel Management	See other Note 2	Not yet condoned	56 329
<b>B: COPORATE: DUE PROCESS NOT FOLLOWED IN APPOINTMENT OF SERVICE PROVIDER</b>			
FASKENS Attorneys: Legal Services Appointed on instruction of Board	See Other Note 1	Not yet condoned	1 432 816
Allen Overy Attorneys: Legal Services	See Other Note 1	Not yet condoned	798 132
Werksman's Attorneys: Legal Services Appointed on instruction of Board	See Other Note 1	Not yet condoned	287 713
Oromo Trading: Repair leaking sewerage and toilets.	See Other Note 2	Not yet condoned	14 850
Bowman Gilfillan Attorneys; Legal Services Appointed on the instruction of the Board.	See Other Note 1	Not yet condoned	319 109
Corpstat: Recruitment of temporary Company Secretary	See Other Note 2	Not yet condoned	73 177
<b>C: CORPORATE: OTHER</b>			
Due process not followed in the appointment of 3 Executive Managers		Condoned by the Board on 29 April 2019	8 862 836
Late payment of The Global Platform- Governance Assessment Instrument invoice in contravention of Treasury Instructions Note 5 of 2016/2017 and Treasury Regulation 8.2.3 which provides that all payments due to creditors must be made within 30 days from receipt of an invoice.	See Other Note 1	Not yet condoned	22 680
Costs Incurred for The Utilisation of Services Without a Contract. Failure to contract with service provider.	See Other Note 1	Not yet condoned	26 082
Sponsorship of DWS to host Water Infrastructure Investment Summit in contravention of the provisions of the PFMA	See Other Note 1	Not yet condoned	3 000 000
Liquid Telecom The service provider was appointed from October 2016 to September 2017. The link was only installed in March 2017. There was a delay in the process to appoint a new service provider to take over the service from March 2018. The services were required to ensure that the Treasury department can connect to the JSE for trading purposes.	See Other Note 2	Not yet condoned	10 733

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

Incident	Actions taken	Recovery, condonation or removal of irregular expenditure	Amount Rand
The process to form a legal panel excluded other respondents unfairly due to a technical error, rendering the entire procurement process unfair and irregular.	See Other Note 1 A legal process to set aside the panel has been started.	Not yet condoned	2 957 607
<b>B: CORPORATE: BID SPLITTING- REPAIR OF BIOMATRIX</b>			
Pendowave	See Other Note 2	Not yet condoned	19 300
Mfiso Brothers	See Other Note 2	Not yet condoned	27 054
Chiefton	See Other Note 2	Not yet condoned	15 562
<b>C: CORPORATE: BID SPLITTING- ORACLE SUPPORT</b>			
Sizavox The supplier was appointed to provide Oracle HCM module post implementation support. The supplier was not Tax Compliant at the time of contract award.	See Other Note 2	Not yet condoned	148 500
EOH Mthombo Emergency single sourcing without National Treasury's approval	See Other Note 2	Not yet condoned	736 800
Vhakondeni	See Other Note 2	Not yet condoned	307 000
<b>D: CORPORATE: TAX NON-COMPLIANCE</b>			
Ithuba Umsumbu: Provision of security services	See Other Note 2	Not yet condoned	375 177
Mfiso Brothers Building maintenance services	See Other Note 2	Not yet condoned	57 232
M'anthi catering Supply of kitchen utensils.	See Other Note 2	Not yet condoned	120 891
Blended Solutions Supply of voice recorders.	See Other Note 2	Not yet condoned	19 000
M2TD Consulting Network consulting services for a period of 12 months.	See Other Note 2.	Not yet condoned	278 399
<b>E: CORPORATE: EXCEPTIONS WERE APPROVED BY THE RELEVANT AUTHORITY AND AUDITOR-GENERAL IS OF THE OPINION THAT REASONS FOR EXCEPTION ARE UNJUSTIFIABLE</b>			
Ultimate Recruitment: Advertisement for the appointment of the new Board of Directors	See Other Note 2	Not yet condoned	352 095
By Design Africa: Live entertainment band for the 2017/2018 annual report launch.	See Other Note 2	Not yet condoned	74 390
PWC: Remuneration benchmark and evaluation tool.	See Other Note 2	Not yet condoned	382 779
Ethics Institute: conduct ethics risk assessment	See Other Note 2	Not yet condoned	38 702
Promotion a Senior Manager by the Ex-CEO without following a due process.		Condoned by the Board on 30 May 2019	1 073 690
Vodacom: Provision of internet and 3G remote connectivity services. *Amount under dispute with supplier R1 184 675.25 (not included in the Irregular expenditure declared)	See Other Note 2	Not yet condoned	1 977 023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 24. COMPLIANCE WITH THE PUBLIC FINANCE MANAGEMENT ACT, ACT NO. 1 OF 1999, AND TREASURY REGULATIONS (CONTINUED)

Incident	Actions taken	Recovery, condonation or removal of irregular expenditure	Amount Rand
Martin Grutter Attorneys: legal services in an ongoing litigation matter	See Other Note 1	Not yet condoned	225 000
<b>F: Evergreen Contract</b>			
Lifton Construction & Engineering Services CC: Operations and maintenance of the LHWP Delivery Tunnel North, the implementation of the Ash River Management plan as well as the maintenance of TCTA assets (houses) in Clarens/Kgubetswana.	See Other Note 1	Not yet condoned	1 191 336
Metrofile: Archiving solutions	See Other Note 2	Not yet condoned	126 072
<b>TOTAL FOR OTHER</b>			<b>25 783 153</b>
<b>Other Notes</b>			
1) TCTA has commenced the condonation process in line with the requirements of PFMA Framework on Irregular Expenditure issued in May 2019. Determination tests and assessments were completed and submitted to the Board for consideration. A submission to National Treasury to request condonation has been drafted and is awaiting a report on consequence management actions taken against responsible employees.			
2) Condonation process to be initiated in line with the requirements of PFMA Framework on Irregular Expenditure issued in May 2019.			
<b>TOTAL IRREGULAR EXPENDITURE FOR THE YEAR</b>			<b>36 908 990</b>

### IRREGULAR EXPENDITURE FROM PRIOR YEARS IDENTIFIED AND CONFIRMED IN THE CURRENT YEAR

<b>1 Acid Mine Drainage</b>			
<b>AMD O&amp;M</b>			
Due process not followed in the procurement of consumables and spare for the Mine Drainage treatment plants in the Eastern and Central Basins	See Claims Notes 1 and 2	Not yet condoned	4 085 618
<b>TOTAL FOR ACID MINE DRAINAGE</b>			<b>4 085 618</b>
<b>2 Claims</b>			
<b>Olifants River Water Development Project: Contract 005-002-Basil Read: Claim 38.</b>			
Extension of Time for completion due to the newly declared election-day and public holiday (8 July 2016) which was likely to delay his work.	See Claims Notes 1 and 2	Not yet condoned	1 600 483
<b>Olifants River Water Development Project: Contract 005-002-Basil Read: Claim 36</b>			
Delay due to the requirement to screen material from trench	See Claims Notes 1 and 2	Not yet condoned	14 276 519
<b>TOTAL CLAIMS</b>			<b>15 877 002</b>



NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

Incident	Actions taken	Recovery, condonation or removal of irregular expenditure	Amount Rand
<b>3 Variation orders</b>			
<b>Acid Mine Drainage Project- AMD Central Basin: Contract 008-041 AECOM - VO No.65</b>			
An additional requirement from DWS for an expert to undertake a comprehensive geohydrological / geochemical investigation as well as monitoring programme for the pilot sludge solution as per DWS's directive and other expert requirements to comply with the National Nuclear Regulator.	See Variation Orders Notes 1 and 2	Not yet condoned	1 930 350
<b>Olifants River Water Resources Development Project: Contract 005-002 - Basil Read: VO No.43</b>			
Additional work for reinstatement of pedestrian steel bridge washed away by floods	See Variation Orders Notes 1 and 2	Not yet condoned	327 615
<b>Olifants River Water Resources Development Project: Contract 005-002 - Basil Read: VO No.37</b>			
The rehabilitation of the soil erosion and Steelpoort and Aquaville Staff Housing areas to achieve long term stabilization of the disturbed soil	See Variation Orders Notes 1 and 2	Not yet condoned	1 414 697
<b>Olifants River Water Development Project: Contract 005-002-Basil Read: VO No 36</b>			
Specification changes were made to control and instrumentation equipment to accommodate the latest technology and actual conditions on site	See Variation Orders Notes 1 and 2	Not yet condoned	1 220 514
<b>Olifants River Water Development Project: Contract 005-002-Basil Read: VO No 38</b>			
Pump shaft and Eskom Chambers Modification:	See Variation Orders Notes 1 and 2	Not yet condoned	718 106
<b>Olifants River Water Development Project: Contract 005-002-Basil Read: VO No 47</b>			
Additional work was required at Steelpoort Housing for connecting sewer pipe from Steelpoort Housing to existing waste water treatment plant.	See Variation Orders Notes 1 and 2	Not yet condoned	157 179
<b>Olifants River Water Development Project: Contract 005-002-Basil Read: VO No 44</b>			
A change in construction methodology for Fibre Optic Cable installation at various sections of the pipeline was initiated to enable community involvement after they stopped the work.	See Variation Orders Notes 1 and 2	Not yet condoned	2 393 046
<b>TOTAL VARIATION ORDERS</b>			<b>8 161 507</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 24. COMPLIANCE WITH THE PUBLIC FINANCE MANAGEMENT ACT, ACT NO. 1 OF 1999, AND TREASURY REGULATIONS (CONTINUED)

#### 4 Other:

Incident	Actions taken	Recovery, condonation or removal of irregular expenditure	Amount Rand
<b>A : CORPORATE</b>			
Due process not followed in the award of a photocopier tender for a three-year period. (Expenditure for year 2 and 3 not declared).	See Other Note 1	Not yet condoned	2 815 785
Due process not followed in appointment of Yashica Chetty attorneys (Legal Services) and VAT payments made in contravention of the VAT Act.	See Other Note 2	Not yet condoned	10 313 055
Afriservice: Total Soft Services Extension of contract in contravention of TCTA Policy and National Treasury Instruction Note 3 of 2017/2018.	See Other Note 2	Not yet condoned	3 971 410
Expansion of Scope of Work without following due process, ICT Works: Implementation of Human Resource Module for Oracle.	See Other Note 2	Not yet condoned	2 815 785
Due process not followed in the appointment of ENS (legal services).	See Other Note 1	Not yet condoned	299 713
Vodacom: Mobile phone services: Due process not followed in the expansion of a contract to include Provision of internet and 3G remote connectivity services. *Amount under dispute with supplier R354 455.04 (disputed amount not included in the amount disclosed as Irregular Expenditure).	See Other Note 2	Not yet condoned	10 623 976
Promotion of a Senior Manager by the Ex-CEO without following a due process.		Condoned by the Board on 30 May 2019.	5 202 963
Due process not followed in the appointment of TGR attorneys (to assist TCTA in the finalising of the Domestic Multi Term Note.	See Other Note 1	Not yet condoned	479 296
Due process not followed in the appointment of JVR Academy (PTY) Ltd and JVR Consulting Psychologists (Pty) Ltd to conduct emotional intelligence training conduct psychometric assessments for a period of 5 years.	See Other Note 2	Not yet condoned	127 073
Due process not followed in increasing the contract value for Martin Grutter Attorneys: Legal Services for a matter under litigation.	See Other Note 2	Not yet condoned	1 594 690
Due process not followed in increasing the contract value for Selomo Attorneys: Legal Services for a matter under litigation.	See Other Note 1	Not yet condoned	69 258
Due process not followed in the appointment of Faskens on the instructions of the Board.	See Other Note 1.	Not yet condoned	235 405
Due process not followed in the appointment of Werksman's on the instructions of the Board.	See Other Note 1	Not yet condoned	114 136
Metrofile Irregular evergreen contract since 2005.	See Other Note 2	Not yet condoned	710 317
<b>TOTAL OTHER</b>			<b>39 372 860</b>
<b>TOTAL IRREGULAR EXPENDITURE FROM PRIOR YEARS IDENTIFIED AND CONFIRMED IN THE CURRENT YEAR</b>			<b>67 496 987</b>

Irregular expenditure which was incurred during the 2017/2018 financial year was submitted to the Board for consideration. The Board resolved that such irregular expenditure must be submitted to National Treasury for condonation.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

