

INTEGRATED ANNUAL REPORT 2019 | 2020



Vaalharts Irrigation Scheme



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.

NORTH WEST
NORTHERN CAPE



"It has been highlighted that South Africa's future water resource needs cannot be met simply by building new water schemes, heavily subsidised by the state, as they were in the past."

1997 White Paper on a National Water Policy for South Africa

**VAALHARTS
IRRIGATION
SCHEME**

**NORTHERN
CAPE
NORTH
WEST**



ACHIEVING FINANCIAL SUSTAINABILITY IN THE WATER SECTOR

The South African Constitution gives everyone a right of access to sufficient water and to an environment that is not harmful to their health or well-being. It is very clear from the statistics that 26 years after democracy, this is not being achieved.

The 1997 White Paper on a National Water Policy stated that a fresh approach was needed to meet the needs and desires of all the people of the country. The change would not just need to be at water resource management level, but along the entire value chain. Water is a single integrated value chain, and any negative impact in one part affects the other parts.

The 1956 Water Act, although holistic, focused on:

- major government irrigation schemes,
- mining, power generation, railways, and
- major urban centres.

These water users had their water security enhanced by National Government, particularly with domestic and industrial consumers able to draw from several catchments/rainfall areas. Further, they could benefit from economies of scale, whereas the rural towns and areas with dispersed populations continued to rely on local water resources, reducing their resilience in times of drought. Yet the same infrastructure that gave the urban centres and irrigation schemes this resilience and economies of scale, took water from and passed through the rural areas. A good example of this is the Vaalharts Irrigation Scheme, where the surrounding rural villages were placed in the Bophuthatswana homeland. These

villages relied on the limited available groundwater, instead of being able to share in the yield of the Vaal River System.

Prior to 1994, municipalities were not wall to wall and only focused on the towns. Even during this period, many of the smaller municipalities struggled to provide services. They depended on high levels of grant funding from the provincial administrations or homeland authorities for augmentation schemes and their operation and maintenance.

With the delimitation of the new municipalities under the Local Government Transition Act of 1993 and the proclamation of the Interim Constitution in the same year, municipalities were given the responsibility of providing water and sanitation services to their residents. While this did not change what was happening in the metropolitan areas, it represented a fundamentally different approach in the rural areas. In the Johannesburg area, the amalgamation of the different municipalities did not change the arrangement of water supply from Rand Water and treatment of sewerage at large central works often run by a strong municipality. For example, the City of Johannesburg ran the Northern Wastewater Treatment Works. However, in rural areas the amalgamation resulted in incorporation of areas under tribal authorities and farmlands, which previously were not in a municipality. In some areas, such as Msinga in Kwazulu-Natal, this meant creating a municipality from scratch.



TCTA's Mission

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.

14.1 million
people do not have access to safe sanitation.

56%
of wastewater treatment works and 44% of water treatment works are in a poor or critical condition, causing health risks.

5.3 million
households do not have access to safe and reliable drinking water.

Municipalities are losing about
1.6 billion m³
per year through Non-Revenue Water. At a unit cost of R6m³, this amounts to
R9.9 billion
each year

Thus, in rural areas, the resources in the small towns were suddenly expected to service a very much larger population, often with the same resources, and a centralised approach applicable in the metropolitan areas. Legislation such as the Municipal Finance Management Act was promulgated to this effect. It did not allow for community-based approaches such as those pioneered by the Mvula Trust.

Essentially, South Africa has continued with the same institutional arrangements as in the pre-1994 era, even though the 1997 White Paper recognised that this approach would not be sustainable. The Vaalharts Irrigation Scheme illustrates this. It is one continuous scheme from the Vaalharts Weir along the main canal to the water treatment works at Pudimoe, where water is then pumped to Naledi Local Municipality. However, the responsibilities for ensuring that domestic, commercial and agriculture users have access to a reliable supply of water is split among several entities. These comprise four local and two district municipalities, two provinces, the Vaalharts Water User Association, and the Department of Water and Sanitation (DWS). The arrangement that differs little in substance from the one in pre-1994 period.

In many countries around the world, the ability of individual municipalities to maintain systems and afford upgrades as new regulations are introduced has been found wanting. Some examples are lead poisoning in the city of Flint, Michigan, United States of America, and the contamination of boreholes in Havelock North, New Zealand. Further, the same situation existed in virtually every single coastal community in the United Kingdom, which failed to meet the European bathing water directive when it was introduced. The response has often been to merge water supply and sanitation services into larger utilities to allow economies of scale and cross-subsidisation from the large urban areas to smaller communities, and to strengthen regulation.

In South Africa, the experience of Umgeni Water, where an almost uniform tariff is charged across the area of supply, indicates what can be done. However, given the vast disparities in South Africa and the concentration of wealth in the metropolitan areas, the country needs to develop fit-for-purpose institutional arrangements. These must cater for the needs of the business sector in Sandton and rural households in Amathole District Municipality. Also, regulation has been strengthened to ensure performance by monopolistic suppliers.

WATER SECURITY



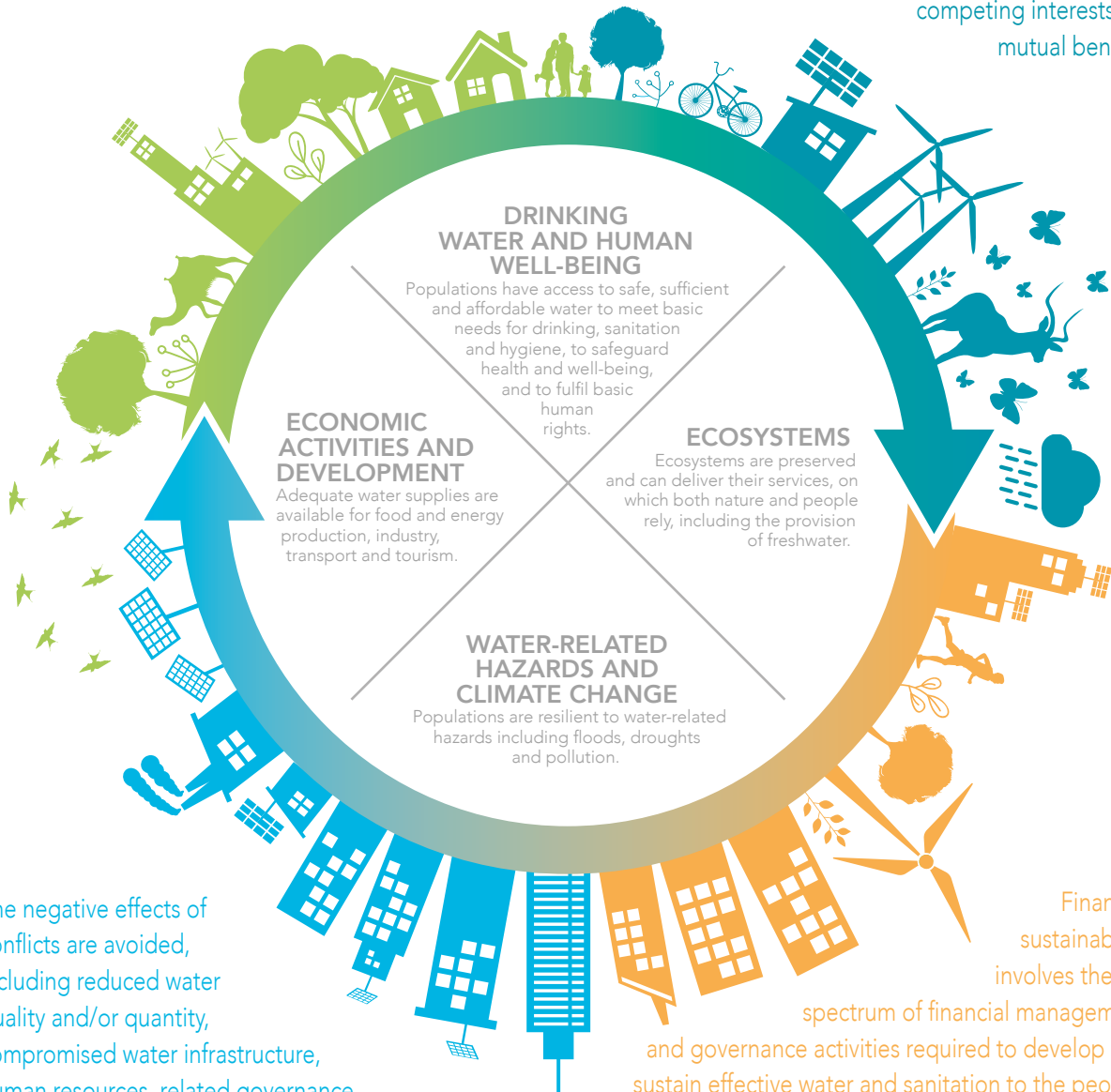
GOOD GOVERNANCE

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



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STATEMENT BY THE MINISTER OF HUMAN SETTLEMENTS, WATER AND SANITATION

L N Sisulu, MP

Minister of Human Settlements, Water and Sanitation

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

On the 28 November 2019, I launched the National Water and Sanitation Master Plan, to guide investment in the water sector and facilitate development planning for water resources and the delivery of water and sanitation services to 2030 and beyond.

The Master Plan calls for a substantial investment in the water and sanitation sector, which given the constrained fiscal circumstances will need to have a substantial portion of this funded via borrowings. Any such borrowings will need to be repaid via the tariffs and a prerequisite for this is a financially sustainable water sector.

For 34 years the Trans-Caledon Tunnel Authority has played an invaluable role as an implementing agent to the Department of Water and Sanitation in raising off-budget finance for national water resource infrastructure projects, and where required, implementing some of the major water resource infrastructure projects in South Africa.

Currently, I have given directives to the Trans-Caledon Tunnel Authority to fund and implement Phase 2 of the Mokolo-Crocodile River Augmentation Project, the uMkhomazi Water Project and the Berg River-Voelvlei Augmentation Scheme. In addition, TCTA has been mandated to raise the funds for the implementation

of Phase 2 of the Lesotho Highlands Water Project. In total, TCTA will need to raise approximately R60 billion. Although this might seem a large amount of money, these projects will augment systems that provide water security for approximately 38 million people and support approximately 75% of South Africa's Gross Domestic Product (GDP).

If South Africa wishes to meet the targets in the National Development Plan of reducing inequality through ensuring water security for all, and increasing the real GDP per person through ensuring water is available for economic activities, then these projects must proceed with all haste.

As highlighted in the recent Sustainable Infrastructure Development Symposium, hosted by the President, the country needs to implement projects that do not require extensive fiscal support during construction and the operations and maintenance. These four projects met those criteria and will provide a stimulus to the construction sector whilst at the same time supporting the economic growth of the country.

However, as the financial year came to a close on the 31 March 2020, and South Africa had just entered a hard lockdown, there was little appreciation for how long it

would take to contain the Covid-19 pandemic, and the impact this would have on the financial sustainability of the entire water sector.

The more resilient a system is, the better it is able to withstand external shocks or disruptions. However, the evidence from the impact of the pandemic is very clear that the water sector in South Africa is not resilient enough. While there has been a notable increase in the number of people who have access to water and sanitation in the post-apartheid era, the number of people without access to reliable water supply and decent sanitation remains unacceptably high, and the pandemic has clearly highlighted their plight.