Incident	Actions taken	Recovery, condonation or removal of irregular expenditure	Amount Rand
<b>IRREGULAR EXPENDITURE FOR 2018</b>			
<b>2018.1 Acid Mine Drainage</b>			
<b>AMD CENTRAL BASIN OPERATIONS AND MAINTENANCE: Contract - 08 - 030, Intelligent Water Solutions ("IWS") refer expanded note 24.1.2</b>			
Appointment of IWS to operate the AMD Central Basin. From 1 April 2016 to 30 July 2016 the Central Basin was being operated by Intelligent Water Solutions ("IWS") through an interim contract awarded by the Accounting Authority. On the 1st August 2016 IWS was awarded a 30- month operations contract by the former Supply Chain Manager. The contract was cancelled on 26 December 2016 because of their irregular appointment. A settlement was agreed between TCTA and IWS with revised costs to operation the plant from the 1st January 2017 until 30 June 2017 to allow for an operator to be appointed through an open tender process.	On the 29 June 2017, Board approved a three months extension for Intelligent Water Solutions (IWS) O &M contract from July to September 2017. The declared expenditure is for the period 1 April 2017 to 30 September 2017.	In process	49 823 227
<b>AMD EASTERN BASIN &amp; CENTRAL BASIN OPERATIONS AND MAINTENANCE: Suppliers of Consumables and Spares Contracts</b>			
Single sourcing appointment of various suppliers for the operations and maintenance of both the Eastern and Central basin Acid Mine Drainage plants.	(1) TCTA has commenced the condonation process in line with the requirements of PFMA Framework on Irregular Expenditure issued in May 2019.	Not yet condoned	22 499 489
<b>2018.1 Acid Mine Drainage</b>			
On 29 September 2017, EXCO approved the strategy for TCTA to enter into a direct contract with the sub-contractors of the main operations and maintenance contracts (IWS and CMC PG MAVUNDLA JV). The sub-contractors, Proxa (Central Basin) and Tecroveer Thanda Manzi (Eastern Basin) were appointed to operate the plant and provide security services.  TCTA entered into direct contracts with suppliers of consumables and spares for the operations and maintenance on both plants and provided it to the operators. Accordingly, TCTA requested National Treasury approval for the appointment of the suppliers. National Treasury did not grant approval on any of these suppliers hence irregular expenditure was incurred. The declared expenditure is for the period 1 October 2017 to 31 March 2018.	Determination tests and assessments were completed and submitted to the Board for consideration.  A submission to National Treasury to request condonation has been drafted and is awaiting a report on consequence management actions taken against responsible employees.		

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 24. COMPLIANCE WITH THE PUBLIC FINANCE MANAGEMENT ACT, ACT NO. 1 OF 1999, AND TREASURY REGULATIONS (CONTINUED)

Incident	Actions taken	Recovery, condonation or removal of irregular expenditure	Amount Rand
<b>AMD EASTERN BASIN OPERATIONS AND MAINTENANCE: Contract - 08 - 032, Tecroveer Thanda Manzi JV</b>			
<p>Single sourcing appointment of Tecroveer for the operations of the AMD Central Basin operations and maintenance. On the 30th September 2017, TCTA entered into a direct contract with CMC PG Mavudla's sub-contractor Tecro-veer Thanda Manzi JV, by invoking the procurement clause in line with the Delegation of Authority, due to National Treasury not approving further extensions on the CMC PG Mavudla's contract. On the 1 November 2017 EXCO extended the contract of the operator on site by one month as TCTA Board had not approved the award of the open tender of the operation contract. On the 4th November 2017 Board again deliberated on the tender recommendations from the RFC and requested additional information. The Board was unable to award the operations tenders, as a result of which EXCO had to approve the extension of the current operating contracts until 28 February 2018.</p> <p>The Board approved the award on 23 February 2018 and the interim contract was further extended by one month to 31 March 2018 to allow for the finalization of the contract negotiations.</p> <p>The declared expenditure is for the period 1 October 2017 to 31 March 2018.</p>	Same as Item (1) above	Not yet condoned	14 433 840
<b>AMD CENTRAL BASIN OPERATIONS AND MAINTENANCE: Contract - 08 - 030, Proxa Propriety Limited</b>			
<p>Single sourcing appointment of Proxa for the operations and maintenance of the AMD Central Basin. On the 30th September 2017 TCTA entered into direct contract with Proxa Propriety Limited by invoking the procurement clause in line with the Delegation of Authority due to National Treasury not approving further extensions on the IWS contract. On the 1 November 2017 EXCO extended the contract of the operator on site by one month as TCTA Board had not approved the award of the open tender for the operation contract. On the 4 November 2017 Board again deliberated on the tender recommendations from the Risk and Finance Committee (RFC) and requested additional information.</p> <p>The Board was unable to award the operations tenders, as a result of which EXCO had to approve the extension of the current operating contracts until 28 February 2018.</p> <p>The Board approved the award on 23 February 2018 and the interim contract was further extended by one month to 31 March 2018 to allow for the finalization of the contract negotiations.</p> <p>The declared expenditure is for the period 1 October 2017 to 31 March 2018.</p>	Same as Item (1) above	Not yet condoned	12 549 173
<b>TOTAL ACID MINE DRAINAGE</b>			<b>99 305 729</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

Incident	Actions taken	Recovery, condonation or removal of irregular expenditure	Amount Rand
<p>In accordance with the FIDIC conditions of contract a contractor's claim normally arises where the contractor believes he is entitled to additional compensation under the contract and notifies the PSP of his intention to submit a claim. FIDIC provides a claims resolution process that requires the PSP to issue a determination following consultations with both the client and the contractor on the claim as submitted by the contractor. Should any party not be satisfied it may refer the claim to the Dispute Adjudication Board (DAB). The DAB will decide based on further submissions by the client and contractor. Again, should any party be dissatisfied with the decision the matter may be referred to arbitration for a final ruling, unless an amicable settlement is reached. At each stage of adjudication, the amount awarded, if any, must be paid to the contractor. Likewise, if a lesser amount is awarded the contractor must pay the client the difference. The resolution of claims may only be finalized long after the contractor has incurred the expenditure or undertaken the works for which he claims additional compensation. The expense however is only recognized by TCTA at the time a ruling has been made in favour of the contractor by an adjudication party. A claim relates to expenditure that has already been incurred and is subject to an independent adjudication process by professionals to quantify the amount due to in terms of the contract. It is therefore not practically possible to obtain the prior approval of National Treasury in terms of</p>	<p>(2) TCTA has commenced the condonation process in line with the requirements of PFMA Framework on Irregular Expenditure issued in May 2019. Determination tests and assessments were completed and submitted to the Board for consideration. A submission to National Treasury to request condonation has been drafted and is awaiting a report on consequence management actions taken against responsible employees. TCTA has requested an exemption from the Minister of Finance in terms of section 92 of the Public Finance Management Act 1 of 1999 from the following paragraphs of Instruction Note 3:</p> <p>"Section 9.1: The Accounting Officer / Accounting Authority must ensure that contracts are not varied by more than 20% or R 20 million (including VAT) for construction related goods, works and or services, and 15% or R 15 million (including VAT) for all other goods or services of the original contract value.</p>	<p>Investigation to be initiated</p>	<p>96 257 051</p>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 24. COMPLIANCE WITH THE PUBLIC FINANCE MANAGEMENT ACT, ACT NO. 1 OF 1999, AND TREASURY REGULATIONS (CONTINUED)

Incident	Actions taken	Recovery, condonation or removal of irregular expenditure	Amount Rand																
<b>2018. 2 Claims</b>																			
<p>SCM Instruction Note 3 of 2016/17 effective 1 May 2016.</p> <p>Regardless of this practical constraint the expense is now deemed a contract expansion requiring National Treasury prior approval where the extent of contract expansions exceed the lower of 20% of contract value or R20 million.</p> <p>It is in this context that the claims per contract listed below are declared to be irregular expenditure.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">DESCRIPTION</th> <th style="text-align: right;">RAND</th> </tr> </thead> <tbody> <tr> <td>Acid Mine Drainage Project – Short Term Intervention (AMD STI)</td> <td></td> </tr> <tr> <td>Contract 008-013: Construction of Eastern Basin water treatment plant</td> <td style="text-align: right;">6 151 061</td> </tr> <tr> <td>Mokolo Crocodile Water Augmentation Project –Phase 1 (MCWAP1)</td> <td></td> </tr> <tr> <td>Contract No: TCTA 07-001 MCWAP1 Construction Contract</td> <td style="text-align: right;">24 428 309</td> </tr> <tr> <td>Oliphant’s River Water Resource Development Project – Phase 2c (ORWRDP 2C)</td> <td></td> </tr> <tr> <td>Contract 005-002: Contraction of ORWRDP Phase 2C</td> <td style="text-align: right;">65 677 681</td> </tr> <tr> <td><b>TOTAL</b></td> <td style="text-align: right;"><b>96 257 051</b></td> </tr> </tbody> </table>	DESCRIPTION	RAND	Acid Mine Drainage Project – Short Term Intervention (AMD STI)		Contract 008-013: Construction of Eastern Basin water treatment plant	6 151 061	Mokolo Crocodile Water Augmentation Project –Phase 1 (MCWAP1)		Contract No: TCTA 07-001 MCWAP1 Construction Contract	24 428 309	Oliphant’s River Water Resource Development Project – Phase 2c (ORWRDP 2C)		Contract 005-002: Contraction of ORWRDP Phase 2C	65 677 681	<b>TOTAL</b>	<b>96 257 051</b>	<p>Section 9.2: Any deviation in excess of the prescribed thresholds will only be allowed in exceptional cases subject to prior written approval from the relevant treasury.”</p>		
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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

Incident	Actions taken	Recovery, condonation or removal of irregular expenditure	Amount Rand
<b>2018. 3 Variation Orders</b>			
<b>CONSTRUCTION OF THE MMTS-2 WATER TRANSFER SYSTEM: CONTRACT NO. TCTA 04-005, WBHO Construction (Pty) Ltd.</b>			
Extensions in the form of VOs was initiated to cover various close out items, this work falls within prescripts of National Treasury IN#3 of 16/17. These payments were withheld pending National Treasury approval which was not obtained as it was post facto.	Same as Item (2) above	Not yet condoned	12 956 427
<b>VARIOUS VARIATIONS ORDERS</b>			
<p>TCTA uses the FIDIC conditions of contract in terms of which TCTA appoints a Professional Services Provider (PSP) to undertake the design, construction supervision and administration of the construction contract on behalf of TCTA.</p> <p>The Contractor, also appointed on a FIDIC contract, undertakes the construction of the project. All instructions to the Contractor are issued by the PSP.</p> <p>Contract expansions in the form of variation orders are delegated to Management within the contingency provision approved by the Board for a specific contract. The operational delegation gives the Executive Manager PMID the approval powers. TCTA appoints Project Managers and other professional staff to represent TCTA on the project sites where construction takes place. Approval of all variation orders within the approved contingencies are duly approved by the Executive Manager PMID. Due to practical realities on site, instructions by the PSP to the Contractor happens daily which gives rise to variation orders. In terms of the Contract the PSP may issue instructions up to a defined amount (normally R500 000) without obtaining TCTA prior approval.</p> <p>The PSP would consult with the TCTA Project Manager on any instruction that may exceed the PSP's delegated authority.</p> <p>The TCTA Project Manager would give consent for the instruction as recommended by the PSP. The Contract would normally appoint the Project Managers as TCTA's representative responsible for the administration of the contractual provisions thereby giving authority to give the required consent for an instruction by the PSP to the Contractor.</p>	Same as Item (2) above	Not yet condoned	9 112 754

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
 FOR THE PERIOD ENDED 31 MARCH 2019

24. COMPLIANCE WITH THE PUBLIC FINANCE MANAGEMENT ACT, ACT NO. 1 OF 1999, AND TREASURY REGULATIONS (CONTINUED)

Incident	Actions taken	Recovery, condonation or removal of irregular expenditure	Amount Rand																						
<p>Formal approval for any variation order would finally be given by the Executive Manager PMID once the required documentation has been compiled and reviewed by TCTA's professional staff and recommended for approval by the Executive. Given that the construction contract is a re-measurable contract, interim payments are certified by PSP and are subject to adjustment until the final payment certificate has been agreed and issued.</p> <p>In certain cases, the explicit delegation to the Project Manager to act on behalf of TCTA has not been provided in the contracts although the practice has been consistently applied across all TCTA contracts and projects. In such cases where prior approval by the Executive Manager PMID or TCTA Executive Committee or Board has not been obtained for a variation order such costs are deemed to have been incurred irregularly in terms of the PFMA.</p> <p>Irregular expenditure incurred on the specific projects and relevant contracts are listed below for the current financial year and prior years respectively:</p>																									
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