In response to the Covid-19 crisis, water tanks were placed within communities not yet served, or where the infrastructure was not functioning, to provide for easy access to clean water. These water tanks are filled through tanker service rendered by water tankers. However, in the medium to long-term this is not a financially sustainable option and what is required is for the sector to receive sufficient funds from tariffs and fiscal transfers to operate in a financially sustainable manner. The objective being that everyone in South Africa has access to the minimum level of service, which includes reliability, as set out in the Strategic Framework for Water Services. In doing so South Africa will meet the targets set out in the Sustainable Development Goals Number 6 (SDG 6) and contribute to meeting the targets in the National Development Plan.

However, there is a fundamental problem around financing for our local government system that must be addressed. We need to ensure that municipalities pay for the bulk water provided to them so that the water boards can continue to operate within a sustainable environment and continue to increase the provision of bulk water. Municipal debt owed to water boards now stands at more than R10 billion. This in turn impacts the Water Trading Entity in the Department of Water and

Sanitation, and if left unchecked will eventually impact on the ability of TCTA to service the debt it has incurred on behalf of the Department.

It will also impact on the ability to implement the National Water and Sanitation Master Plan, which in these fiscally constrained times will require the sector to borrow significant sums of money, something that will only happen if the sector can demonstrate the ability to pay it back.

There is currently a delicate balancing act to be undertaken in borrowing money to improve water security and stimulate economic growth while ensuring that the end users are paying for the water used, remembering that it is only the indigent who are entitled to free access to a limited quantity of water.

Whilst getting this balancing act right, it is necessary to give comfort to the lenders that their money will be repaid, and this is done through various forms of government guarantees. Water is Life, and without the enabler of water there will be no economic growth. I will, therefore, work with the Minister of Finance to ensure that these projects receive the highest priority in obtaining the necessary guarantees.

As the shareholder representative, in these trying times we will continue to support the TCTA in all of its endeavours 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



Tugela-Vaal Scheme



FOREWORD BY THE CHAIRPERSON OF THE BOARD

Gerald Dumas

Chairperson of the Board

On 1 May 2019, the Minister entrusted this Board with the responsibility of leading TCTA. Given the blemish free record of the organisation since its inception, it came as a surprise to receive a qualified audit opinion in respect of the annual financial statements for the 2018/19 financial year. The Board is, therefore, happy to report that for the 2019/20 financial year TCTA has reverted to its previous status in having an unqualified audit opinion.

In analysing the basis for the qualified audit opinion in respect of the Lesotho Highlands Water Project, it has become clear that the institutional arrangements are complicated and there was not a clear understanding of the roles and responsibilities of the different parties.

The Board, together with the Department of Water and Sanitation is currently addressing the issue of ensuring that TCTA correctly accounts for its role in this project, and the correct documentation is received to prevent future findings.

In resolving these issues, it has also become clear how inter-dependent TCTA and DWS are, thus providing a clear reason for the formation of the National Water Resource Infrastructure Agency.

The formation of the Agency would simplify the institutional arrangements by removing one layer of transactions from the value chain. Given the issues within the water sector on financial sustainability, simplification and integration are the key words at present. Simplification would reduce risks and integration would increase efficiency of operation and allow cross-subsidisation to take place within the water sector, from the metropolitan areas to the rural municipalities, which do not have an economic base to sustain their infrastructure.

The Board assures the Minister, that is committed to assist her in the formation of the Agency, and will take on whatever role is required to fulfil this objective.

The Board remains concerned at the level of irregular expenditure within the organisation. However, the Board would like to assure stakeholders that value-for-money was received for the expenditure incurred under the tenure of the current Board. In terms of the irregular expenditure with respect to variation orders and claims TCTA has requested an exemption from the Minister of Finance as the threshold for contract expansion (the lessor of 20% or R 20 million (including VAT) for construction-related goods, works and or services) means that the limit will always be exceeded on multi-billion Rand contracts where the contract award amount is made without contingencies. There are many factors which results in the contingency amount being utilised, unforeseen ground conditions, disruptions due to floods, community protest and has been seen in the last quarter of 2018/19, the emergence of COVID-19. The Board is satisfied that the reasons for the claims and variation were justifiable and they will be condoned once due process has been followed.

On the performance of the organisation only three out of the seven targets were achieved.

The non-achievement of one of the targets was a force majeure event, due to the destruction of the Eskom substation feeding electricity to the acid mine drainage treatment plant in the Western Basin. The Board noted that despite this major setback no overflow of water onto the surface occurred. On the Eastern Basin where although the target was not achieved, the water level in the mine void was still below the Environmental Critical

Level. The lessons learned from this is that to achieve the strategic targets of no decant or breaching of the Environmental Critical Level, which are red lines that should not be crossed, the organisation needs to set operational targets so that in the event of breakdown there is opportunity to recover before the strategic targets are breached.

In the managing of the implementation of projects, where the milestone on MCWAP-2A was not achieved, the job of TCTA is to manage the elements of time, cost and quality. Quality is non-negotiable as to compromise on this will have long-term implications in the life span of the infrastructure. When incidents occur, be it poor performance on the part of the service provider, natural disasters or the completely unexpected such as COVID-19, the job of TCTA is to assess the situation and make a decision on how to proceed. Such decisions can be influenced by many factors, including whether it has rained or not, and thus the immediate need for the infrastructure. The targets need to be crafted with these considerations in mind.

On the raising of funding the Implementation Agreement, for MCWAP-2A was signed with DWS and once the offtake agreements, between DWS and the users, are signed it will be possible to raise funding. Again, this provides a small example of the efficiencies that would be created with the formation of the Agency, as this agreement would no longer be required.

With regard the management of debt, TCTA met all its payment obligations and kept within each projects borrowing limit. In achieving this, which required close cooperation with the Department, it highlighted the efficiencies that would be gained if borrowings were against an Agency's balance sheet and there was a single borrowing limit.

TCTA continued to advise DWS on various projects in the pre-implementation stage, such as the uMkhomazi and uMzimvubu Water Projects and the Berg River Voelvlei Augmentation Scheme, was a part of the committee advising the Minister on the National Water Resource Infrastructure Agency and at the end of the financial year was invited to participate on the Steering Committee and in the technical Working Group on Water and Sanitation on the Presidential initiative "Sustainable Infrastructure Development Symposium".

Moving from the past year's performance I would like to look to future and where issues need to be resolved to enable TCTA to deliver on its mandate and directives.

Water, although it is absolutely essential for life and for business to function, does not receive the attention that it deserves. This is reflected in some of the issues affecting TCTA's projects.

Phase 2 of the Lesotho Highlands Water Project is part of the Integrated Vaal River System, which supports 50-60% of South Africa's Gross Domestic Product. If South Africa wants to achieve the targets set out in the National Development Plan, then such a project must proceed with all haste and it has already been much delayed. With such a project being dependent on user tariffs to repay the debt it is concerning that the issues of non-payment in the Vaal River System are increasing, and not decreasing. The higher the levels of non-payment the more projects will turn to the fiscus for funding and as we have seen, levels of funding are severely constrained.

TCTA has also seen delays on the Berg River Voelvlei Augmentation Scheme in the Western Cape due to the issue of who will pay for it remaining unresolved. Given that the Western Cape has just emerged from one of the most severe droughts on record, it would have thought that the resolution of the issues would have been a major priority for all the stakeholders in the area. But the good rains, with dams overflowing has quickly led to a sense of complacency, instead of taking advantage of the situation to ensure the Western Cape is better prepared for the next drought.

The uMkhomazi Water Project is in its early stages and it is hoped that the stakeholders will follow what has happened in the other systems and give water the priority attention that it deserves.

Since 2001, TCTA has demonstrated its ability to ensure that projects are taken to completion and out of the eight completed projects six have been within the original project charter value agreed with the stakeholders. Even where there were cost overruns it has been less than 10%. This is a record that even the private sector has often failed to achieve. Although TCTA's approach is not perfect, it has been achieved by giving due attention to all aspects of the project, social, environmental, financial as well as engineering. The first three aspects are often lost during the feasibility studies, which then delay the implementation of the projects. Bringing this expertise, in TCTA, to bear during the planning stages of projects would result in speedier implementation and is another reason to combine the resources of TCTA and the Water Trading Entity with the National Water Resource Agency. On behalf of the Board I wish to acknowledge and thank the Minister and her team for the support and confidence shown to the Board. To my fellow members of the Board, and the Executive Management Team, I am thankful of your support and commitment to effective and clean governance and am confident that we all have the resolve and capability to effectively respond to any challenge that will emerge in the years to come.



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:

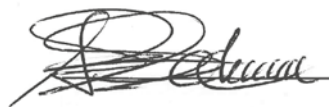
- all information and amounts disclosed in the Integrated Annual Report are consistent with the annual financial statements audited by the Auditor-General of South Africa;
- the Integrated Annual Report is complete, accurate and is free from any omissions;
- the Integrated Annual Report has been prepared 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 2020.

The Board of Directors approved the Annual Performance Report on 30 July 2020 and the annual financial statements on 31 October 2020.



Gerald Dumas
Chairperson of the Board
11 December 2020



Percy Sechemane
Chief Executive Officer
11 December 2020

ABOUT THE INTEGRATED ANNUAL REPORT

The Trans-Caledon Tunnel Authority presents this Integrated Annual Report for the period 1 April 2019 to 31 March 2020 as its principal medium of communication to 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 the Parliamentary Portfolio Committee on Human Settlements, Water and Sanitation, which plays an oversight role, that TCTA is performing its functions in keeping with the Notice of Establishment and directives; and
- the lenders and investors, that TCTA uses the proceeds of funding for the purpose which they are provided, and that the Authority can meet its financial obligations.

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

The deliverables in the current project directives and those flowing from the Notice of Establishment are reviewed yearly. 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 compliance with Treasury Regulations for departments, constitutional institutions and public entities.

TCTA implements projects on behalf of the Department of Water and Sanitation (DWS). Information on project progress and the outstanding liability is consolidated in the Department's Annual Report.

Woodstock Dam, Tugela-Vaal Scheme



USING ECONOMIES OF SCALE TO DRIVE COST EFFECTIVE PROVISION OF WATER SUPPLY AND SANITATION

Water is a good in that it needs to be abstracted from the natural environment, stored, purified, transported to the point of use. Unless it is physically consumed by people, other creatures, plants or in an industrial process, the contaminated return flow needs to be transported to a treatment works for processing before discharge into the environment. In industry, reduction in cost is associated with economies of scale, whether it be in the size of the industrial plant or the transportation systems. Therefore, it makes sense to deliver a single quality of water rather than the development of multiple systems delivering distinct qualities of water.

This has been true in the water sector with municipalities on the Cape Peninsula working together to initially only build one dam, after which they laid one supply pipe across the Cape Flats. In Gauteng, the mines and municipalities formed Rand Water to enable water to be bought economically from the Vaal River. The municipalities in the East Rand established Ekurhuleni Water Care Company ("ERWAT") and the City of Johannesburg undertook work to create large regional wastewater treatment works to replace numerous smaller works and thus reduce the cost of treatment. Once these systems were created, new users always found it more

economical to tap into the existing systems rather than build their own water supply or wastewater treatment systems.

Since 1956, the demand from industrial and municipal consumers has seen the development of an extensive network of national water resource infrastructure to enable water to be stored and transported around the country. This has resulted in major installations placed in rural areas. One such example is the Tugela-Vaal Scheme, which takes water from the Tugela River and lifts it 580m over the Drakensberg into the Vaal River System for use by consumers in Gauteng.

Even though the town of Bergville is only 6.5 km from the abstraction point at Driel Barrage and Woodstock Dam and the canal transporting the water to Gauteng runs through rural communities, there has been no attempt to combine raw and potable water facilities in the same installation. Thus, opportunities to achieve economies of scale, particularly on staff costs, and to provide communities in the area with a resilient and reliable supply have been lost. The institutional arrangements in the water sector should be such, to allow economies of scale to be realised.



PART A: GENERAL INFORMATION

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CHIEF EXECUTIVE OFFICER'S REPORT

Percy Sechemane
Chief Executive Officer

Since I was appointed as the Chief Executive Officer of TCTA, I have been at pains to point out that we act as an implementing agent for the Department of Water and Sanitation for all of our major projects. This means that TCTA acts on instruction from DWS on what infrastructure will be built and whether it will be funded from the fiscus or through funds raised by TCTA on their behalf. This means that when a directive is received to implement a project, all the necessary authorisations must be in place and if it is to be financed off-budget there is a clear indication from the users that they will pay the required tariff. Whilst TCTA can, and does, advise DWS on such matters, such as the concluding of water supply agreements, it is ultimately the responsibility of DWS to conclude on such matters.

TCTA's experience from the successful implementation of eight projects is that social, environmental and financial considerations of equal importance in the feasibility studies as the engineering aspects. Finance is of particular importance. If the cost of the infrastructure results in a tariff that is unaffordable or not accepted by the user it will not be possible to conclude agreements. If there are too many projects, chasing limited fiscal resources, as is being seen at the moment, the result is lots of projects progressing very slowly towards completion. The overall objective in the water sector, of providing water security to households and businesses is then jeopardised. This is not in accordance with the objectives of the National Development Plan.

In my report last year, I reflected on the scope that exists for TCTA to be involved more meaningfully at early stages of project planning to avoid delays. Unfortunately the progress shown on three out of the four major projects, all of which were given the highest priority among the water

and sanitation projects in the Presidential Sustainable Infrastructure Development Symposium, shows that the sector has a long way to go.

TCTA's flagship project, the raising of funds for Phase 2 of the Lesotho Highlands Water Project, agreements on funding still need to be concluded. This is getting more urgent as the Lesotho Highlands Development Authority is proceeding to the point where it will be ready to award the contracts for the construction of Polihali Dam and the transfer tunnel. On water projects, where the infrastructure has no other use but to serve a particular set of users, and in South Africa where non-payment is particularly problematic and there are multiple institutions in the value chain, lenders seek some form of government guarantee to ensure that Government addresses these issues before it impacts on the ability to repay the debt. These issues are still under negotiation. On the Berg River-Voelvlei Augmentation Scheme (BRVAS), intended to enhance the security of supply to the City of Cape Town and surrounding areas, progress has been problematic. Project preparation work was held up by lack of funding in the 2019/20 financial year and concluding of water supply agreements between DWS and water users.

In terms of the institutional arrangements of who pays for this augmentation it has become quite complex, as unlike the previous augmentation, the Berg Water Project, which was paid for by all the users who take water from the City of Cape Town system (this includes other municipalities). The City of Cape Town took full responsibility for the cost of the Berg Water Project and there is a single water supply agreement between DWS and the City.

The Western Cape Water Supply System is currently over allocated and BRVAS only restores the yield. If allocations remain the same, then it is Government Policy that all users who benefit from the augmentation of the system should pay. Users have not come to an agreement on which scenario should apply, neither has anyone agreed to a reduced allocation if they do not want to pay for the benefit of the augmentation.

The uMkhomazi Water Project in KwaZulu-Natal also suffered delays in the lack of availability of project preparation finance whilst the environmental issues were resolved. In contrast to BRVAS, the users, in the Umgeni Water Board area of supply have already demonstrated commitment to this project through the payment of an additional tariff of R0.92 from 1 July 2019.

The scenarios playing out in these three projects have only highlighted the need for closer co-operation with DWS in the planning stages and provide a further rationale for the formation of the Agency.

On the fourth project, Phase 2A of the Mokolo Crocodile Water Augmentation Project, good progress was made on the preparation of the tender design and documentation whilst the Department of the Environment, Forestry and Fisheries considered the appeals against the Environmental Authorisation.

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.

On the Delivery Tunnel North, in October and November 2019 a major shutdown was undertaken in collaboration with the Lesotho Highlands Development Authority to allow inspection of and repair of the tunnel. Each time the tunnel is drained and inspected a decision must be made as to whether repair work must be undertaken during the current shutdown or deferred to the next planned shutdown. Given the critical nature of this piece of infrastructure, in delivering water into the Vaal River System, a very risk averse approach is taken to ensure failure does not occur. This resulted in a significant increase in the contract value as it was decided that the repairs could not be deferred.

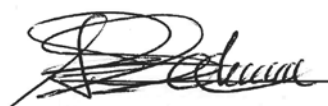
With regard to the acid mine drainage treatment plants the discharged water consistently complied with water quality specifications, and there was no decant of untreated acid mine drainage in the Western Basin. The water level in the Eastern Basin remained below the

environmental critical level, while progress continues in the Central Basin towards the environmental critical level. No external impacts have been recorded from the acid mine drainage in the mine voids impacting on groundwater. Valuable experience is being gained from the operation and maintenance of these plants, in particular that a very conservative approach is required in the design to allow for outages and changes in the ingress volumes.

In respect of our debt management, close co-operation with DWS ensured that all payment obligations were met. However, events in the past year demonstrated that like the buffer zone below the environmental critical level in the acid mine drainage projects, a significant liquidity buffer is required to cater for external events such as significantly lower volumes of water sold due to reduced demand for electricity, COVID-19 worsening the non-payment issue etc. The events suggested that even closer cooperation is required, much of which would be solved by everything being within the same institution, the National Water Resource Infrastructure Agency.

Restoring our status to an unqualified opinion on the annual financial statements was an achievement of which TCTA is justifiably proud of. However, a reading of Note 27.2 in connection with the royalties suggests that work still needs to be undertaken on clarifying the roles and responsibilities of the different parties on the Lesotho Highlands Water Project, or making the institutional arrangements less complicated. The contingent asset, in respect of the royalties is for the Republic of South Africa's benefit and TCTA is not a party to the relevant agreements, simply acting as payment agent on behalf of DWS.

The 2019/20 financial year proved challenging and with the advent of COVID-19 the current and future years are likely to prove even more challenging. The National Water and Sanitation Master Plan set out the problem of financial sustainability in the water sector and until this is resolved it will impact on the ability to raise funding, and thus implemented much needed infrastructure in the country. It is not an easy issue to solve but TCTA believes the experience it has garnered over the past 19 years will serve the sector well in understanding the problems and making the right decisions in order to achieve the required turnaround.

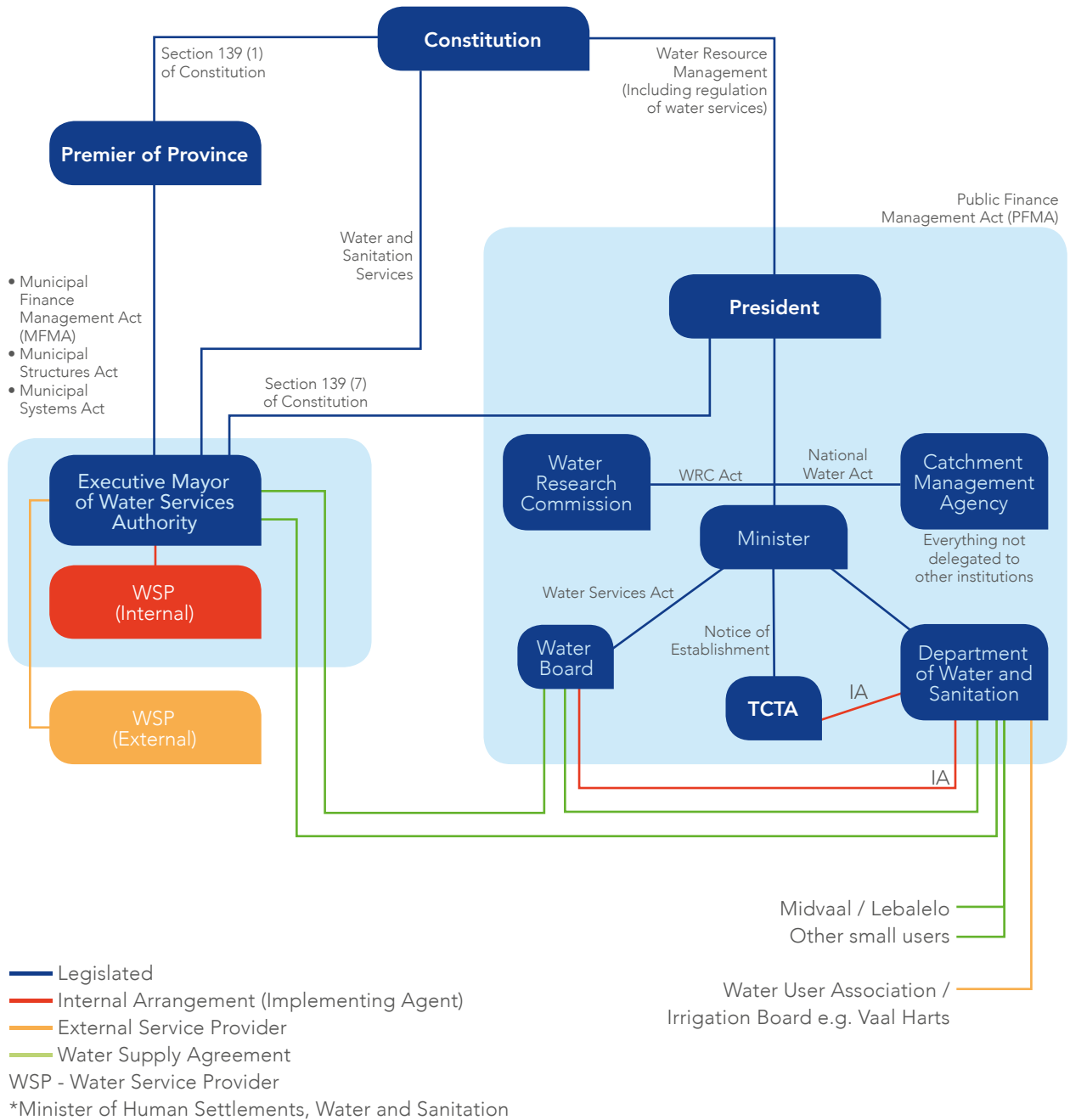


Percy Sechemane
Chief Executive Officer

LEGISLATIVE AND OTHER MANDATES

The legislative framework, which TCTA operates within the water sector is set out in Figure 1.

Figure 1: 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 the Authority 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. TCTA accounts for and manages these functions separately from the Treaty functions and from each other, 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/National Treasury, government guarantees and funding arrangements;
- general ledger; and
- where money is borrowed to finance a project, separate income/implementation agreements with DWS, which are back-to-back with the water supply agreements between DWS and the beneficiary water users, where applicable.