Incident	Actions taken	Recovery, condonation or removal of irregular expenditure	Amount Rand
<b>MOKOLO PIPELINE: Contract 007-001, AVENG (AFRICA) LTD/ UMBUTHO CIVIL &amp; ELECTRICAL JV</b>			
In January 2017, excessive rain caused extensive erosion damage within some sections of the pipeline servitude. Work required to repair and prevent further damage was undertaken. This work falls within prescripts of National Treasury Instruction Note. 3 of 16/17. Subsequently National Treasury rejected an application for approval on the basis that the request has become ex post facto and has stated that TCTA must make payment to Aveng (Africa) Ltd/Umbutho Civil & Electrical JV and then follow the condonation process.	Same as Item (2) above	Not yet condoned	5 682 360
<b>MMTS-2: Contract 004-041, AECOM SA (FORMERLY BKS) FOR CONSULTANCY SERVICES FOR MOOI MGENI TRANSFER SCHEME, PHASE 2</b>			
Extensions in the form of Variation Orders was initiated to cover various close out items, this work falls within prescripts of National Treasury Instruction Note 3 of 16/17. These payments were withheld pending National Treasury approval which was not obtained as it was ex post facto.	Same as Item (2) above	Not yet condoned	4 533 309
<b>OLIFANTS RIVER WATER RESOURCE DEVELOPMENT PROJECT: Contract 005-084</b>			
NEMAI Consulting, for services of the Environmental Control Officer, required by Ministerial Directive, on ORWRDP2 was contracted from July 2012 to April 2015. National Treasury approved extensions until 31 July 2017. A further extension was required to April 2018 due to delays by the contractor. Multiple requests have been sent to National Treasury for approval, but they all have been rejected on the basis that the request has become ex post facto.	Same as Item (2) above	Not yet condoned	2 323 912
<b>MOOI MGENI TRANSFER SCHEME PHASE 1 (MMTS-1): CONTRACT NO. TCTA 04-003, REFURBISHMENT OF MEANS PUMP STATION.</b>			
Extensions in the form of VO10 were initiated to cover the close out of the project. This work falls within prescripts of National Treasury IN#3 of 16/17. These payments were withheld pending National Treasury approval which was not obtained as it was ex post facto.	Same as Item (2) above	Not yet condoned	878 036
<b>TOTAL VARIATION ORDERS</b>			<b>35 486 798</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

24. COMPLIANCE WITH THE PUBLIC FINANCE MANAGEMENT ACT, ACT NO. 1 OF 1999, AND TREASURY REGULATIONS (CONTINUED)

Incident	Actions taken	Recovery, condonation or removal of irregular expenditure	Amount Rand
<b>2018. 4 Others</b>			
Appointment of Edward Nathan Sonnerberg (ENS) through single sourcing to provide labour law advisory services to TCTA with regards to investigation and institution of disciplinary action. Request for deviation was rejected by National Treasury.	Same as Item (1) above	Not yet condoned	10 426 126
Expenditure with respect to remuneration payments for the irregular appointed Executives (Executive HROD, Executive EWSS, and Chief Strategy Officer) for a period 1 April 2017 to 31 March 2018.		Condoned by Board on 29th April 2019.	7 928 497
The budget for legal fees for MMTS-2 and AMD was exceeded as a result of new legal matters which did not form part on the initial budget.	Same as Item (1) above	Not yet condoned	3 417 686
Appointment of Tshisevhe Gwina Ratshimbilani Incorporated through single sourcing to render legal advisory services on fund raising activities for LHWP. Request for deviation was rejected by National Treasury.	Same as Item (1) above	Not yet condoned	1 320 047
Construction Continuous use of Lifton Construction to provide services to TCTA for the operations and maintenance of the LHWP on an open-ended contract basis which contravenes National Treasury Instruction Number 3 of 2017/2016.	Same as Item (1) above	Not yet condoned	1 224 474

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

Incident	Actions taken	Recovery, condonation or removal of irregular expenditure	Amount Rand
DENTONS KAPDITWALA Inc. was appointed through a quotation process for R 404 408.00. This amount was then exceeded, given the extent of the matter.	Same as Item (1) above	Not yet condoned	1 217 488
<p>Lesotho Highlands Operations and Maintenance: PV Engineering TCTA needed to procure an additional butterfly valve to replace one of the existing valves in the tunnel installed in the early 1990's. The valve was required in October 2018, when a two-month scheduled outage of the tunnel was scheduled.</p> <p>Due to operational requirements for the valve which had to be fully compatible with the existing valves and spares being interchangeable, a single sourcing strategy was initially proposed. National Treasury supported a deviation on condition that 3 quotes were obtained.</p> <p>Due to the size of the valves, which required specialized manufacturing equipment and capacity and DTI localization requirements, applicable on the manufacturing of the valve, VAMCOSA, the local valve manufacturers organization, was approached. A list of 20 qualifying suppliers was supplied and all were requested to quote. Four entities responded, one stating its inability to supply. Two of the other three quotes received were from different operating entities within the Premier Valve Group. Management highlighted this possible conflict in the initial Exco memorandum and on request engaged with the Group management, who explained the Group structure and the relationship between the various operating entities. It was confirmed the two separate quotes from Premier Valves and Premier Valves Engineering (PVE), although confusing, were independently provided by the respective entities.</p> <p>Based on this clarification, it was accepted that three independent quotes were received in accordance with National Treasury requirements and the lowest bidders quote was accepted. However, it was subsequently deemed that the process did not comply with Section 51 of the PFMA and NT Instruction Note 3of 16/17 and that the expenditure is irregular.</p>	Same as Item (1) above	Not yet condoned	685 251
Reappointment of the Chief Operations Officer, following a settlement agreement, the subject of a legal challenge by TCTA.	To be initiated	Not yet condoned	679 298

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 24. COMPLIANCE WITH THE PUBLIC FINANCE MANAGEMENT ACT, ACT NO. 1 OF 1999, AND TREASURY REGULATIONS (CONTINUED)

Incident	Actions taken	Recovery, condonation or removal of irregular expenditure	Amount Rand
Appointment of Selomo Attorneys through single sourcing to represent and advise TCTA in labour disputes and disciplinary actions. Request for deviation was rejected by National Treasury.	Same as Item (1) above	Not yet condoned	531 198
Procurement for goods and services with a value under R30 000 was followed expiry of the contract with two travel agencies, whilst the tender process was being finalized. However, majority of travel agencies did not respond on time to requests for quotations. This resulted in the following travel agencies being awarded work in excess of the R30 000 limit.	Same as Item (1) above	Not yet condoned	439 557
Appointment of Ellen of Overy law firm on a single source to represent TCTA on a dispute with Tecrover.	Same as Item (1) above	Not yet condoned	411 582
Appointment of Fluxman's attorneys on a single source to represent TCTA on a legal matter.	Same as Item (1) above	Not yet condoned	387 481
Costs related to disciplinary hearing which only ended after 16 sittings. The hearing was originally planned for 5 sittings only.		Condoned by the ACEO.	222 631
Appointment of Corporate Executive Board on a single source.	Same as Item (1) above	Not yet condoned	222 620
Appointment of VUMA Reputation Management on a single source to manage an urgent media matter.	Same as Item (1) above	Not yet condoned	189 810
Extension of Banqobi Consulting for the placement of a Senior Manager Company Secretary for a period of six months.	Same as Item (1) above	Not yet condoned	184 680
Appointment of M2TD to provide Adobe license. Three (3) quotations not obtained.	Same as Item (1) above	Not yet condoned	55 751
The request was made to edit the Corporate Plan before submission to Board. A discussion was held with SCM to undertake the work under the contract for the Annual Report as editing of the Corporate Plan and Annual Report is very similar. After the work was undertaken it was decided that because the editing of the Corporate Plan was not specifically included in the contract a deviation of the Scope of Work would be required.		Condoned by the ACEO.	38 578
Appointment of Werksmans on a single source basis to advise TCTA Board on a labour matter.	Same as Item (1) above	Not yet condoned	27 379

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

Incident	Actions taken	Recovery, condonation or removal of irregular expenditure	Amount Rand
International travel to Lesotho by Executive PMID, without ministerial approval, to attend Commission meetings on three occasions.	Same as Item (1) above	Not yet condoned	23 775
The purchase of a laptop for a new employee in Project Finance exceeded the R30k annual threshold.	Same as Item (1) above	Not yet condoned	20 909
Appointment of a service provider, in excess of the R30 000 annual threshold, to repair the faulty Data Centre Cooling System (DCCS) and restore the Domain Controller after it crashed. Both incidents, which occurred on different days, where the server room was flooding with water due to DCCS failure and the network was down due to the Domain Controller crash.	Same as Item (1) above	Not yet condoned	9 444
An employee attended training without following proper internal processes <ul style="list-style-type: none"> <li>• A training form was signed off only after the employee attended the training.</li> <li>• There was no signed off PDP.</li> <li>• The employee secured service of another service provider whilst there was a service provider already appointed and SLA to provide similar training.</li> <li>• Employee failed to attend full two days of training</li> <li>• The line manager was suspended before the condonation was finalized.</li> </ul>	Same as Item (1) above	Not yet condoned	8 208
Appointment of a service provider, in excess of the R30 000 annual threshold, to provide catering services for the Board meeting of 24 January 2018.		Condoned by the ACEO.	5 235
<b>TOTAL OTHER</b>			<b>29 677 705</b>
<b>TOTAL IRREGULAR EXPENDITURE FOR THE YEAR</b>			<b>260 727 283</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 24. COMPLIANCE WITH THE PUBLIC FINANCE MANAGEMENT ACT, ACT NO. 1 OF 1999, AND TREASURY REGULATIONS (CONTINUED)

Incident	Actions taken	Recovery, condonation or removal of irregular expenditure	Amount Rand
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#### IRREGULAR EXPENDITURE FROM PRIOR YEARS IDENTIFIED AND CONFIRMED IN 2018

##### 2018. 5 Acid Mine Drainage

##### AMD CENTRAL BASIN OPERATIONS AND MAINTENANCE: Contract - 08 - 030, Intelligent Water Solutions (IWS)

Appointment of IWS to operate the AMD CentralBasin. From 1 April 2016 to 31 July 2016 the Central Basin was being operated by Intelligent Water Solutions (IWS) through an interim contract authorised by the Accounting Authority. This appointment was not deemed irregular previously, but due to the findings of the forensic review it is now declared irregular.	Forensic review was conducted, and recommended action is being implemented.	Not yet condoned	42 571 905
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##### AMD CENTRAL BASIN OPERATIONS AND MAINTENANCE: Contract - 08 - 030, Intelligent Water Solutions (IWS)

The December 2016 settlement agreement provided for the continued operations with revised costs to operate the plant from 1 January 2017 until 30 June 2017 to allow for an operator to be appointed through an open tender process. The irregular expenditure declared is for the period 1 January 2017 to 31 March 2017.	Disciplinary action taken	Not yet condoned	22 246 073
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##### AMD EASTERN BASIN OPERATIONS AND MAINTENANCE: Contract - 08 - 030, CMC-PG Mavundla

TCTA entered into several contract extensions with CMCPG Mavundla in respect of the Operations and maintenance (O&M) on the Eastern Basin AMD plant. While National Treasury approval was sought and obtained for most of these, there were some periods during which expenditure was incurred without a corresponding National Treasury approval. NT approval was granted but the plant was operated for 14 days prior to approval from NT. The 14 days must be recognized as irregular expenditure. As well as NT approval was granted but the plant was operated for 2 days prior to approval from NT. The 2 days must be recognized as irregular expenditure. Operating costs for a period of 16 days without National Treasury approval is declared as irregular.	Same as Item (1) above	Not yet condoned	1 978 031
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<b>TOTAL ACID MINE DRAINAGE</b>			<b>66 796 009</b>
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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

Incident	Actions taken	Recovery, condonation or removal of irregular expenditure	Amount Rand
<b>2018. 6 Variation Orders</b>			
<p>TCTA uses the FIDIC conditions of contract in terms of which TCTA appoints a Professional Services Provider (PSP) to undertake the design, construction supervision and administration of the construction contract on behalf of TCTA. The contractor, also appointed on a FIDIC contract, undertakes the construction of the project. All instructions to the Contractor are issued by the PSP.</p> <p>Contract expansions in the form of variation orders are delegated to Management within the contingency provision approved by the Board for a specific contract. The operational delegation gives the Executive Manager PMID the approval powers. TCTA appoints Project Managers and other professional staff to represent TCTA on the project sites where construction takes place. Approval of all variation orders within the approved contingencies are duly approved by the Executive Manager PMID. Due to practical realities on site, instructions by the PSP to the Contractor happen daily which gives rise to variation orders.</p> <p>In terms of the Contract the PSP may issue instructions up to a defined amount (normally R500 000) without obtaining TCTA prior approval.</p> <p>The PSP would consult with the TCTA Project Manager on any instruction that may exceed the PSP's delegated authority. The TCTA Project Manager would give consent for the instruction as recommended by the PSP. The Contract would normally appoint the Project Managers as TCTA's representative responsible for the administration of the contractual provisions thereby giving authority to give the required consent for an instruction by the PSP to the Contractor.</p> <p>Formal approval for any variation order would finally be given by the Executive Manager PMID once the required documentation has been compiled and reviewed by TCTA's professional staff and recommended for approval by the Executive. Given that the construction contract is a re-measurable contract, interim payments are certified by PSP and are subject to adjustment until the final payment certificate has been agreed and issued.</p>	Same as Item (2) above	Not yet condoned	280 020 107

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
 FOR THE PERIOD ENDED 31 MARCH 2019

24. COMPLIANCE WITH THE PUBLIC FINANCE MANAGEMENT ACT, ACT NO. 1 OF 1999, AND TREASURY REGULATIONS (CONTINUED)

Incident	Actions taken	Recovery, condonation or removal of irregular expenditure	Amount Rand																						
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

Incident	Actions taken	Recovery, condonation or removal of irregular expenditure	Amount Rand
Mooi-Mgeni Transfer Scheme – Phase 2 (MMS-2)			
Contract004-041: Professional Services Provider	12 121 067		
Contract004-001: Construction of the Spring Grove Dam and Appurtenant Works	49 491 359		
Contract004-005: Construction of the Water	22 545 892		
Contract004-003: Refurbishment of the Mearns Pump Station	17 905 360		
<b>Sub-Total</b>	<b>102 063 678</b>		
<b>TOTAL</b>	<b>280 020 107</b>		
Analysis of Variation orders per prior year:			
2016/17	45 726 262		
2015/16	47 835 203		
2014/15	53 855 512		
2013/14	87 395 051		
2012/13	45 208 079		
<b>TOTAL</b>	<b>280 020 107</b>		
<b>TOTAL VARIATION ORDERS</b>			<b>280 020 107</b>
2018.7 Other			
<b>Lesotho Highlands Operations and maintenance: Same as Item (1) above Not yet condoned Lifton</b>			
Construction. Continuous use of Lifton Construction to provide services to TCTA for the operations and maintenance of the LHWP on an open-ended contract basis which contravenes National Treasury Instruction Number 3 of 2017/2016 .	Contract has been terminated.		10 469 993
<b>TOTAL FOR OTHER</b>			
<b>IRREGULAR EXPENDITURE FROM PRIOR YEARS IDENTIFIED AND CONFIRMED IN THE 2018 FINANCIAL YEAR</b>			<b>10 469 993</b>
			<b>357 286 109</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 24. COMPLIANCE WITH THE PUBLIC FINANCE MANAGEMENT ACT, ACT NO. 1 OF 1999, AND TREASURY REGULATIONS (CONTINUED)

#### 24.2 Fruitless and wasteful expenditure

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

Reconciliation of fruitless and wasteful expenditure	2019 Rand	2018 Rand
Opening balance	2 816 512	38 967 401
Fruitless and wasteful expenditure for current year	1 006 289	266 494
VAT reported in previous year, which SARS ruled in favour of TCTA		(36 417 383)
<b>Total Fruitless and wasteful expenditure for the financial year</b>	<b>3 822 801</b>	<b>2 816 512</b>

2019		
Incident	Action taken	Amount Rand
ORWRDP 2C Six Invoices received the 1st Quarter of 2017/2018 were addressed to an email of staff member who resigned in February 2018. These invoices were later resent for processing sometime after the due date.	#Appropriate consequence management process to be initiated.	3 762
AMD O&M Eastern Basin, Central Basin, Western Basin Interest charged on Eskom invoices for the Eastern, Central and Western Basin due to late payment. Late payment occurred due to incorrect approval process in the Oracle ERP system.	# as above.	314 755
<b>CORPORATE</b>		
SARS penalties and interest on short paid amount (August 2018)	# as above.	20 839
Penalty interest for KfW payment: Interest incurred by Treasury due to payment not going through on time as a result of error in processing.	# as above.	14 673
VRESAP Debt Management- Current account overdrawn by R25.8mn overnight.	# as above.	2 016
Employee overlooked releasing fund withdrawal from investments.		
Fruitless and wasteful expenditure as a result of non-attendance of training. Training was paid for an employee (CFO) to attend SAICA - IFRS 2018 Workshop, however she did not attend.	# as above.	4 035
Fruitless and wasteful expenditure: interest incurred on the late payment of invoices beyond 30 days from the date of receipt.	# as above.	23 652
Expenditure in relation to the acquisition of AccPac system as a backup to Oracle and expenditure for recruited resources for capturing of data to AccPac.  The cost relates to 5 licences purchased in September 2018 to allow the review of historical data in AccPac. Licences= R 72 908.74, Resources data Capturers =R 420 563.51	# as above.	493 472

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

2019 Incident	Action taken	Amount Rand
Expenditure in relation to the purchase of Konica Minolta photocopiers at the end of lease. The photocopiers were immediately after purchase declared as not economic viable to maintain for the next 2 to 3 years. TCTA issued an open tender for rental of 11 multifunctional printing devices (MFPD). One of the conditioned of the tender was that ownership of the MFPDs should be transferred to TCTA at the end of 37th month. The 37th month was December 2018, and the MFPDs became TCTA property with effect from 01 January 2019. Same was confirmed in writing by the previous service provider.	# as above.	63 311
Shmone IT Solutions The service provider was appointed in November 2018, and the licenses were activated in December 2018. The supplier only paid Adobe three months license fees and TCTA access has since been blocked by Adobe. Efforts to get the supplier to remedy the situation have been unsuccessful. Legal processes have commenced to recover the money from the service provider and notify National Treasury of non-service delivery.	# as above.	65 775
<b>TOTAL FRUITLESS AND WASTEFUL EXPENDITURE FOR THE YE</b>	<b>AR</b>	<b>1 006 289</b>
<b>2018</b>		
The Acting CEO accommodation in Lesotho, accommodation was confirmed, but the trip was cancelled last minute. Had to attend another meeting in Cape Town requested by the Minister. Full cancellation was charged as penalty for cancellation.	# To be initiated upon completion of investigations.	3 080
Flights for CFO was booked and confirmed to travel to Durban on the 2nd May, due to the Parliament portfolio committee meeting being moved a new flight to Cape town had to be booked.	# As above	4 394
Executives missed flights from Mthatha to JHB on the 25th April, accommodation.	# As above	42 146
Interest on the late payment of invoices exceeding 30 days for Telkom and Eskom.	# As above	78 985
Accommodation was paid for an employee to attend training and he resigned in the week that he was already booked by TCTA. The invoice only came through in May.	# As above	6 763
PAYE amount that was paid in May 2017 but was in respect of the previous tax year (2017), resulted in penalties & interest being incurred.	Employee paid the money.	201
Withdrawal from conference attendance by the Executive PMID and Project Manager AMD on instruction of the Acting CEO. Penalty for late cancellation, a full conference fee.	# As above	23 939
The expenditure was incurred as a result of the disciplinary hearing postponement after the services of the presiding officer secured and confirmed.	# As above	7 700
A payment of R927 000 was not included in the cash flow for MMTS- resulting in an overdraft for one day. The payment was included in the schedule received from Finance but was omitted from the Treasury daily cash flows. At an overdraft rate of 10.5%, the interest incurred was R236.19. However, if R927 000 was borrowed at a rate of 7.47%, interest of R189.72.	# As above	46
Payment of interest to Dihlabeng Municipality for the outstanding rates on TCTA 43 houses in Khubetswana township. The initial amount owing by TCTA is R750 791.07 which is 20 % discount of R1 011 573.31 original interest (debt). Amount paid by end of September is R549 874.83	# As above	99 239
<b>TOTAL FRUITLESS AND WASTEFUL EXPENDITURE FOR THE YEAR</b>		<b>266 494</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 25. RESTATEMENTS FOR ERROR AND CHANGES IN ACCOUNTING POLICY

#### 25.1 Tariff receivables error

In the current year, management amended the accounting policy relating to the measurement of tariff receivables. The tariff receivable is a financial asset that is measured at amortized cost. The old policy required management to calculate the effective interest rate which is a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset. When calculating the effective interest rate, management estimated the expected cash flows by considering all the contractual terms of the financial instrument. When the expected cash flows were re-estimated, management recalculated the gross carrying amount of the financial asset and recognised a modification gain or loss in surplus or deficit previously referred to as the AG 8 adjustment.

Management has amended the accounting policy by opting to re-estimate the effective interest rate when the expected cash flows of the assets are re-estimated thus no modification gain/ loss will impact surplus or deficit.

VRS	Previously disclosed R mil	Effect of restatement R mil	As restated R mil
<b>2018</b>			
<b>Statement of Financial Position</b>			
<b>Non-current Assets</b>			
Tariff receivable	18 647	(6 462)	12 185
AMD receivable*	-	569	569
	<b>18 647</b>	<b>(5 893)</b>	<b>12 754</b>
<b>Current Assets</b>			
Tariff receivable	2 652	268	2 920
AMD receivable**	-	321	321
	<b>2 652</b>	<b>589</b>	<b>3 241</b>
<b>Current Liabilities</b>			
Trade payables*	858	(218)	640
<b>Statement of Comprehensive Income</b>			
<b>Net finance income/(costs)</b>			
Finance income	4 842	(2 717)	2 125
Finance expense	(2 492)	-	(2 492)
	<b>2 350</b>	<b>(2 717)</b>	<b>367</b>
<b>2017</b>			
<b>Statement of Financial Position</b>			
<b>Non-current Assets</b>			
Tariff receivable	18 360	(3 342)	15 018
AMD receivable*	-	601	601
	<b>18 360</b>	<b>(2 741)</b>	<b>15 619</b>
<b>Current Assets</b>			
Tariff receivable	737	44	781
AMD receivable	-	175	175
	<b>737</b>	<b>219</b>	<b>956</b>

\*Refer to note 12 for further detail on AMD Receivable.

\*\*This adjustment relates to the allowance for doubtful debt that was presented as erroneously as trade payables. The amount has been included in reducing the tariff receivable. Refer to 23.2 for further detail.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

BWP	Previously disclosed R mil	Effect of restatement R mil	As restated R mil
<b>2018</b>			
<b>Statement of Financial Position</b>			
<b>Non-current Assets</b>			
Tariff receivable	458	112	570
<b>Current Assets</b>			
Tariff receivable	47	22	69
<b>Statement of Comprehensive Income</b>			
<b>Net finance income/(costs)</b>			
Finance income	69	(29)	40
Finance expense	23	(23)	-
	<b>92</b>	<b>(52)</b>	<b>40</b>
<b>2017</b>			
<b>Statement of Financial Position</b>			
<b>Non-current Assets</b>			
Tariff receivable	499	141	640
<b>Current Assets</b>			
Tariff receivable	135	(2)	133
<b>VRESAP</b>			
	Previously disclosed R mil	Effect of restatement R mil	As restated R mil
<b>2018</b>			
<b>Statement of Financial Position</b>			
<b>Non-current Assets</b>			
Tariff receivable	3 717	621	4 338
<b>Current Assets</b>			
Tariff receivable	196	89	285
<b>Statement of Comprehensive Income</b>			
<b>Net finance income/(costs)</b>			
Finance income	395	(86)	309
Finance expense	403	(26)	377
	<b>798</b>	<b>(112)</b>	<b>686</b>
<b>2017</b>			
<b>Statement of Financial Position</b>			
<b>Non-current Assets</b>			
Tariff receivable	3 853	691	4 544
<b>Current Assets</b>			
Tariff receivable	69	79	148
<b>Statement of Comprehensive Income</b>			
<b>Net finance income/(costs)</b>			
Finance income	392	(76)	316
Finance expense	375	2	377
	<b>767</b>	<b>(74)</b>	<b>693</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 25. RESTATEMENTS FOR ERROR AND CHANGES IN ACCOUNTING POLICY (CONTINUED)

MCWAP-1	Previously disclosed R mil	Effect of restatement R mil	As restated R mil
<b>2018</b>			
<b>Statement of Financial Position</b>			
<b>Non-current Assets</b>			
Tariff receivable	565	255	820
<b>Current Assets</b>			
Tariff receivable	-	183	183
<b>MCWAP-2A</b>			
<b>Current Assets</b>			
Loans and other receivables*	-	60	60
<b>Current Liabilities</b>			
Trade and other payables*	-	60	60
<b>Statement of Comprehensive Income</b>			
<b>Net finance income/(costs)</b>			
Finance income	113	49	162
Finance expense	301	(153)	148
	<b>414</b>	<b>(104)</b>	<b>310</b>
<b>2017</b>			
<b>MCWAP-1</b>			
<b>Statement of Financial Position</b>			
<b>Non-current Assets</b>			
Tariff receivable	-	862	1 082
<b>Current Asset</b>			
Tariff receivable	-	91	91
<b>MCWAP-2A</b>			
<b>Current Assets</b>			
Loans & other receivables*	-	48	48
	-	<b>139</b>	<b>139</b>
<b>Current Liabilities</b>			
Trade and other payables*	-	48	48