The income/implementation agreements with DWS determine *inter alia*, the cost recovery mechanism for each project. To date, the following three principles have been applied:

- a structure per project is applied to ensure break-even sufficiency of revenue to recover project 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 21 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)		√				√
Advisory Services to Umgeni Water (UW).	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-Voëlvelei Augmentation Scheme (BRVAS).	18 May 2017		√	√		√	
uMkhomazi Water project (MWP).	22 February 2019		√	√		√	
Programme Management Services to DWS in relation to Water Infrastructure Projects	1 April 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 provides the following services and associated products:

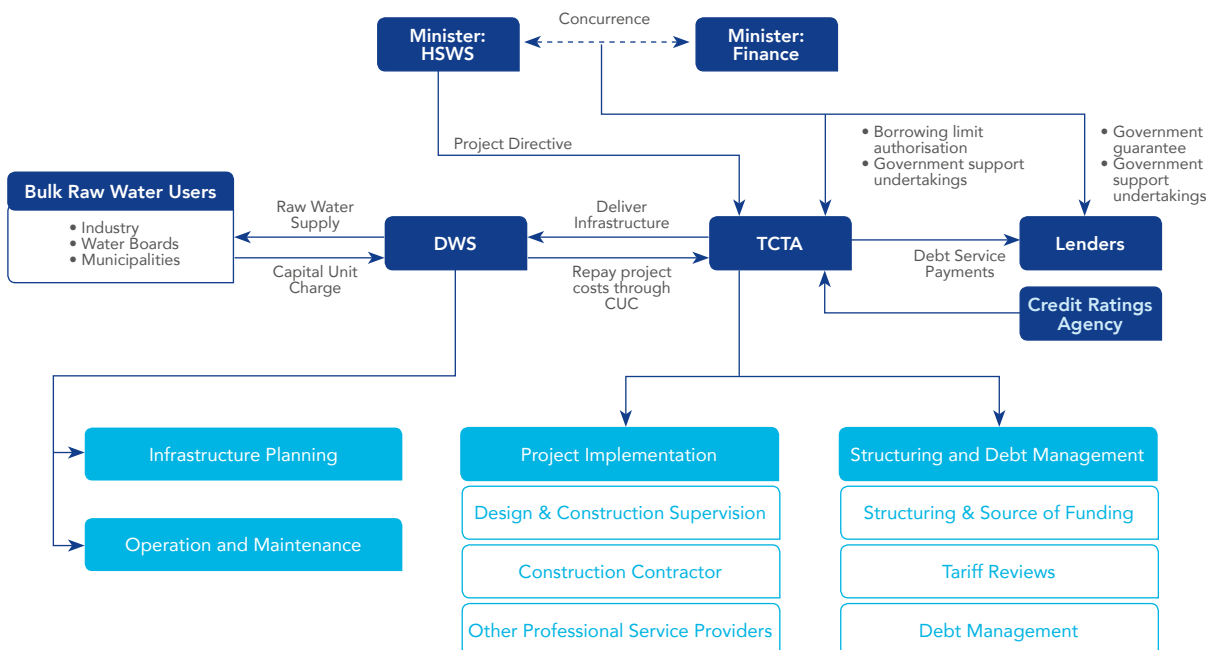
- 1) project management and implementation of water infrastructure:
 - project design
 - project construction
 - environmental compliance
 - land acquisition
- 2) operation and maintenance;
- 3) debt management;
- 4) structuring and raising project finance;
- 5) knowledge management;
- 6) risk management;
- 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 through which TCTA renders services, receives revenue and allocates business risk, is schematically displayed in Figure 2. It has remained largely unchanged since the organisation's inception more than 30 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 can draw comfort from the undertaking by government to assume TCTA's obligations to funders, if it is unable to do so, in terms of project income/implementation agreements. Loans are typically repaid over 20 years.

Figure 2: Business Model



OUR CONTRIBUTIONS TO DEVELOPMENT OUTCOMES

In delivering on its mandate and the Minister of Human Settlements, Water and Sanitation's directives, the organisation continuously ensures that it strongly contributes to the developmental priorities of the 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.	<ul style="list-style-type: none"> 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 TCTA to develop more informed policies, project plans, programmes and services. This engagement yields benefits for the various parties. For stakeholders, these include opportunities to contribute to policy and programme development and participation in decision-making, where applicable. Interaction further enhances the possibilities of achieving favourable outcomes on matters that need negotiation between the parties. For TCTA, well-thought-out stakeholder engagement strategies, offer an effective platform to unlock obstructions to business success and produce efficient information flow. Furthermore, the engagement also delivers a window for the organisation to tap into local knowledge and to "road test" policy initiatives with stakeholders.

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 which includes the implementation of its infrastructure projects.

To provide a reliable and sustainable service to water users, TCTA creates and maintains relationships with a variety of stakeholder groups. Engaging stakeholders with diverse experiences, knowledge and perceptions delivers strong outcomes for the organisation. It enables the organisation to achieve more than it would, working in isolation. In the period under review, TCTA primarily focussed its efforts on in maintaining and improving relations with the parent national department, DWS, other government departments and institutions with a significant impact on its business. The organisation further paid special attention to funding institutions with a financial interest in the projects it manages.

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

Table 3: Stakeholder Relationships

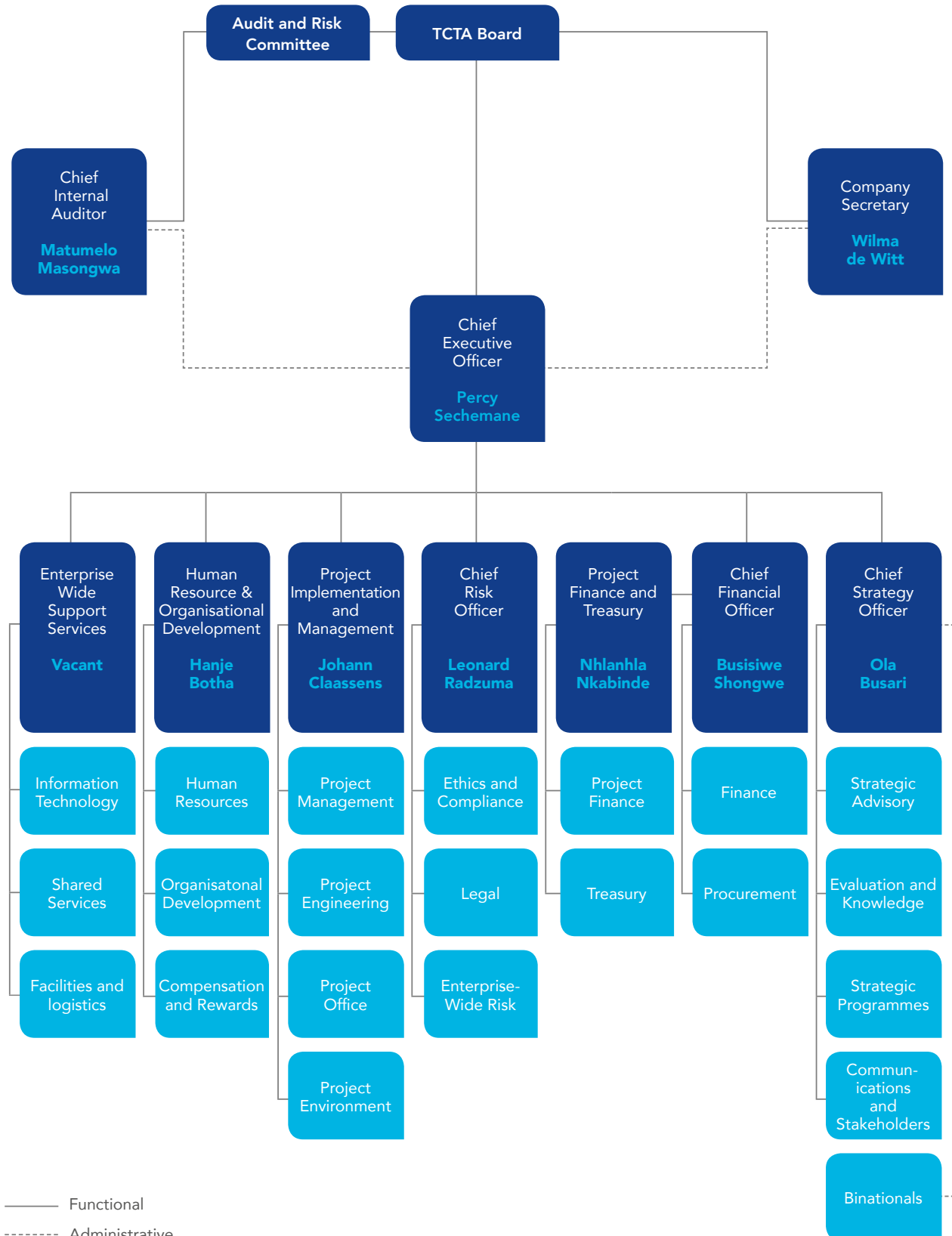
Stakeholder	Nature of interest/stake	Engagement strategy
Parliament	Regulation and compliance with legislation.	Empower with project information. Present Integrated Annual Report and Corporate Plan. Account on performance and governance of the organisation. Manage the relationship.
Shareholder (Ministry)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

Stakeholder	Nature of interest/stake	Engagement strategy
Communities	Favourable decisions.	Empower and consult on relevant issues. Establish representative community forums in active project areas.
Government Regulators	Compliance and good governance.	Keep satisfied. Keep informed. Engage regularly. Provide compliance reports.
Bi-national partnerships	Servicing the terms of the Treaty.	Manage closely. Collaborate and consult. Regular meetings with bi-national partners.
Rating agencies	Provide credit ratings on projects, used by funders and other interested parties	Provide requested information
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 2020 is as per Figure 3.

Figure 3: Organisational Structure



———— Functional
 - - - - - Administrative



USING CROSS-SUBSIDISATION TO KEEP THE TARIFF AFFORDABLE FOR ALL

The water infrastructure in South Africa comprises of different systems. At the simplest level, it could be a borehole serving a community without treatment or a town such as Bergville that sources its supply directly from the Tugela River. Other examples include a municipality such as Johannesburg drawing water from another system such as Rand Water, which draws from the Vaal River System.

If there is a common tariff structure within each system, then there is often cross-subsidisation among consumers. It can take two forms. First, the effect of belonging to a common system creates economies of scale that drive costs down to that lower than when there are independent schemes. Bojanala and Emfuleni municipalities, both of which are customers of Rand Water, are an example of this. They both pay the same tariff of R9.35/m³ excluding VAT (2019) even though one is next to the abstraction point in the Vaal River and the other is 140km away. Second, within the municipalities commercial, industrial and domestic users that consume large amounts of water, pay above cost of supply to support indigent users.

In Umgeni Water's area of supply, customers (the municipalities) pay an almost identical tariff even though they might draw from schemes that are isolated from

each other and have very different cost structures. This approach is not too dissimilar to that in many parts of the world where a common tariff applies to consumers in a utility's area of supply, no matter what the cost is of running the particular scheme. Umgeni Water's area of supply includes the Msunduzi and eThekweni municipalities with bulk supply arrangements providing economies of scale and an ability to cross-subsidise the smaller schemes.