\* In assessing key accounting policies, management has taken the decision to revise the policy previously adopted which entailed the inclusion of MCWAP2A in the MCWAP tariff receivable. This was following indicators that a combined borrowing programme, as well as a combined tariff, would be utilised. These indicators have since not materialised and management has opted to revert to accounting for the projects separately.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

<b>MMTS-2</b>	<b>Previously disclosed R mil</b>	<b>Effect of restatement R mil</b>	<b>As restated R mil</b>
<b>2018</b>			
<b>Statement of Financial Position</b>			
<b>Non-current Assets</b>			
Tariff receivable	1 412	(12)	1 400
<b>Current Assets</b>			
Tariff receivable	111	(2)	109
<b>Statement of Comprehensive Income</b>			
<b>Net finance income/(costs)</b>			
Finance income	165	1	166
Finance expense	191	(13)	178
	<b>356</b>	<b>(12)</b>	<b>344</b>
<b>2017</b>			
<b>Statement of Financial Position</b>			
<b>Non-current Assets</b>			
Tariff receivable	1 550	(141)	1 409
<b>Current Assets</b>			
Tariff receivable	101	12	113
<b>KWSAP</b>			
	<b>Previously disclosed R mil</b>	<b>Effect of restatement R mil</b>	<b>As restated R mil</b>
<b>2018</b>			
<b>Statement of Financial Position</b>			
<b>Non-current Assets</b>			
Tariff receivable	1 099	62	1 161
<b>Current Assets</b>			
Tariff receivable	46	4	50
<b>Statement of Comprehensive Income</b>			
<b>Net Finance Income/(Costs)</b>			
Finance Income	134	(2)	132
Finance Expense	164	(36)	128
	<b>298</b>	<b>(38)</b>	<b>260</b>
<b>Statement of Financial Position</b>			
<b>Non-current Assets</b>			
Tariff receivable	1 153	(68)	1 085
<b>Current Assets</b>			
Tariff receivable	-	101	101

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 25. RESTATEMENTS FOR ERROR AND CHANGES IN ACCOUNTING POLICY (CONTINUED)

#### 25.2 Allowance for bad debt

In the prior year, management provided for the an amount of R218 million which relates to the release of water to the Free State to provide relief during the drought period, as per instruction from the Director General. Management expensed the bad debt and created the inverse income. This resulted in the overstatement of revenue. The bad debt amount was consolidated in the 'Other operating expenses' line item. Management has concluded that this item should have been disclosed separately due to the fact that it is material.

The provision was classified as trade payables and not offset against the asset which resulted in the overstatement of the tariff receivable and the overstatement of trade payables. Refer to 25.1 for the impact on the tariff receivable.

VRS 2018	Previously disclosed R mil	Effect of restatement R mil	As restated R mil
<b>Statement of Comprehensive Income</b>			
Other operating income	1 725	(218)	1 507
<b>Expenses</b>			
Bad debt	-	218	218

#### 25.3 Casting error in Note 9

A casting error was identified in note 9 which resulted in the understatement of 'Other borrowings from TCTA' line item by R1 billion.

Note 9 2018	Previously disclosed R mil	Effect of restatement R mil	As restated R mil
<b>Statement of Financial Position</b>			
Other borrowings from TCTA	7 982	1 000	8 982

#### 25.4 Duplicate construction invoice in ORWRDP

In the 2018 financial year, an invoice received for construction work done in the Oliphants project (ORWRDP) to the value of R69 million. The invoice was received after year end and was accrued for in the 2018 financial year. In the current year, management controls identified that the invoice was erroneously duplicated and thus resulted in the overstatement of construction costs & revenue, loans and other receivables and trade and other payables. The error was corrected by reversing the duplicated invoice.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

ORWDRP 2018	Previously disclosed R mil	Effect of restatement R mil	As restated R mil
<b>Statement of Financial Position</b>			
<b>Current Assets</b>			
Loans and other receivables	95	(69)	26
<b>Current Liabilities</b>			
Trade and other payables	106	(69)	37
<b>Statement of Comprehensive Income</b>			
Construction revenue	203	(69)	134
Construction costs	(203)	69	(134)

### 25.5 LHWP Compensation Provision

The provision for compensation has been revised to include an additional amount relating to compensation for host communities where households affected by the project have elected to be resettled. This amount is intended to fund infrastructure projects for the benefit of the host communities. The impact of this revision increases the provision for compensation and tariff receivable on the Statement of Financial Position.

Further, the LHDA makes payments to 3<sup>rd</sup> parties for the implementation of the community infrastructure development. These payments are disclosed as prepaid expenses until the 3<sup>rd</sup> party has delivered the infrastructure to the community.

The impact on specific line items in the financial statements is shown in the tables below.

VRS	Previously disclosed R mil	Effect of restatement R mil	As restated R mil
<b>2018</b>			
<b>Statement of Financial Position</b>			
<b>Current Asset</b>			
Prepayments	76	69	145
<b>Non current liabilities</b>			
Provisions	282	41	323
<b>2017</b>			
<b>Non current liabilities</b>			
Provisions	290	40	330

### 25.6 LHWP phase II capital costs

TCTA is mandated to fulfil the RSA's financial obligation resulting from the implementation by the LHDA of the water transfer component of the project located within borders of Lesotho. The RSA's financial obligations, requires the TCTA to make cost-related payments in terms of the Treaty, to the LHDA. TCTA is entitled to a tariff receivable from DWS to recover costs or debt incurred in the execution of this mandate.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 25. RESTATEMENTS FOR ERROR AND CHANGES IN ACCOUNTING POLICY (CONTINUED)

To more accurately reflect this liability, the basis for determining accruals and prepayments on the capital costs, has been revised. The impact of this revision, will result in a more accurate reflection of the net liability and the tariff receivable as disclosed in the Statement of Financial Position. Further, a prior year cost allocation correction was processed to more accurately reflect RSA's financial obligations in 2018.

2018	Previously disclosed R mil	Effect of restatement R mil	As restated R mil
<b>Statement of Financial Position</b>			
<b>Current Assets</b>			
Prepayments	76	(70)	145
<b>Current Liabilities</b>			
Trade and other payables	858	134	724
<b>Statement of Comprehensive Income</b>			
Construction Revenue	249	72	321
Construction Costs	(249)	(72)	(321)

### 26. 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 income agreements and explicit guarantess, that provide certainty that all costs incurred by TCTA will be fully funded either through the Department's recovery through the user tariff as the debt is repaid or through direct cost recovery payments from the Department's recovery payments from the Department of Water and Sanitation.

A qualified audit opinion is, unless it is waived, an event of default under some of TCTA's VRS loans. Should an event of default be invoked, and the affected lenders decline to waive an event of default, all affected financial obligations will be settled by government in terms of the government guarantee securing TCTA's obligations.

The guarantees have been provided by the Department of Water and Sanitation and are to ensure that all costs incurred will be repaid.

TCTA's obligations to the funders of:

- Berg Water Project (BWP),
- Vaal River Eastern Sub-system Augmentation Project (VRESAP),
- Mokolo-Crocodile River (West) Water Augmentation Project (MCWAP),
- Komati Water Supply Augmentation Project (KWSAP) and
- Mooi-Mgeni Transfer Scheme Phase 2 (MMTS-2),

are secured by undertakings by the Minister of Human Settlements, Water and Sanitation acting in concurrence with the Minister of Finance, to honour TCTA's obligations to its funders should TCTA fail to perform such obligations.

In respect of TCTA's obligations in relation to the Lesotho Highlands Water Project, the Notice of Establishment

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

provides, in clause 25(1)(d), that the funds of TCTA consists of money appropriated by Parliament if its other sources of funds (including proceeds of loans and income derived from the performance of its Treaty and Non-Treaty functions) are not sufficient to enable TCTA to fulfil all the Republic's financial obligations in terms of or resulting from the Treaty, including the raising of money and liability and financial risk management (as set out in clause 24(a) of the Notice of Establishment. This serves as a further guarantee of TCTA's solvency in relation to LHWP, in that TCTA may obtain an appropriation from Parliament to ensure that it performs all its functions related to LHWP.

The obligations of TCTA to its funders in relation to the Vaal River System (VRS) are guaranteed by government, as required by the Treaty on the Lesotho Highlands Water Project (LHWP). 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 2019.

Furthermore, no other 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.

### 27. EVENTS AFTER THE REPORTING PERIOD

The Minister of Human Settlements, Water and Sanitation appointed a new board for a three year term ending 30 April 2022:

- Chairperson: Mr. Gerald Dumas
- Deputy Chairperson: Ms. Maemilli Julia Ramataboe
- CEO: Mr. Percy Sechemane
- Mr. Simphiwe Khondlo Mr. Satish Roopa
- Mr. Norman Baloyi
- Ms. Mollale Mavis Maponya
- Mr. Greg White
- Ms. Lindelwa Dlamini

Further, Halima Nazeer, CFO since 2001, resigned effective from 1 July 2019. TCTA project management and implementation executive manager Johann Claassens has been appointed acting CFO.

### 28. 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 royalty payable is divided into three major parts.

The first part is for all amounts related to the cost savings on capital costs, being the costs relating to the infrastructure of the water transfer component of the project, linked to the Production Price Index (PPI) published periodically by Statistics South Africa. These amounts are referred to as fixed royalties since a fixed amount in real terms is paid out as royalties every month.

The second part is related to the cost savings on O&M costs and they are referred to as O&M variable royalties and the amounts depend on water actually delivered to RSA. O&M variable royalties are also indexed to the PPI.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 28. ROYALTIES PAID (CONTINUED)

The third part is for royalty amounts related to the pumping electricity cost savings and they are indexed to the ESKOM Electricity Supply Index (ESI). These amounts are also referred to as electricity variable royalties and they are also dependent on the water actually delivered to RSA.

The variable royalties are based on 778 million m<sup>3</sup> (2018: 811 million m<sup>3</sup>) 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 2019. The water volume delivered in this financial year is more than the agreed upon delivery of 780 million m<sup>3</sup>. In terms of the reaty, any differences will be adjusted in the following year.

Royalties paid	2019 R mil	2018 R mil
Fixed Royalties	270	256
Variable Royalties	648	658
<b>Royalties</b>	<b>918</b>	<b>914</b>

### 29. OTHER OPERATING EXPENSES

All construction costs including general administration costs that can be considered as construction overheads (specifically contracted to by DWS) are taken to surplus or deficit as part of project costs. Construction revenues will include this amount. (note 19)

After construction, all administration/overhead expenses are expensed as operating expenses in the statement of comprehensive income. The projects listed below are in the post construction phase, and operating expenses are recognised in the statement of comprehensive income; all other projects are still in the construction phase.

Other operating expenses include the following:

	Lease rentals on operating lease R mil	Auditors remuneration external auditors R mil	AMD operations and maintenance R mil	Other expenditure R mil	Total operating expenditure R mil
<b>2019</b>					
<b>Operating expenditure</b>					
VRS	9	7	228	15	259
BWP	-	-	-	2	2
VRESAP	-	-	-	2	2
MMTS-2	-	-	-	4	4
KWSAP	-	-	-	2	2
MCWAP-1	-	-	-	1	1
<b>Operating expenses recognised in surplus and deficit</b>	<b>9</b>	<b>7</b>	<b>228</b>	<b>26</b>	<b>270</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

	Lease rentals on operating lease R mil	Auditors remuneration external auditors R mil	AMD operations and maintenance R mil	Other expenditure R mil	Total operating expenditure R mil
<b>2018</b>					
VRS	8	6	273	173	460
BWP	-	-	-	2	2
VRESAP	-	-	-	3	3
MCWAP-1	-	-	-	2	2
MMTS-2	-	-	-	2	2
KWSAP	-	-	-	2	2
<b>Operating expenses recognised in surplus and deficit</b>	<b>8</b>	<b>6</b>	<b>273</b>	<b>184</b>	<b>471</b>

Other costs incurred are in relation to insurance, non-audit services, repairs and maintenance, stationery and printing, the operating and maintenance costs incurred in terms of Protocol VI. In the TCTA model, administration costs are determined by aggregating the expected time to be spent on each project to determine the overall ratio of allocating overhead and administrative costs amongst our projects. During construction this recovery is included in the construction costs. Post construction these costs are recognised as other operating expenditure.

### 29.1 Operating leases

#### 29.1.1 Leasing arrangements

The operating lease relates to a lease agreement for the office building that originally had a lease term of 55 months. The original lease payments escalated with 7.5% compounded with the first escalation that took effect on 1 January 2015. The lease subsequently expired on 31 December 2017 and an addendum was signed to extend the contract to a year-on-year agreement commencing on 1 January 2018 and expiring on 31 December 2018. Following the expiration of the lease during the year, the agreement was further extended for an additional 3 years effective 1 January 2019 with lease payments escalating by 7% per annum.

#### 29.1.2 Payments recognised as an expense

Operating lease payments	2019 R mil	2018 R mil
Minimum lease payments	9	8

### 29.2 Operation and maintenance costs in terms of Protocol VI

Included in VRS operating expenditure is the income and expenses relating to operations and maintenance for the works on South African soil. In terms of Protocol VI to the Treaty, signed on 4 June 1999, these amounts are

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 29. OTHER OPERATING EXPENSES (CONTINUED)

#### 29.2.1 VRS

Operating and maintenance	2019 R mil	2018 R mil
Revenue	1 220	1 057
Operating costs	(1 220)	(1 057)
<b>Net operating and maintenance costs</b>	<b>-</b>	<b>-</b>

#### 29.3 Breakdown of staff related costs disclosed separately as well as costs included in construction costs

During the construction phase, all staff related costs are included in the construction costs for each individual project. The costs related to each project is calculated based on an approved cost recovery model.

Previously all costs recovered have been included in the other operating expense line on the statement of comprehensive income and have not been netted against the related expense. Management is of the opinion that by separating the costs which have been allocated to the operating expenses of a project compared to where the costs are still included as construction costs (which is a different line in the statement of comprehensive income) information provided to the users of the annual financial statements would be improved.

Staff costs	2019			2018		
	Costs disclosed separately R mil	Staff related costs included as construction costs R mil	Total staff related expense R mil	Costs disclosed separately R mil	Staff related costs included as construction costs R mil	Total staff related expense R mil
VRS	125	32	157	68	47	115
BWP	4	-	4	4	-	4
VRESAP	5	-	5	6	-	6
MCWAP-1	6	-	6	6	-	6
MMTS-2	12	-	12	4	-	4
ORWRDP	-	3	3	-	18	18
KWSAP	5	-	5	4	-	4
MCWAP-2A	-	12	12	-	20	20
<b>Balance at end of year</b>	<b>157</b>	<b>47</b>	<b>204</b>	<b>92</b>	<b>85</b>	<b>177</b>

MCWAP, AMD and MMTS-2 received taking over certificates during the 2019 financial year. The staff costs have been split between construction costs and are disclosed separately upon receipt of the Taking Over Certificates.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
**FOR THE PERIOD ENDED 31 MARCH 2019**

**30. 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.

<b>Total costs</b>	<b>2019 R mil</b>	<b>2018 R mil</b>
VRS	(83)	(166)
Operating costs	(83)	(166)

## ANNEXURE A - SEGMENTAL STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2019

	Note(s)	TCTA-C R mil	VRS R mil	BWP R mil	VRESAP R mil	MCWAP-1 R mil	MMTS-2 R mil
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Cash receipts on tariff receivable		86	7 693	204	766	441	343
Cash paid to suppliers and employees		(103)	(2 870)	(104)	(79)	(48)	(47)
Cash used in project activities	A	(17)	4 824	100	687	393	296
Interest paid	C	-	(1 407)	(41)	(346)	(140)	(171)
<b>Net cash from operating activities</b>		<b>(17)</b>	<b>3 417</b>	<b>59</b>	<b>341</b>	<b>253</b>	<b>125</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchase of property, plant and equipment	8	-	(1)	-	-	-	-
Payments to acquire financial assets		-	(125)	-	-	-	-
Interest received	B	-	186	7	10	36	18
<b>Net cash from investing activities</b>		<b>-</b>	<b>60</b>	<b>7</b>	<b>10</b>	<b>36</b>	<b>18</b>



ANNEXURE A - SEGMENTAL STATEMENT OF CASH FLOWS  
**FOR THE PERIOD ENDED 31 MARCH 2019**

ORWRDP	KWSAP	MCWAP-2A	MMTS-1	UMGENI	MRWP	BRVAS	KRIEL	TOTAL
R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil
112	232	-	-	-	-	-	-	9 877
(52)	(34)	-	-	-	-	-	-	(3 336)
60	198	-	-	-	-	-	-	6 541
(2)	(98)	-	-	-	-	-	-	(2 205)
<b>58</b>	<b>100</b>	-	-	-	-	-	-	<b>4 336</b>
-	-	-	-	-	-	-	-	(1)
-	-	-	-	-	-	-	-	(125)
-	8	-	-	-	-	-	-	265
-	<b>8</b>	-	-	-	-	-	-	<b>139</b>

## ANNEXURE A - SEGMENTAL STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2019

	Note(s)	TCTA-C R mil	VRS R mil	BWP R mil	VRESAP R mil	MCWAP-1 R mil	MMTS-2 R mil
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
Proceeds from long-term borrowings		-	6 500	50	-	-	-
Repayments on long-term borrowings		-	(11 217)	(67)	(207)	(171)	(88)
Proceeds from short-term borrowings		-	-	-	124	-	106
Repayments on short-term borrowings		-	(77)	-	(126)	-	(75)
<b>Net cash from financing activities</b>		-	<b>(4 794)</b>	<b>(17)</b>	<b>(209)</b>	<b>(171)</b>	<b>(57)</b>
Total cash movement for the year		(17)	(1 317)	49	142	118	86
Cash and cash equivalents at the beginning of the year		31	2 910	72	82	474	209
<b>Total cash and cash equivalents at end of the year</b>	<b>18</b>	<b>14</b>	<b>1 593</b>	<b>121</b>	<b>224</b>	<b>592</b>	<b>295</b>

ANNEXURE A - SEGMENTAL STATEMENT OF CASH FLOWS  
**FOR THE PERIOD ENDED 31 MARCH 2019**

ORWRDP	KWSAP	MCWAP-2A	MMTS-1	UMGENI	MRWP	BRVAS	KRIEL	TOTAL
R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil
-	-	-	-	-	-	-	-	6 550
-	(28)	-	-	-	-	-	-	(11 778)
-	-	-	-	-	-	-	-	230
-	-	-	-	-	-	-	-	(278)
-	<b>(28)</b>	-	-	-	-	-	-	<b>(5 276)</b>
58	80	-	-	-	-	-	-	(801)
1	70	-	-	-	-	-	-	3 849
<b>59</b>	<b>150</b>	-	-	-	-	-	-	<b>3 048</b>

## ANNEXURE A - SEGMENTAL STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2019

	Note(s)	TCTA-C R mil	VRS R mil	BWP R mil	VRESAP R mil	MCWAP-1 R mil	MMTS-2 R mil
<b>A. CASH (USED IN)/GENERATED FROM PROJECT ACTIVITIES</b>							
Surplus for the year		-	254	(15)	(60)	30	(9)
<b>Adjustments for non cash flow items:</b>							
Depreciation on non-current assets		-	11	-	-	-	-
Net interest income/(expense)		-	1 862	45	358	104	152
Interest income on tariff receivable		-	(2 116)	(30)	(298)	(134)	(143)
Construction revenue		-	(598)	-	-	6	(2)
Other income		-	(1 426)	(5)	(8)	(7)	(18)
Non cash flow in operating expenses		-	(11)	-	-	-	-
<b>Changes in working capital:</b>							
Loans and other receivables		-	(86)	-	-	-	1
Prepayments		-	(97)	-	-	-	-
Payables and provisions (excluding interest payable)	(17)	(25)	(25)	4	12	64	11
Capitalised to/(removed from) tariff receivable		-	7 190	101	683	330	304
Non cash flow item in accounts receivable		-	(131)	-	-	-	-
Non cash flow item in accounts payable		-	(3)	-	-	-	-
		(17)	4 824	100	687	393	296

ANNEXURE A - SEGMENTAL STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 MARCH 2019

ORWRDP	KWSAP	MCWAP-2A	MMTS-1	UMGENI	MRWP	BRVAS	KRIEL	TOTAL
R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil
-	(2)	-	-	-	-	-	-	198
-	-	-	-	-	-	-	-	11
2	113	-	-	-	-	-	-	2 636
-	(111)	-	-	-	-	-	-	(2 832)
(60)	(1)	(16)	-	-	(7)	(7)	(1)	(686)
-	(7)	-	-	-	-	-	-	(1 471)
-	-	-	-	-	-	-	-	(11)
26	-	(9)	1	17	(7)	-	6	(51)
-	-	-	-	-	-	-	-	(97)
32	-	9	(1)	(17)	7	-	(6)	73
-	206	-	-	-	-	-	-	8 814
60	-	16	-	-	(7)	7	1	(40)
-	-	-	-	-	-	-	-	(3)
<b>60</b>	<b>198</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 541</b>

## ANNEXURE A - SEGMENTAL STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2019

	Note(s)	TCTA-C R mil	VRS R mil	BWP R mil	VRESAP R mil	MCWAP-1 R mil	MMTS-2 R mil
<b>B. INTEREST RECEIVED</b>							
Amount due at beginning of the year		-	18	-	-	-	-
Income during the year adjusted for non-cash items		-	172	7	10	36	18
Interest accrued		-	191	7	10	36	18
Bond premium amortised		-	(17)	-	-	-	-
Interest on RSA account		-	(2)	-	-	-	-
Amount due at the end of the year		-	(4)	-	-	-	-
Interest received		-	186	7	10	36	18
<b>C. INTEREST PAID</b>							
Amount not paid at beginning of the year		-	(366)	(1)	(37)	(13)	(25)
Expensed during the year adjusted for non-cash items		-	(1 383)	(52)	(345)	(140)	(170)
Amount expensed (excluding imputed interest)		-	(2 053)	(52)	(369)	(140)	(170)
Less: bond discount amortised		-	7	-	-	-	-
Deficit on switch auction		-	1	-	-	-	-
Capital adjustment to inflation-linked liability		-	641	-	15	-	-
Interest on compensation		-	25	-	-	-	-
Interest capitalised to the principal amount		-	-	-	9	-	-
Accrued interest on switched bonds		-	(4)	-	-	-	-
Amount not paid at the end of the year		-	342	12	36	13	24
Interest paid		-	(1 407)	(41)	(346)	(140)	(171)

ANNEXURE A - SEGMENTAL STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 MARCH 2019

ORWRDP	KWSAP	MCWAP-2A	MMTS-1	UMGENI	MRWP	BRVAS	KRIEL	TOTAL
R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil
-	-	-	-	-	-	-	-	18
-	8	-	-	-	-	-	-	251
-	8	-	-	-	-	-	-	270
-	-	-	-	-	-	-	-	(17)
-	-	-	-	-	-	-	-	(2)
-	-	-	-	-	-	-	-	(4)
-	8	-	-	-	-	-	-	265
-	(1)	-	-	-	-	-	-	(443)
(2)	(99)	-	-	-	-	-	-	(2 191)
(2)	(120)	-	-	-	-	-	-	(2 906)
-	-	-	-	-	-	-	-	7
-	-	-	-	-	-	-	-	1
-	-	-	-	-	-	-	-	656
-	-	-	-	-	-	-	-	25
-	21	-	-	-	-	-	-	30
-	-	-	-	-	-	-	-	(4)
-	2	-	-	-	-	-	-	429
(2)	(98)	-	-	-	-	-	-	(2 205)

## ANNEXURE A - SEGMENTAL STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2019

	Note(s)	TCTA-C R mil	VRS R mil	BWP R mil	VRESAP R mil	MCWAP-1 R mil	MMTS-2 R mil
<b>D. RECONCILIATION OF FINANCIAL MARKET LIABILITIES TO FINANCING ACTIVITIES AS AT 31 MARCH</b>							
Liabilities at beginning of year		-	18 133	592	3 805	1 540	1 817
Long-term borrowings		-	9 672	515	3 286	1 497	1 450
Short-term borrowings		-	8 461	77	519	43	367
Cash flow from financing activities		-	(4 794)	(17)	(209)	(170)	(57)
Non cash flow items		-	635	-	25	-	-
- Capitalised interest		-	-	-	9	-	-
- Capital adjustment to inflation-linked liability		-	645	-	16	-	-
- Bond discount / premium		-	(10)	-	-	-	-
Liabilities as at end of year		-	13 231	575	3 621	1 370	1 760
Long-term borrowings		-	13 231	438	3 092	1 327	1 362
Short-term borrowings		-	743	137	529	43	398



ANNEXURE A - SEGMENTAL STATEMENT OF CASH FLOWS  
**FOR THE PERIOD ENDED 31 MARCH 2019**

ORWRDP	KWSAP	MCWAP-2A	MMTS-1	UMGENI	MRWP	BRVAS	KRIEL	TOTAL
R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil
-	1 262	-	-	-	-	-	-	27 149
-	1 234	-	-	-	-	-	-	17 654
-	28	-	-	-	-	-	-	9 495
-	(28)	-	-	-	-	-	-	(5 276)
-	21	-	-	-	-	-	-	680
-	21	-	-	-	-	-	-	30
-	-	-	-	-	-	-	-	660
-	-	-	-	-	-	-	-	(10)
-	1 255	-	-	-	-	-	-	22 554
-	1 223	-	-	-	-	-	-	20 672
-	32	-	-	-	-	-	-	1 882