In South Africa, there are large parts of the country, particularly in the former homelands, where the conditions found in the above examples do not exist. Further, there are challenges regarding the capacity to generate sufficient revenue and to attract the right skills within the municipalities. Cross-subsidisation is through taxes, with municipalities receiving the equitable share to assist in their running costs. However, the allocations do not have a portion dedicated to water and sanitation and as a result the reliability of services in these areas has decreased.

If taxes and transfers have not worked, then institutional arrangements that ring-fence tariffs within the water sector need to be developed. Such measures would allow a system under which, for instance, businesses in Sandton can subsidise indigent households in Amathole.



PART B: PERFORMANCE INFORMATION

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PERFORMANCE AGAINST THE PREDETERMINED OBJECTIVES

TCTA's performance during the reporting period was anchored in the following predetermined objectives, as agreed with the Minister of Human Settlements, Water and Sanitation: The predetermined objectives for the 2019/20 financial year were:

- 1) Implement capital projects in accordance with timelines agreed with DWS;
- 2) Operate and maintain designated projects in accordance with DWS requirements/ specifications;
- 3) Obtain the necessary agreements to allow funding to be raised;
- 4) Raise funding for implementation of infrastructure; and
- 5) Manage debt within the approved borrowing limit.

Only three out of the seven targets were achieved an achievement of 43%. However, the non-achievement of one of the targets was a force majeure event due to the destruction of the Eskom substation feeding electricity to the acid mine drainage treatment plant in the Western Basin.

The two targets that were achieved relate to the ensuring that there are always sufficient funds to meet commitments on projects, be it construction costs or repayment of debt. During the year all obligations were met and the borrowing limits, set by National Treasury, were not exceeded.

On the third target that was met, TCTA prepared and submitted the income agreement, for MCWAP-2A to DWS for signature. The income agreement is one of the key documents in enabling TCTA to raise money for a project.

Where targets were not achieved there were diverse reasons.

On the implementation of capital projects, TCTA undertakes the role of project management with the design and construction undertaken by separate service providers. When a project falls behind schedule, TCTA's role is to manage the situation to achieve the best possible outcome in terms of time, quality and cost. On MCWAP-2A, the Professional Service Provider failed to deliver the tender design and documentation within 10 months of the award of contract. The delay was not significant enough to merit cancellation of the contract, as this would have caused even more delay, and the situation was managed to achieve the best possible outcome.

On the operation and maintenance of the acid mine drainage treatment plants, in the Western Basin the root

cause of not meeting this target was the bankruptcy of Mintails, a mining company on an adjacent property, which resulted in two impacts:

- a. Mintails no longer disposing of high alkalinity sludge into the mine void, resulting in an increase in the pH and a resulting reduction in the throughput in the plant so that the discharge specification could be met;
- b. The abandonment of the Mintails site by the liquidator, and the takeover by illegal miners who proceeded to dismantle the Mintails plant and the Eskom substation, which fed the Western Basin Plant. This resulted in the plant being offline during the period 24 May 2019 to 20 August 2019. However, due to the creation of a sufficient buffer in the mine void during the preceding period, the strategic objective of no uncontrolled decant was still achieved..

In the Central Basin the water was not lowered to the required level. The slow rate of drawdown can be attributed to two factors:

- a. Numerous mechanical failures, particularly on the pumps;
- b. An increase in the pumping volume required to hold the water level in the mine void stable. Ingress of water can be from many sources and the responsibility falls between the Department of Energy and Mineral Resources and the municipalities depending on the source of water. The pumping data used to determine the capacity of the plant was from when the mines were operational, with opening the reef to depths of 3 500 m, whilst now the mine void is largely flooded and there have been extensive changes on the surface.

However, the ultimate objective is the prevention of pollution to groundwater and even whilst the level is being lowered to the Environmental Critical Level there have been no reports of pollution of groundwater. In the Eastern Basin the water was also not lowered to the required level. However, the water level has remained at all times below the Environmental Critical Level, which was the level deemed by DWS to prevent groundwater pollution. Reducing it further is for operational reasons, to give sufficient buffer in case of plant malfunction (the mine void itself is used as an integral part of the system).

In all three cases, the overall strategic objective of preventing water overflowing from the mine void or pollution of the groundwater that it impacted the resource has been achieved. The nature of predetermined objectives needs to reflect this higher level rather than the operational targets, which were included in this year's Shareholder's Compact.

Table 4: Performance against the predetermined objectives

Predetermined Objective	Measure	Target for 31 March 2019	Status as at 31 March 2019	Achieved/ Not achieved	Reasons for variance
1. Implement capital projects in accordance with timelines agreed with DWS	Achievement of critical project milestone dates	MCWAP-2A: 100% of Tender design and documentation completed within 10 months after award of PSP Contract	90% of the tender design and documentation has been completed in the 12-months since the award of contract	No	<p>The PSP contract was awarded on 18 March 2019. The revised projected completion date for the completion of Tender Design and Documentation is 14 May 2020. Delays in completing the Tender Design and Documentation is mainly due to the PSP's poor performance. Management interventions included the following:</p> <ul style="list-style-type: none"> two management meetings were held between the PSP's Management Committee and TCTA's acting Executive Manager. This resulted in the PSP giving an enhanced recovery plan to meet the requisite milestone. This recovery plan is used for weekly monitoring of the PSP performance to achieve key milestones. TCTA is using contractual remedies such as withholding payment, issuing notices to correct, constant engagement and assistance to the PSP in order to improve performance PSP non-performance was escalated to the CEO, where there was an engagement with the PSP's Joint Venture CEOs, and this resulted in some improvement in the PSP performance. TCTA has issued a final notice to correct for the April 2020 milestone. further delays to the project are compounded by the COVID-19 Lockdown. The lockdown has resulted in a crucial HAZOP workshop not being held, as it was scheduled during this period. Platforms like Skype, Teams and Zoom do not accommodate all required personnel for the HAZOP, as not all have these platforms or are technologically savvy to use them especially the operations personnel. The COVID-19 Lockdown further resulted in some PSP tenders for Environmental studies not being issued due to the contactless way of doing business amongst people. progress is being closely monitored against the recovery plan, and TCTA is conducting a risk assessment to determine whether to continue with the services of the current PSP.
2. Operate and maintain designated projects in accordance with DWS requirements/specifications	On the Western Basin, pump acid mine water to prevent uncontrolled decant	An average volume of water pumped in the Western Basin of between 30 – 33 ML/d	An average volume of 19,18 ML/day of water was pumped in the Western Basin from 1 April 2019 to 31 March 2020	No	<p>Despite missing the target there was no decant. The highest level that the water reached in Winze 18, where overflow first occurs, was -3,880 m below collar level on 29 September 2019.</p> <p>This was due to the following</p> <ul style="list-style-type: none"> the plant was offline during the period 24 May 2019 to 20 August 2019 due to Eskom substation being vandalised by Illegal miners. Power was eventually restored by installing overhead power lines from an alternative source. in late November 2019, the plant experienced a pump failure which was rectified; however, the problem reoccurred on the 24 December 2019 and the pump had to be pulled and inspected onsite. The problem was resolved, and the plant was put back into operation in early January 2020. furthermore, due to Mintails being liquidated and no longer depositing sludge into the West Wits Pit, the water quality in the void has deteriorated to such an extent that flow into the plant has had to be reduced to ensure the water quality standards are met.

Predetermined Objective	Measure	Target for 31 March 2019	Status as at 31 March 2019	Achieved/ Not achieved	Reasons for variance
2. Operate and maintain designated projects in accordance with DWS requirements/specifications	On the Central and Eastern Basins, acid mine water is pumped to maintain or reduce water levels within the mine voids	The water level in the Central Basin is lowered to between 8 m above and ECL by 31 March 2020 Note: ECL is at 126m below ground level	The water level in the Central Basin has been lowered to 12 m above ECL as of 31 March 2020	No	In December 2019, Train 1 had three aerator shaft failures which resulted in the train having to be shut down and drained. On the 5 February 2020, during the process of repairing the shafts and cleaning of the trains, the crane used to do the worked toppled resulting in a fatal accident. As a result of the ongoing investigation by the Department of Labour and the current nationwide COVID-19 lockdown, the train has not been put back into operation which has resulted in reduced flow through the plant.
		The water level in the Eastern Basin is lowered to between 10 – 15 m below ECL by 31 March 2020 Note: ECL is at 106m below ground level	The water level in the Eastern Basin has been lowered to 8.33 m below the ECL as of 31 March 2020	No	Due to an electrical failure, the plant was not in full operation from 5 January to 5 March 2020 In January 2020, the main Transformers feeding the plant failed and had to be repaired. A temporary measure was installed onsite on the 19 February 2019 allowing the plant to operate one train and the plant was put back to full operation on the 5 March 2020.
3. Obtain the necessary agreements to allow funding to be raised	Progress on obtaining necessary agreements to proceed with the raising of funding	MCWAP: Submission of Income Agreement to DWS for signing by June 2019.	The Implementation Agreement was submitted to DWS on 25 June 2019. Subsequently, changes were requested by DWS, which were negotiated and agreed in the final version submitted to DWS in November 2019 and signed in February 2020	Yes	
4. Raise funding for implementation of infrastructure	Sufficient cash or funding facilities available to allow implementation of the project to proceed without delay	MCWAP: Cash or Facilities available for drawdown by March 2020	As of 31 March 2020, an amount of R672 million, in cash, was available in the MCWAP account.	Yes	
		VRS; Cash or Facilities available for drawdown by March 2020	As of 31 March 2020, an amount of R3 700 million was invested together with investment in redemption assets of R333 696. and facilities available for drawdown were R6 500 million.	Yes	
5. Manage debt within the approved borrowing limit	Debt managed within approved borrowing limits	Debt managed within the borrowing limits and all payment obligations are met: <ul style="list-style-type: none"> • VRS R17 700 million • BWP R660 million • VRESAP R3 936 million • KWSAP R1 399 million • MMTS-2 R1 814 million • MCWAP R6 934 million 	Debt managed within the borrowing limits and all payment obligations were met. The VRS borrowing limit was received in May 2019. As at 31 March 2020, the remaining borrowing authority per project were as follows: <ul style="list-style-type: none"> • VRS: R4 455 million under the limit of R17 700 million; • BWP: R172 million under the limit of R660 million; • VRESAP: R689 million under the limit of R3 936 million; • KWSAP: R176 million under the limit of R1 399 million; • MMTS: R316 million under the limit of R1 814; and • MCWAP: R5 607 million under the limit of R6 934 million. Debt servicing and bond payments (1 April 2019 – 31 March 2020): <ul style="list-style-type: none"> • Capital repaid amounted to R1 325.9 million; • Interest paid was R1 086.4 million; • Fees paid was R22.8 million; • WSP3 bond maturity amounted to R32.3 million; • An amount of R859 million coupon was paid on the WSP3-5 bonds. 	Yes	

SUMMARY OF PROJECT IMPLEMENTATION

TCTA has been directed by the Minister of Human Settlements, Water and Sanitation to fund and implement a portfolio of projects which are at various phases, namely preparation, implementation and closure phases.

In addition, TCTA oversees the operation and maintenance of the Delivery Tunnel North of the Lesotho Highlands Water Project as well as Acid Mine Drainage (AMD) treatment plants in the Western, Central and Eastern Basins of the Witwatersrand Goldfields.

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

PROJECTS AT PREPARATORY PHASE

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 have been 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 m³ per annum. The project consists of a weir, pump station and a 6.3km long pipeline to deliver water to the Voëlvlei Dam.

There has been limited progress in the implementation activities of BRVAS during the year under review. BRVAS had progressed to a point whereby the procurement process for the engineering Professional Service Provider (PSP) was completed and the contract award has been pending the availability of funding.

In the 2020/21 financial year, DWS has allocated R86.25 million to the project. This will enable TCTA to award the PSP contract while institutional arrangements are being finalised. A design and build contracting approach has been adopted for this project and the associated tender documents have been prepared and are ready to be reviewed by the PSP whose appointment is still pending.

TCTA has continued with stakeholder consultative meetings to conclude the institutional arrangements.

uMkhomazi Water Project – Phase 1

The Mgeni System is the main water source supplying about 6 million people and industries in KwaZulu-Natal. The water requirements projection indicates that the Mgeni System is experiencing a deficit and therefore there is a need for new water resources. In February 2019, the Minister of Human Settlements, Water and Sanitation issued TCTA with a directive to fund and implement the bulk raw water component of the project, which entails the following infrastructure:

- an 81m high dam and appurtenant works at Smithfield on the uMkhomazi River near Bulwer, and a possible balancing dam.
- a conveyance infrastructure (approximately 32km 3.5m diameter tunnel and 5km 2.6m diameter raw water pipeline) in the uMlazi River valley.

The project will increase the yield of the Mgeni System by 220 million m³ per annum.

The Environmental Authorisation (EA) of the project is not yet in place. The Environmental Impact Report (EIR) was rejected by the then Department of Environment Affairs (DEA) in February 2017. Additional work on finalisation of the Environmental Impact Assessment (EIA) is ongoing, and the plan is to submit addenda to the EIR to the Department of Environment, Forestry and Fisheries (DEFF) for further consideration in 2020/21 financial year. TCTA is providing technical support to the EIA process.

The project is being prepared for funding and implementation, including the negotiation of implementation agreements with DWS and water supply agreements with the beneficiaries, utilising funding from DWS pending the finalisation of institutional arrangements and raising of funding. In the 2020/21 financial year, DWS has allocated R69 million to the project.

The Heads of Agreement for water use were presented to eThekweni Metropolitan and Msunduzi and uMgungundlovu local municipalities on 16 January 2020 and 3 March 2020, respectively. The Water Supply Agreements are under preparation.

Programme Management Services to DWS in relation to Water Infrastructure Projects

On 1 April 2019, TCTA received a Directive to provide programme management services to DWS on the following water projects:

- De Hoop Water Project
- uMzimvubu Water Project
- Loskop water project

- Xhariep water project
- uMkhomazi Water Project and
- Clanwilliam Water Project

In the year under review, DWS requested TCTA to review and advise on the implementation of:

- ORWRDP-2 sub-phases 2D, 2E, 2F.
- Raising of Clanwilliam Dam Project.

uMzimvubu Water Project (MWP)

The uMzimvubu Water Project aims to develop the water resources in the uMzimvubu River catchment to provide a stimulus for the regional economy, in terms of domestic water, irrigation, hydropower generation and job creation.

On 16 January 2019, TCTA received a revised directive to provide project management and advisory services to DWS for Stage 1 of the project, which entails the construction of the advanced infrastructure.

In the period under review, TCTA assisted DWS with the development of an interim resource plan for the Project Management Office. The plan enabled the commencement of social facilitation in the project area and the establishment of community structures.

PROJECT AT IMPLEMENTATION PHASE

Mokolo and Crocodile River (West) Water Augmentation Project – Phase 2A (MCWAP-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 Lephalale 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 Coordinating Commission. It will enable Eskom to operate an additional three Flue Gas Desulphurisation (FGD) units at the Medupi Power Station, which could not be supplied with the water available from the Mokolo Dam, through the phase 1 of the project. The FGD units minimise the environmental emissions from the power station, which is a condition of the Eskom's World Bank loan and the Department of Environment, Forestry and

Fisheries emission requirements. The FGD units are expected to be operational by 2025.

The full implementation of the project has commenced, and the project is in the Tender Design and Documentation phase. The engineering PSP, to provide design and construction supervision, was appointed in March 2019. As at March 2020, the designs on the project are 90% complete and the achievement of this milestone is four months behind schedule, mainly due to PSP performance related matters.

The EA on the project was received in March 2019. However, DEFF received multiple appeals against the authorisation. The Minister of Environment, Forestry and Fisheries has sought an independent legal opinion on the matter and the appeal outcome is awaited.

The borrowing limit and government guarantees are in place for the project. The Implementation Agreement was concluded in February 2020 while the Water Supply Agreements have been negotiated and await approval for signature by the respective water users (Eskom and Exxaro).

DWS has allocated R264 million for MCWAP-2A for the 2020/21 financial year and this will enable TCTA to service its contractual obligations for the implementation of the project.

PROJECT AT CLOSE-OUT 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 Lebalelo Water Users Association infrastructure. It provides water to the eastern limb of the Bushveld Complex (mining) as well as for municipal consumers in the Sekhukhune District Municipality.

The project is complete and was handed over to DWS. The remaining items are related to financial closure on the construction contract and closeout of the project.

SUMMARY OF OPERATION AND MAINTENANCE ACTIVITIES

TCTA operates and maintains the following two infrastructure projects:

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

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 the portion of Delivery Tunnel North of the project situated in the Republic of South Africa. It 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.

During the financial year under review, TCTA complied with all its operations and maintenance obligations to ensure that the infrastructure could deliver the required volumes of water (641 million m³). This included in October and November 2019 an outage, undertaken in collaboration with the Lesotho Highlands Development Authority to allow inspection of and repair of the tunnel.



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 19 ML/d against a target of between 30 -33 ML/d and met the DWS specifications with regard to the discharge of effluent into the Tweelopiespruit. In addition, the basin was drawn down to 4.5 m below the surface of the 18 Winze shaft as of 31 March 2020, creating a buffer to prevent any uncontrolled decant during the year. This was achieved despite the 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 the flow to the plant to be reduced to ensure the discharge water requirements were met.

Over the reporting period, the plant was offline for a period for more than 5 months due to the vandalism of the Eskom switchyard by the illegal miners (Zama-Zamas). An overhead power line was subsequently installed to restore power supply to the plant from a different switchyard. TCTA, DWS and Sibanye Stillwater 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 the water level in the basin to between 8 m above and the environmental critical level (ECL). On 31 March 2020, it was 12 m above the ECL. However, this is still 114.0 m below ground level and there was no reported incident of groundwater contamination. 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 an increase of water ingress into the basin.

Eastern Basin:

Over the reporting period, the Eastern Basin Plant was operated to maintain the water level between 10 – 15 m below ECL by 31 March 2020 and for the treated water to meet the DWS specifications before discharging into the Blesbokspruit. The water level target was not achieved due to several operational outages during the year. TCTA has managed to stabilise the plant and resume operation at full capacity. However, the water effluent discharged into Blesbokspruit met the DWS specification and the water level is still below ECL.



Table 5: Treated Water from the basins

			Western Basin	Central Basin	Eastern Basin
Average Volume Treated			19 MI/d	57 MI/d	71 MI/d
Environmental Critical level			Not determined	126 m below ground level	106 m below ground level
Level as at 31 March 2020			4 m	114 m	124 m
Water Quality	Units	Specification (as per DWS directive)	Treated Water (Annual average 1 Apr '19 – 31 Mar '20)	Treated Water (Annual average 1 Apr '19 – 31 Mar '20)	Treated Water (Annual average 1 Apr '19 – 31 Mar '20)
PH		6.5 – 9.5	9.3	8.6	8.4
Iron	mg/l	< 1	0.22	0.05	0.03
Manganese	mg/l	< 10	0.83	1.96	0.22
Aluminium	mg/l	< 1	0.03	0.04	0.04
Sulphates	mg/l	≤3 000	2 826	2 647	1 278
Electrical Conductivity	mS/m	≤450	366	393	247
Turbidity	NTU	<30	9.0	8.4	4.8

Operating Costs

	Central Basin	Eastern Basin	Western Basin
Total	R122,515,493.81	R92,964,033.20	R55,632,977.02



FINANCIAL SUMMARY

For the year ended 31 March 2020, TCTA achieved its strategic financial goals, as outlined below:-

- Raised finance for infrastructure projects that would be recovered, either partially or fully, through user tariffs on behalf of the Department of Water and Sanitation (DWS);
- Ensured that sufficient funds were available at all times during construction to meet the requirements. Where long-term funds were used, TCTA entered short-term investments to offset the financing costs;
- Collaborated with DWS to ensure that the tariff, set in terms of the Pricing Strategy, suffices to cover its obligations and those that TCTA has incurred on its behalf. These obligations comprise capital repayments and interest payable on loans, and operation and maintenance costs on certain projects. They further include the financial commitments of the South African Government regarding the Lesotho Highlands Water Project (LHWP).

TCTA achieved an unqualified audit opinion which was a great achievement for the entity. The qualification obtained in the 2018/19 financial year was a first for TCTA following 31 years of unqualified audit opinions, therefore the task of ensuring the restoration of the unqualified audit opinion was of fundamental and strategic importance. The AGSA has raised some matters of emphasis which management will be paying special focus on in the new financial year, as described below:

- A contingent asset has been raised in the annual financial statements for the royalty payments which TCTA has made to the Government of Lesotho to date on behalf of RSA as these were determined based on a higher net benefit of the Lesotho Highlands Water Project. The details of this contingent asset are captured in note 27.2 of the annual financial statements. TCTA's role in the resolution of this matter will be to contribute in the facilitation of the discussions between the parties to the Treaty.
- Restatements were processed in the year under review predominantly due to the resolution of matters which led to the qualification of the audit opinion in the previous financial year. Management will continue to ensure that the financial statements presented are free from material misstatements and to continuously improve on the quality of financial reporting.

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

- The Tariff Receivable
- Cash inflows
- Utilisation of Cash Received

- Sources of funding
- 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 and the subsequent management of the debt incurred for implementing these projects. The Tariff Receivable relates to the present value of all cash flows 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 decrease the outstanding Tariff Receivable balance (refer to Note 12.4 for details on the calculation of the Tariff Receivable).

The Tariff Receivable decreased due to restatement of the Tariff Receivable (refer to Note 29 for further details).

- The Tariff and AMD receivables balance have been recomputed due to the audit differences which were noted in the previous financial year which resulted in the qualification of the audit opinion. Management ensured that the balances which are presented in the current financial year are accurate and free of error so as to avoid repeat qualification on matters of internal controls.
- The 2019/20 financial year is the 2nd year in which the AMD receivable is shown separately from the tariff receivable. In the year management computed and included in the AMD receivable finance income which is recoverable from the DWS.
- The finance income relates to the recovery of the finance charges which LHWP incurred on behalf of AMD, which are recoverable from DWS. This is to ensure that the VRS CUC tariff is not inflated with amounts which are recoverable from the fiscus.