## ANNEXURE A - SEGMENTAL STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2019

	Note(s)	Restated * TCTA-C R mil	Restated * VRS R mil	Restated * BWP R mil	Restated * VRESAP R mil	Restated * MCWAP-1 R mil	Restated * MMTS-2 R mil
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Cash receipts on tariff receivable		31	4 819	247	432	300	203
Cash paid to suppliers and employees		-	(2 526)	(76)	(73)	(122)	(29)
Cash (used in)/generated from project activities	A	31	2 293	171	360	178	175
Interest paid	C	-	(1 420)	(58)	(356)	(148)	(183)
<b>Net cash from operating activities</b>		<b>31</b>	<b>873</b>	<b>113</b>	<b>4</b>	<b>30</b>	<b>(8)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchase of property, plant and equipment	7	-	(1)	-	-	-	-
Sale of property, plant and equipment	7	-	1	-	-	-	-
Purchase of other intangible assets	8	-	(4)	-	-	-	-
Payments to acquire financial assets		-	-	-	-	-	-
Proceeds on the sale of financial assets		-	2 586	-	-	-	48
Purchase of amd receivable		-	-	-	-	-	-
Interest received	B	-	282	6	10	30	23
<b>Net cash from investing activities</b>		<b>-</b>	<b>2 864</b>	<b>6</b>	<b>10</b>	<b>30</b>	<b>71</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
Repayments on long-term borrowings		-	(2 248)	(127)	(185)	(33)	(88)
Proceeds from short-term borrowings		-	1	-	203	-	39
Repayments on short-term borrowings		-	(105)	-	(10)	-	(68)
<b>Net cash from financing activities</b>		<b>-</b>	<b>(2 352)</b>	<b>(127)</b>	<b>8</b>	<b>(33)</b>	<b>(117)</b>

\* See Note 4 &amp; 25

## ANNEXURE A - SEGMENTAL STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2019

Restated *	Restated *	Restated *	Restated *	Restated *	Restated *	Restated *	Restated *	Restated *
ORWRDP	KWSAP	MCWAP-2A	MMTS-1	UMGENI	MRWP	BRVAS	KRIEL	TOTAL
R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil
49	114	22	-	-	-	-	-	6 218
(77)	(30)	(22)	-	-	-	-	-	-2 956
(28)	84	-	-	-	-	-	-	3 263
(1)	(38)	-	-	-	-	-	-	-2 202
<b>(29)</b>	<b>46</b>	-	-	-	-	-	-	<b>1 061</b>
-	-	-	-	-	-	-	-	-1
-	-	-	-	-	-	-	-	1
-	-	-	-	-	-	-	-	-4
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	2 634
-	-	-	-	-	-	-	-	-
-	13	-	-	-	-	-	-	364
-	<b>13</b>	-	-	-	-	-	-	<b>2 994</b>
-	(143)	-	-	-	-	-	-	(2 826)
-	-	-	-	-	-	-	-	244
-	-	-	-	-	-	-	-	(183)
-	<b>(143)</b>	-	-	-	-	-	-	<b>(2 765)</b>

## ANNEXURE A - SEGMENTAL STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2019

	Note(s)	Restated *	Restated *	Restated *	Restated *	Restated *	Restated *
		TCTA-C	VRS	BWP	VRESAP	MCWAP-1	MMTS-2
		R mil	R mil	R mil	R mil	R mil	R mil
<b>Total cash movement for the year</b>		<b>31</b>	<b>(1 385)</b>	<b>(8)</b>	<b>22</b>	<b>27</b>	<b>(54)</b>
Cash and cash equivalents at the beginning of the year		-	1 525	80	60	447	263
<b>Total cash and cash equivalents at end of the year</b>		<b>31</b>	<b>2 910</b>	<b>72</b>	<b>82</b>	<b>474</b>	<b>209</b>
<b>A. CASH (USED IN)/GENERATED FROM PROJECT ACTIVITIES</b>							
Loss for the year		-	(594)	(17)	(68)	14	(14)
<b>Adjustments for non cash flow items:</b>							
Depreciation on non-current assets		-	10	-	-	-	-
Net interest income/(expense)		-	2 200	51	367	118	161
Interest income and imputed interest on tariff receivable		-	(1 387)	(34)	(299)	(132)	(147)
Construction revenue		-	(321)	-	-	(45)	(3)
Other income		-	(1 655)	(6)	(9)	(8)	(12)
Non cash flow in operating expenses		-	(290)	-	-	-	-
<b>Changes in working capital:</b>							
Loans and other receivables		-	(32)	-	-	-	11
Prepayments		-	(70)	-	-	-	-
Payables and provisions (excluding interest payable)		31	96	1	(9)	(33)	2
Capitalised to/(removed from) tariff receivable		-	4 103	176	378	264	177
Non cash flow item in accounts receivable		-	230	-	-	-	-
Non cash flow item in accounts payable		-	3	-	-	-	-
		<b>31</b>	<b>2 293</b>	<b>171</b>	<b>360</b>	<b>178</b>	<b>175</b>

\* See Note 4 &amp; 25

ANNEXURE A - SEGMENTAL STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 MARCH 2019

Restated *	Restated *	Restated *	Restated *	Restated *	Restated *	Restated *	Restated *	Restated *
ORWRDP	KWSAP	MCWAP-2A	MMTS-1	UMGENI	MRWP	BRVAS	KRIEL	TOTAL
R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil
(29)	(84)	-	-	-	-	-	-	1 289
30	154	-	-	-	-	-	-	2 559
<b>1</b>	<b>70</b>	-	-	-	-	-	-	<b>3 848</b>
-	4	-	-	-	-	-	-	(675)
-	-	-	-	-	-	-	-	10
1	115	-	-	-	-	-	-	3 013
-	(119)	-	-	-	-	-	-	(2 118)
-	-	-	-	-	-	-	-	(542)
(134)	-	(29)	(1)	(1)	-	(8)	-	(1 696)
-	(6)	-	-	-	-	-	-	(290)
-	-	-	-	-	-	-	-	-
(26)	-	-	(1)	(1)	(17)	7	-	(59)
74	-	-	-	-	-	-	-	4
(77)	(9)	-	1	1	17	(7)	-	14
-	99	-	-	-	-	-	-	5 197
134	-	29	1	1	-	8	-	403
-	-	-	-	-	-	-	-	3
<b>(28)</b>	<b>84</b>	-	-	-	-	-	-	<b>3 263</b>

## ANNEXURE A - SEGMENTAL STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2019

	Note(s)	Restated *	Restated *	Restated *	Restated *	Restated *	Restated *
		TCTA-C	VRS	BWP	VRESAP	MCWAP-1	MMTS-2
		R mil	R mil	R mil	R mil	R mil	R mil
<b>B. INTEREST RECEIVED</b>							
Amount due at beginning of the year		-	62	-	-	-	3
Income during the year adjusted for non-cash items		-	238	6	10	30	20
Interest accrued		-	292	6	10	30	20
Bond premium amortised		-	(52)	-	-	-	-
Interest on RSA account		-	(2)	-	-	-	-
Amount due at the end of the year		-	(18)	-	-	-	(1)
<b>Interest received</b>		-	<b>282</b>	<b>6</b>	<b>10</b>	<b>30</b>	<b>22</b>
<b>C. INTEREST PAID</b>							
Amount not paid at beginning of the year		-	(431)	(2)	(39)	(13)	(27)
Expensed during the year adjusted for non-cash items		-	(1 354)	(57)	(354)	(148)	(181)
Amount expensed (excluding imputed interest)		-	(2 492)	(57)	(377)	(148)	(181)
Less: bond discount amortised		-	6	-	-	-	-
Capital adjustment to inflation-linked liability		-	1 104	-	-	-	-
Interest on compensation		-	28	-	-	-	-
Interest capitalised to the principal amount		-	-	-	23	-	-
Amount not paid at the end of the year		-	366	1	37	13	25
<b>Interest paid</b>		-	<b>(1 419)</b>	<b>(58)</b>	<b>(356)</b>	<b>(148)</b>	<b>(183)</b>

\* See Note 4 &amp; 25

ANNEXURE A - SEGMENTAL STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 MARCH 2019

Restated *	Restated *	Restated *	Restated *	Restated *	Restated *	Restated *	Restated *	Restated *
ORWRDP	KWSAP	MCWAP-2A	MMTS-1	UMGENI	MRWP	BRVAS	KRIEL	TOTAL
R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil
-	-	-	-	-	-	-	-	65
-	13	-	-	-	-	-	-	317
-	13	-	-	-	-	-	-	371
-	-	-	-	-	-	-	-	(52)
-	-	-	-	-	-	-	-	(2)
-	-	-	-	-	-	-	-	(18)
-	13	-	-	-	-	-	-	364
-	(2)	-	-	-	-	-	-	(514)
(1)	(36)	-	-	-	-	-	-	(2 131)
(1)	(128)	-	-	-	-	-	-	(3 384)
-	-	-	-	-	-	-	-	6
-	-	-	-	-	-	-	-	1104
-	-	-	-	-	-	-	-	28
-	92	-	-	-	-	-	-	115
-	1	-	-	-	-	-	-	443
(1)	(37)	-	-	-	-	-	-	(2 202)

## ANNEXURE A - SEGMENTAL STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2019

	Restated *	Restated *	Restated *	Restated *	Restated *	Restated *
Note(s)	TCTA-C	VRS	BWP	VRESAP	MCWAP-1	MMTS-2
	R mil	R mil	R mil	R mil	R mil	R mil
<b>D. RECONCILIATION OF FINANCIAL MARKET LIABILITIES TO FINANCING ACTIVITIES AS AT 31 MARCH</b>						
Liabilities at beginning of year	-	19 427	720	3 774	1 573	1 934
Long-term borrowings	-	17 074	653	3 409	1 540	1 538
Short-term borrowings	-	2 353	67	365	33	396
Cash flow from financing activities	-	(2 352)	(127)	8	(33)	(117)
Non cash flow items	-	1 058	-	23	-	-
- Capitalised interest -	-	-	-	23	-	-
Capital adjustment to inflation-linked liability	-	1 104	-	-	-	-
- Bond discount / premium	-	(46)	-	-	-	-
Liabilities as at end of year	-	18 133	592	3 805	1 540	1 817
Long-term borrowings	-	9 672	515	3 286	1 497	1 450
Short-term borrowings	-	8 461	77	519	43	367

\* See Note 4 &amp; 25



ANNEXURE A - SEGMENTAL STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 MARCH 2019

Restated *	Restated *	Restated *	Restated *	Restated *	Restated *	Restated *	Restated *	Restated *
ORWRDP	KWSAP	MCWAP-2A	MMTS-1	UMGENI	MRWP	BRVAS	KRIEL	TOTAL
R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil
-	1 313	-	-	-	-	-	-	28 741
-	1 290	-	-	-	-	-	-	25 504
-	23	-	-	-	-	-	-	3 237
-	(143)	-	-	-	-	-	-	(2 765)
-	92	-	-	-	-	-	-	1 173
-	92	-	-	-	-	-	-	115
-	-	-	-	-	-	-	-	1 104
-	-	-	-	-	-	-	-	(46)
-	1 262	-	-	-	-	-	-	27 149
-	1 234	-	-	-	-	-	-	17 654
-	28	-	-	-	-	-	-	9 495

*“WATER RUNS THROUGH  
OUR EVERY ASPIRATION AS  
A SOCIETY.”*

*- KADER ASMAL*



# PART H: GLOBAL REPORTING INITIATIVE CONTENT INDEX



Ref No.	Description	Compliant	Comment
1.	Strategy and analysis		
1.1	Statement from the most senior decision-makers of the organisation	Fully	Refer to pages 6 and 12.
1.2	Description of key impacts, risks and opportunities	Fully	Refer to page 70.
2.	Organisational profile		
2.1	Name of the organisation	Fully	Trans-Caledon Tunnel Authority.
2.2	Primary brands, products and/or services	Fully	Refer to page 22.
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures	Fully	Refer to page 23.
2.4	Location of organisation's headquarters	Fully	TCTA operates from its offices in Centurion, Gauteng, South Africa.
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	Fully	TCTA is only active in South Africa. On Phase 2 of the Lesotho Highlands Water Project, it raises the money in South Africa for the water transfer component and pays it over to the Lesotho Highlands Development Authority for the implementation.
2.6	Nature of ownership and legal form	Fully	Refer to page 21.
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 Section B: Performance Information
2.9	Significant changes during the reporting period regarding size, structure or ownership	Fully	None
2.10	Awards received in the reporting period	Fully	None
3.	Report parameters		
3.1	Reporting period (e.g. fiscal or calendar year) for information provided	Fully	This report relates to the financial year from 1 April 2017 to 31 March 2018.
3.2	Date of most recent previous report (if any)	Fully	31 March 2017
3.3	Reporting cycle (annual, biennial, etc.)	Fully	Annual
3.4	Contact point for questions regarding the report or its contents	Fully	Feedback on the report is welcome. The Chief Executive Officer may be contacted in this regard.
3.5	Process for defining report content	Fully	Refer to page 9: About the Integrated Annual Report.
3.6	Boundary of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	Fully	The report covers the activities of TCTA with regard to the mandate and the directives received from the Minister and associated activities.