The balance owed by the DWS has decreased from R2.3bn at 31 March 2019 to R1.9bn at 31 March 2020. Refer to note 10.4 for further detail.

b) Cash inflows

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

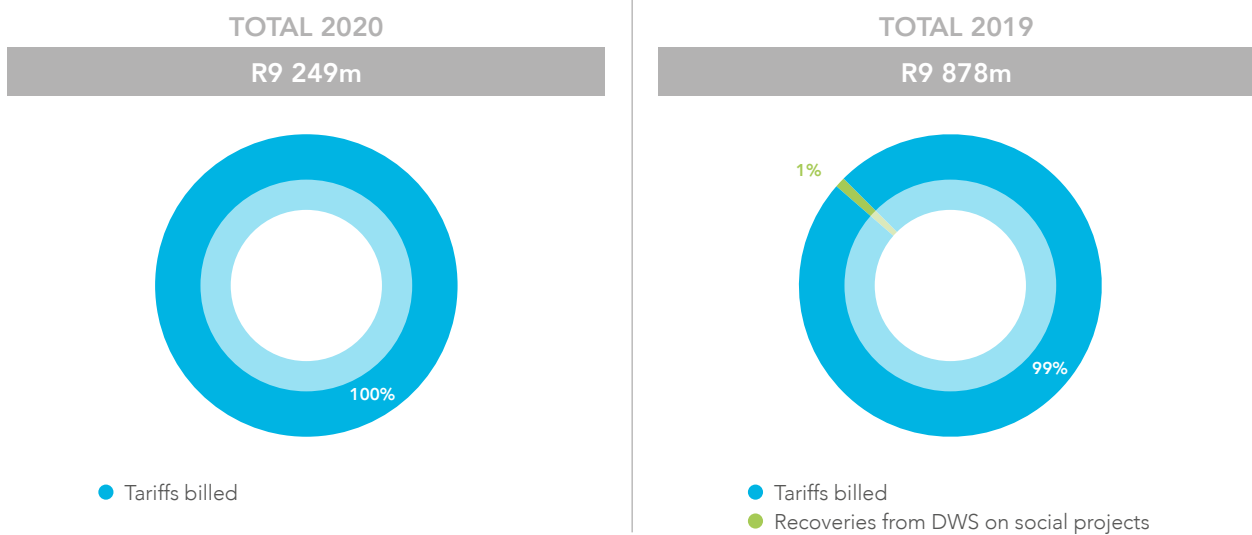
The maturity period of these short-term investments, classified as cash and cash equivalents, are normally less than three months from the date of acquisition.

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 2020 remained unchanged from the year ended 31 March 2019. The total

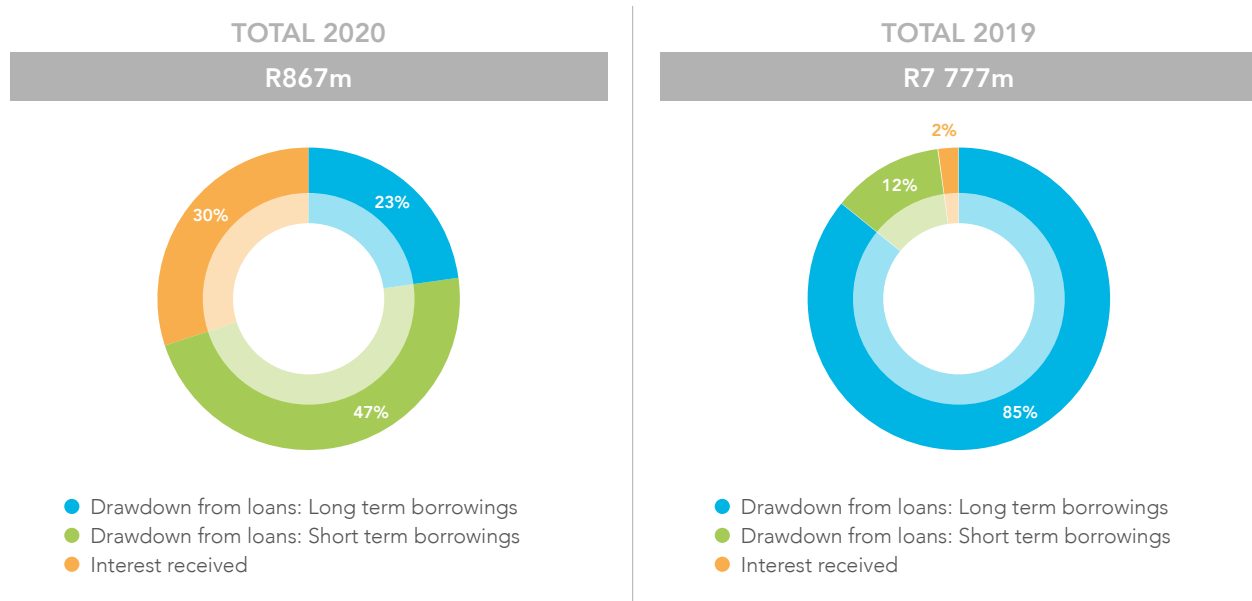
receipts for the 2019/20 financial year amounted to R7.9bn which is lower than the R8.2bn received in 2019. The tariff billing for the current financial year was higher than the previous financial year due to increased volumes. The DWS debtors balance decreased from R2.3bn in 2019 to R1.9bn in the current year. Recoveries on social projects were lower as these projects are nearing completion.

Figure 4: Cash Inflows from Operations



Cash inflows from financing and investing activities for the year ended 31 March 2020 (Figure 2) demonstrate that inflows are mainly due to the additional drawdowns on loans. The net movement in VRS is mainly due to capital repayment on Standard bank loan of R200m and reallocation of WSP4 (R97m) from long term in 2019 to short term in 2020. The ABSA revolving credit facility of R500m was repaid in April 2019. There have been capital repayments in other projects, resulting in the overall decrease in inflows from financing and investing activities.

Figure 5: Cash Inflows from Financing and Investing activities

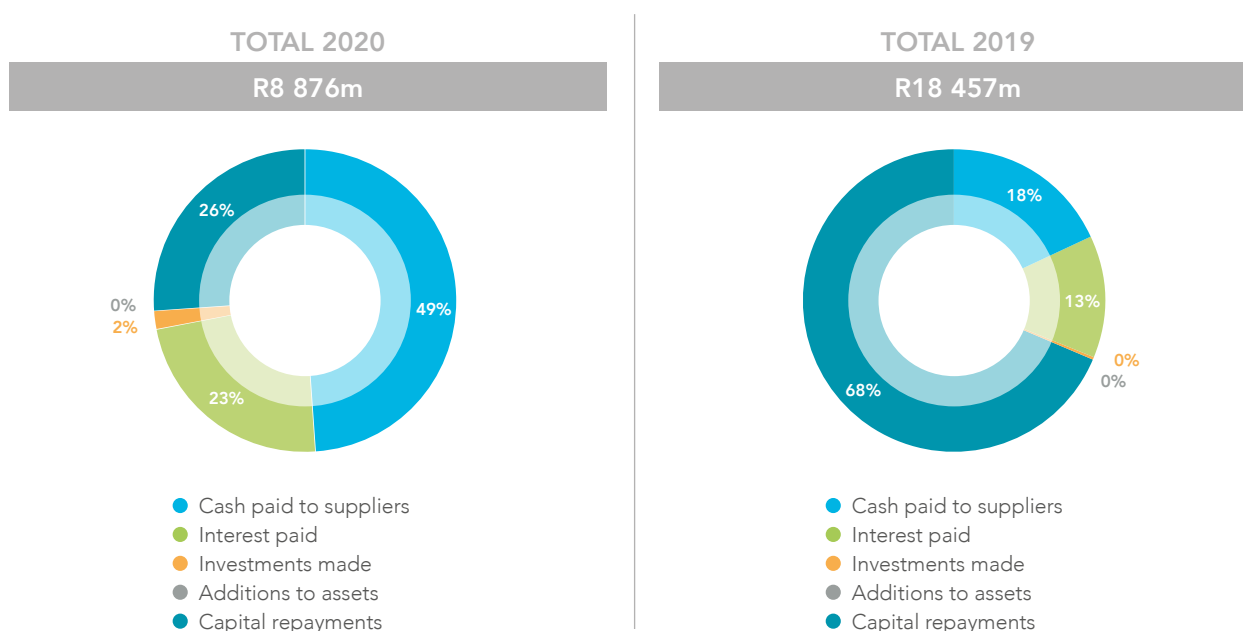


c) Utilisation of Cash Received

Total cash outflows decreased for the year ended 31 March 2020, figure 3, as compared to outflows for the year ended 31 March 2019. The repayment of WS05 matured in August 2019 resulted in high cash outflows during 2019. The cash outflows during 2020 mainly relate to payments to suppliers and employees, whereas cash outflows during 2019 were mostly spent on debt repayments. The overall cash outflows decreased by 52% from 2019.

The Treaty-related costs increased by 7% mainly due to an increase in operating costs for works in Lesotho. Remuneration related costs decreased to 4% of total cash paid to suppliers and employees due to vacancies where planned recruitment processes have been delayed. The delay in filling of positions is partly due to the organisational efficiency exercise that is underway.

Figure 6: Cash outflows



d) Sources of funding

The total value of Bonds, as reflected in figure 4, decreased with R32m from R9 561m in 2019 to R9 529m in 2020 due to the redemption of the WSP3 bond.

The composition of the sources of funding shows a decrease of R1.3bn in the funding by commercial banks. This decrease is due to repayments of capital in all projects.