3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope)	Fully	There were no specific limitations on the scope or boundary of the report.
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations	Fully	None
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the Global Reporting Initiative Indicator Protocols	Fully	Refer to page 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 predetermined objectives and the Annual Financial Statements are assured in line with the requirements of the Auditor-General.
4.	Governance, commitments and engagement		
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight	Fully	Refer to Section E: Governance.
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Fully	The Chairman of the TCTA Board is an independent non-executive director.
4.3	For organisations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members	Fully	Refer to pages 64 to 66.
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Fully	In line with Treasury Regulations shareholder input is received through the Shareholder Compact.
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance)	None	

4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Fully	Refer to page 58.
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 64 to 66 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.
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.
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	None	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	None	
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses	Fully	In the implementation of its projects TCTA subscribes to the principles contained in the Construction Sector Charter.
4.13	Memberships in associations	Fully	Institute of Internal Auditors, South African National Committee on Large Dams, World Economic Forum, Water Institute of Southern Africa, Association of Corporate Treasurers of Southern Africa and Corporate Executive Board.
4.14	List of stakeholder groups engaged by the organisation	Fully	Refer to page 19.
4.15	Basis for identification and selection of stakeholders with whom to engage	Fully	TCTA implements projects on behalf of the Department of Water and Sanitation. Engagement with off-takers is through the Department's structures.
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Fully	Refer to page 19.
4.17	Key topics and concerns that have been raised through stakeholder engagement	Fully	Refer to page 46.

DMA EC	Disclosure on management approach: Economic		
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Aspects	Economic performance	None	
	Market presence	Fully	Refer to pages 12.

	Indirect economic impacts	Fully	Refer to page 18. TCTA delivers in support of the Government Outcomes
DMA EN	Disclosure on management approach: Environmental		
Aspects	Materials	Partially	In line with other major organisations, TCTA does not report on the materials consumed in capital projects. Printed copies consumed in the head office is reported on page 42
	Energy	Partially	In line with other major organisations, TCTA does not report on the energy consumed in capital projects. Printed copies consumed in the head office is reported on page 42
	Water	Partially	In line with other major organisations, TCTA does not report on the water consumed in capital projects. Printed copies consumed in the head office is reported on page 42
	Biodiversity	Fully	Refer to page 42.
	Emissions, effluents and waste	Fully	None. In line with other major organisations, TCTA does not report on the emissions, effluents and waste produced in capital projects.
	Products and services	Fully	Refer to page 122.
	Compliance	Partially	Refer to page 47 for Health and Safety on site and page 42 for compliance against the Environmental Management Plan.
	Transport	Fully	None. In line with other major organisations, TCTA does not report on the transport requirement in capital projects.
	Overall	Partially	Each element reported separately
DMA LA	Disclosure on management approach: Labour		
Aspects	Employment	Fully	Refer to pages 48 and 49.
	Labour/management relations	Fully	Refer to page 51.
	Occupational health and safety	Partially	Refer to page 47 (for project sites).
	Training and education	Fully	Refer to page 52.
	Diversity and equal opportunity	Fully	Refer to pages 50 and 51.
	Equal remuneration for women and men	None	
DMA HR	Disclosure on management approach: Human Resources		
Aspects	Investment and procurement practices	Fully	Refer to page Note 24 in AFS for compliance.
	Non-discrimination	Fully	Refer to Employment Equity as reflected on pages 50 and 51.
	Freedom of association and collective bargaining	None	
	Child labour	Fully	All project sites comply with South African legislation

	Prevention of forced and compulsory labour	Fully	All project sites comply with South African legislation.
	Security practices	Fully	All project sites comply with South African legislation.
	Indigenous rights	Fully	TCTA complies with South African legislation in terms of employment equity.
	Assessment	Fully	Not required.
	Remediation	Fully	Not required.
DMA SO	Disclosure on management approach: Social		
Aspects	Local communities	Fully	Refer to page 45.
	Corruption	Partially	Refer to Note 24 in AFS
	Public policy	None	
	Anti-competitive behaviour	Fully	Not applicable
Compliance		Fully	TCTA seeks to create sustainable value for the Shareholder and establish itself as a leader in water infrastructure development. TCTA is committed to responsible business conduct and best practice. An ethical governance framework and a commitment to legal compliance guide all its organisational activities. TCTA upholds the principles expressed in the King IV Code that good governance combines both regulatory requirements and voluntary standards of excellence.
DMA PR	Disclosure on management approach: Product responsibility		
Aspects	Customer health and safety	Fully	Not applicable
	Product and service labelling	Fully	Not applicable
	Marketing communications	Fully	Not applicable
	Customer privacy	Fully	Not applicable
	Compliance	Fully	Not applicable
Performance indicators			
Economic			
EC1	Direct economic value generated and distributed	Fully	Not applicable. TCTA is a non-profit organisation and does not create a surplus or loss. Refer to page 21.
EC3	Coverage of the organisation's defined benefit plan obligations	Fully	Not applicable.
Market presence			
EC6	Policy, practices and proportion of spending on locally based suppliers at significant locations of operation	Partially	TCTA subscribes to the Construction Sector Charter, which stipulates employment, preferential procurement and enterprise development targets for local development on each project site.



EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	Fully	TCTA is based in South Africa only and all staff are hired locally.
Indirect economic impacts			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Fully	Refer to page 18.
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Fully	Refer to page 18.
Environmental			
Materials			
EN1	Materials used by weight or volume	None	None. In line with other major organisations, TCTA does not report on the materials consumed in capital projects.
EN3	Percentage of materials used that are recycled input materials	None	None. In line with other major organisations, TCTA does not report on recycled materials consumed in capital projects.
Energy			
EN3	Direct energy consumption by primary energy source	None	None. In line with other major organisations, TCTA does not report on direct energy consumption by primary energy source in capital projects.
EN4	Indirect energy consumption by primary source	None	None. In line with other major organisations, TCTA does not report on indirect energy consumption by primary energy source in capital projects.
EN5	Energy saved due to conservation and efficiency improvements	None	
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives	None	On once-off capital projects, each of which is unique in nature and of limited lifespan, it is difficult to institute programmes which record reduction in consumption of energy.
EN7	Initiatives to reduce indirect energy consumption and reductions achieved (internal)	Fully	On once-off capital projects, each of which is unique in nature and of limited lifespan, it is difficult to institute programmes which record reduction in consumption of energy.
Water			
EN8	Total water withdrawal by source	None	Each project withdraws from the adjacent source and the head office draws water from the Vaal River System through Rand Water and Tshwane Metropolitan Municipality.
Biodiversity			

EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Fully	Refer to Section C: Mitigation of Environmental Impacts on page 42.
EN13	Habitats protected or restored	Fully	Refer to Section C: Mitigation of Environmental Impacts on page 42.
EN14	Strategies, current actions and future plans for managing impacts on biodiversity	Fully	Refer to Section C: Mitigation of Environmental Impacts on page 42.
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 44.
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 non-compliance with environmental laws and regulations	Fully	No significant non-compliance with environmental laws and regulations was identified.
Transport			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce	Fully	None. In line with other major organisations, TCTA does not report on significant environmental impacts of transporting products and other goods and materials used for the organisation's capital projects.
Social: Labour practices and decent work			
Employment			
LA1	Total workforce by employment type, employment contract and region, broken down by gender	Fully	Refer to page 50.
LA2	Total number and rate of new employee hires and employee turnover by age group, gender and region	Fully	Refer to page 50.

Labour/management relations			
LA4	Percentage of employees covered by collective bargaining agreements	None	
Occupational health and safety			
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	None	
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region and by gender	None	
Training and education			
LA10	Average hours of training per year per employee by gender and by employee category	Partially	Refer to page 52.
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	None	
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 64 to 66.
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 communities			
SO1	Percentage of operations with implemented local community engagement, impact assessments and development programmes	Partially	Refer to Section C: Mitigation of Social Impact, page 45.
Public policy			
SO5	Public policy positions and participation in public policy development and lobbying	Fully	As a government institution, TCTA does not take any policy positions but works with Government in the development of policy to ensure a financially sustainable water sector.
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	Fully	None
Anti-competitive behaviour			

SO7	The 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 non-compliance 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 non-compliance with laws and regulations concerning the provision and use of products and services	Fully	Not applicable

## LIST OF ABBREVIATIONS/ACRONYMS

<b>ACEO</b>	Acting Chief Executive Officer	<b>ISDA</b>	International Swap and Derivatives Association
<b>AMD</b>	Acid Mine Drainage	<b>ISMA</b>	International Securities Market Association
<b>AMD-STI</b>	Acid Mine Drainage - Short-term Intervention	<b>JSE</b>	Johannesburg Stock Exchange
<b>AMD-LTS</b>	Acid Mine Drainage - Long-term Solution	<b>KWSAP</b>	Komati Water Scheme Augmentation Project
<b>ASB</b>	Accounting Standards Board	<b>LHDA</b>	Lesotho Highlands Development Authority
<b>BER</b>	Bureau for Economic Research	<b>LHWC</b>	Lesotho Highlands Water Commission
<b>BPS</b>	Basis Point	<b>LHWP</b>	Lesotho Highlands Water Project
<b>BWP</b>	Berg Water Project	<b>MCWAP</b>	Mokolo-Crocodile River (West) Water Augmentation Project
<b>CCMA</b>	Commission for Conciliation, Mediation and Arbitration	<b>MMTS</b>	Mooi-Mgeni Transfer Scheme
<b>CGU</b>	Cash Generating Units	<b>MOA</b>	Memorandum of Agreement
<b>CEO</b>	Chief Executive Officer	<b>MRWP</b>	uMzumvubu River Water Project
<b>CODM</b>	Chief Operating Decision Maker	<b>O&amp;M</b>	Operations and maintenance
<b>CPI</b>	Consumer price index	<b>ORWRDP</b>	Olifants River Water Resource Development Project
<b>CPP</b>	Commercial Paper Programme	<b>OVTs</b>	Orange-Vaal Transfer Scheme
<b>DBSA</b>	Development Bank of Southern Africa	<b>PFMA</b>	Public Finance Management Act
<b>DEA</b>	Department of Environmental Affairs	<b>PPI</b>	Producer Price Index
<b>DFI</b>	Development Finance Institutions	<b>PSP</b>	Professional Service Provider
<b>DWS</b>	Department of Water and Sanitation	<b>RSA</b>	Republic of South Africa
<b>EA</b>	Environmental Authorisation	<b>SARS</b>	South African Revenue Service
<b>ECL</b>	Environmental Critical Level	<b>SCM</b>	Supply Chain Management
<b>ECO</b>	Environmental Control Officer	<b>SDL</b>	Skills Development Levy
<b>EMPr</b>	Environmental management programme	<b>SIP</b>	Strategic Integrated Project
<b>EUR</b>	Euro	<b>TCTA</b>	Trans-Caledon Tunnel Authority
<b>EXCO</b>	Executive Committee	<b>UIF</b>	Unemployment Insurance Fund
<b>FEC</b>	Forward exchange contracts	<b>VAT</b>	Value Added Tax
<b>FVTOCI</b>	Fair value through other comprehensive income	<b>VRESAP</b>	Vaal River Eastern Subsystem Augmentation Project
<b>IAS</b>	International Accounting Standards	<b>VRS</b>	Vaal River System
<b>ICT</b>	Information, Communication and Technology	<b>WACC</b>	Weighted Average Cost of Capital
<b>IASB</b>	International Accounting Standards Board	<b>WS03</b>	Water stock number 3
<b>IFRS</b>	International Financial Reporting Standards	<b>WS05</b>	Water stock number 5
		<b>ZAR</b>	South African Rand

Registered Name of the Public Entity:	Trans-Caledon Tunnel Authority
Registered Office Address:	Stinkhout Wing, Tuinhof Building, 265 West Avenue, CENTURION
Postal Address:	PO Box 10335, CENTURION 0046
Contact Telephone Number:	012 683 1200
Email Address:	info@tcta.co.za
Website Address:	www.tcta.co.za
External Auditor's Information:	Auditor-General of South Africa 300 Middel St, Nieuw Muckleneuk, Pretoria, 0001
Banker's Information:	Standard Bank of South Africa Ltd 12 Church Square, PRETORIA, 0002
Company Secretary:	Wilma de Witt
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