Figure 7: Funding instruments

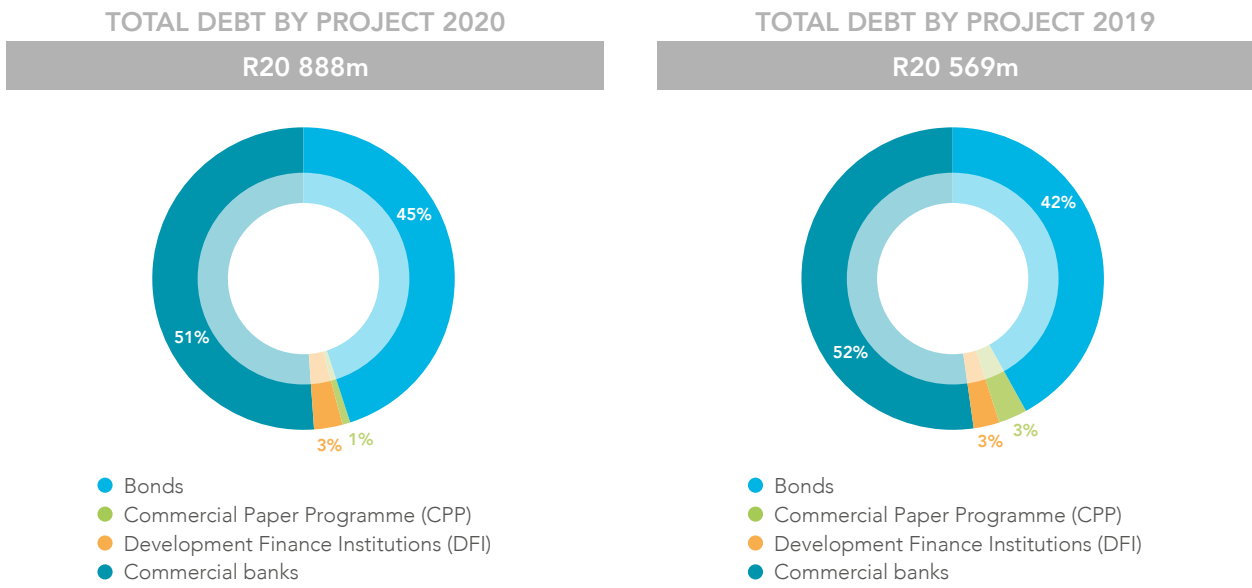
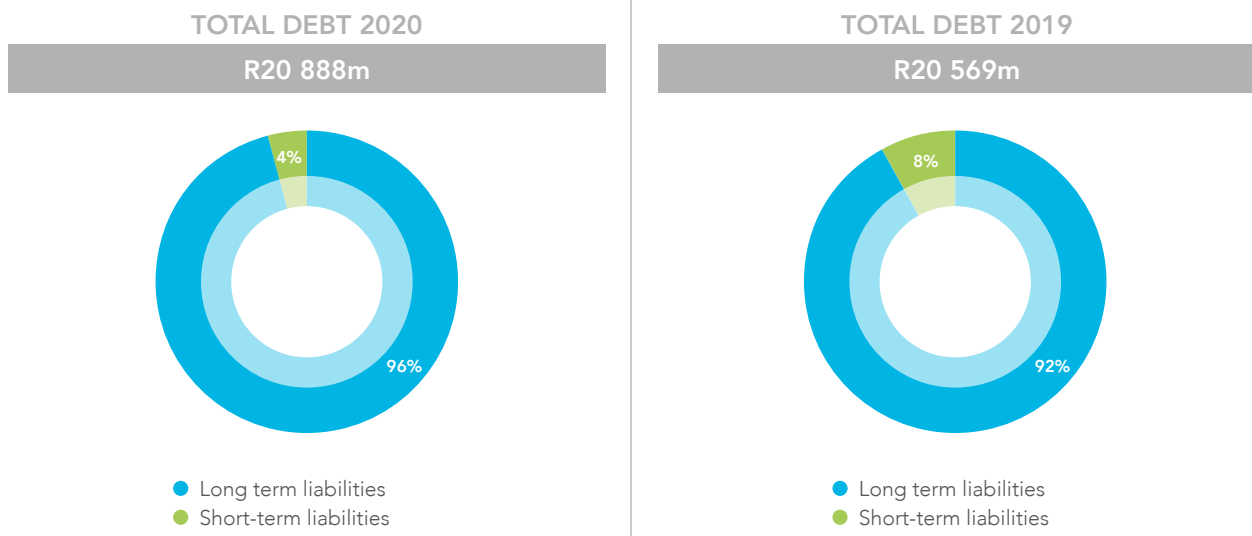


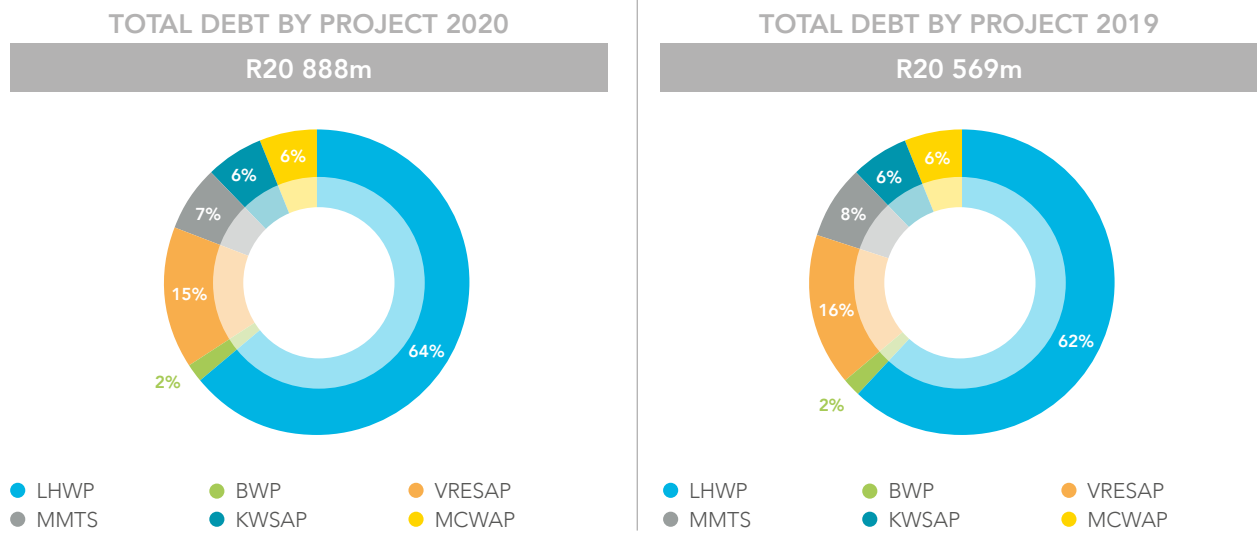
Figure 8: Total Liabilities



e) Distribution of debt across projects updated

As at 31 March 2020, the overall debt outstanding increased by R1 681m and is reflected at an overall balance of R 20.8bn compared to the balance at 31 March 2019 of R 22.5bn. The decrease is as a net result of the capital repayment on the Standard bank loan of R200m and the reallocation of WSP4 (R97m) from long-term in 2019 to short-term in 2020.

Figure 9: Total debt by project







HOW INTEGRATION OF THE VALUE CHAIN WILL PROMOTE EFFICIENCY

The water and sanitation sector has been built on linear principles with national government responsible for water resource management and water boards for bulk supply to municipalities. Municipalities are responsible for water distribution and the collection and treatment of sewage. Treated wastewater, or has been frequently seen, partially or untreated wastewater is discharged into the rivers causing problems for users downstream. On the coast, wastewater is often discharged into the ocean, even though it represents a valuable water resource. This happens because each organisation in the value chain is acting in its own interest; rather than looking at what is best for the sector and South Africa as a whole

The City of Ekurhuleni provides a good example of where a holistic approach would be beneficial, especially in light of the recent decision by Rand Water to give allocations to municipalities in order to restrict usage.

Inefficient use of water by consumers (i.e. leaking plumbing fittings and over consumption) and losses in the reticulation system contributes to supply challenges in two ways. By increasing demand, they require Rand

Water and DWS to increase the capacity of the dams e.g. Phase 2 of the Lesotho Highlands Water Project, water treatment works and bulk supply pipelines. Leaking plumbing fittings and pipes also increase the amount of sewage that needs to be treated, in this case by ERWAT. If left unchecked, it results in the need for increased wastewater treatment capacity. ERWAT itself discharges treated wastewater into the Blesbokspruit, without taking into account the impact this has downstream. Water drains from the Blesbokspruit into the mine void underneath. Previously, the mines pumped and treated the contaminated mine water, but with the liquidation of the mines this responsibility has fallen to DWS.

Also, two of ERWAT's wastewater treatment works and the Department's high-density sludge treatment works are within 8km of each other. However, there is no sharing of resources between the institutions.

Were there to be integration between the different institutions. it would become much easier to identify and implement the most appropriate interventions to reduce water use and improve operational efficiencies.



PART C: **SUSTAINABILITY AND TRANSFORMATION**

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INTRODUCTION

The revision of TCTA's vision, mission and strategic goals reflects our commitment to sustainable development. As such, the organisation actively pursues continual improvement of our environmental and social sustainability performance across the organisation's footprint.

The inaugural Environmental Management System (EMS) Management Review took place in June 2019 during which it was decided that the EMS will be expanded

to encompass all TCTA's operations. The expansion programme has been outlined in the draft 2020-2023 Environmental Strategy which will be presented for approval early in the new year. In the interest of best practice strategy insights were drawn from an inter-organisational benchmarking process, a high-level maturity assessment, internal Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis, internal stakeholder consultation and policy and practice reviews.

MITIGATION OF ENVIRONMENTAL IMPACTS

PROJECT-BASED ENVIRONMENTAL MANAGEMENT

Environmental Authorisations

In preparation for implementation, projects require authorisations, permits and licences in terms of National Environmental Management Act 107 of 1998, the National Water Act 36 of 1998 and in some instances the Mineral and Petroleum Resources Development Act 28 of 2002.

TCTA provided support to DWS on the Environmental Impact Authorisation (EIA) processes for MCWAP2A and uMWP.

DEFF received multiple appeals against the authorisation of MCWAP-2A. The Minister has sought independent legal opinion on the matter and the appeal outcome is awaited. The sensitivity of the appeals and the absence of indicative timeframes for resolving this matter pose a significant risk to the project. In the interim, the TCTA MCWAP-2A team is focusing on the planning and initiation of baseline studies for the most significant social and environmental aspects of the projects.

The uMkhomazi Water Project EIA consultant was required to produce a second addendum of the Environmental Impact Report to incorporate an alternative layout and updated findings from revised specialist studies. The revision addresses impacts related to watercourses, fauna and flora, biodiversity, avifauna, noise, vibration, agriculture, heritage and social aspects of the project. TCTA's has reviewed the addendum and provided recommendations on the proposed Environmental Management Programme (EMPr) to improve the implementability of project environmental

requirements. The EIA addendum for submission to DEFF is ready but is subject to public participation which has been suspended due to COVID-19.

The BRVAS project is authorised for implementation and the Construction EMPr has been approved by DEFF. Project implementation is subject to the resolution of other project constraints, but construction is to commence within 5 years of the date of issue of the 2018 authorisation for it to remain valid.

Compliance

Independent monitoring of the projects, construction phase performance, in terms of EA conditions and EMPr requirements was closed out during the reporting period. Strong compliance performance scores of 99.47% and 97.02% were achieved for MMTS 2 (WTS) and ORWRDP-2C, respectively. Due process has been followed for the conclusion of Environmental Control Officer (ECO) monitoring and reporting to DEFF.

The operational phase of the AMD water treatment facilities in the Eastern Basin and Central Basin are independently audited to test their performance against relevant sections of the AMD-STI EA and EMPr. The Eastern Basin facility achieved 98,95% and the Central Basin facility scored 93,48%, each as an average of their respective EA and OEMPr performance scores.

The operations of the LHWP Delivery Tunnel North maintenance project was monitored against the requirements of the TCTA Environmental Policy in the absence of project-specific environmental compliance

requirements. The project maintained a high standard of performance and no incidents or significant environmental impacts were experienced.

Compliance monitoring and management provisions are included in the planning phase of all new projects. Independent ECO's will be appointed to monitor the construction phase of each project before the commencement of construction. Early works for the establishment of baseline studies and geotechnical investigations on MCWAP2A are being monitored by the PSP's representatives with regular TCTA site inspections. 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.

Incidents

The Central Basin AMD water treatment plant has experienced two incidents that led to the spillage of sludge into the surrounding environment. Both events were reported to the DEFF and have been resolved without any significant medium to long-term impacts on the receiving environment or communities. Measures to reduce the risk of re-occurrence have been investigated and the incidents have been closed out.

Pollution and Waste Management

Waste management and pollution prevention, management and control requirements are included in all the construction and PSP contracts. The AMD water treatment plants actively monitor and manage pollution risks related to dust fall out, groundwater quality, surface water quality, stormwater and erosion.

Resource Transformation and Use

Biodiversity Offsetting

The MMTS2 Biodiversity offset project has concluded the public participation process for the declaration of the larger of the two offset areas as a Nature Reserve, in terms of the National Environmental Management: Protected Area Act. The final submission has been made to the KwaZulu-Natal's MEC for Economic Development, Tourism and Environmental Affairs for declaration.

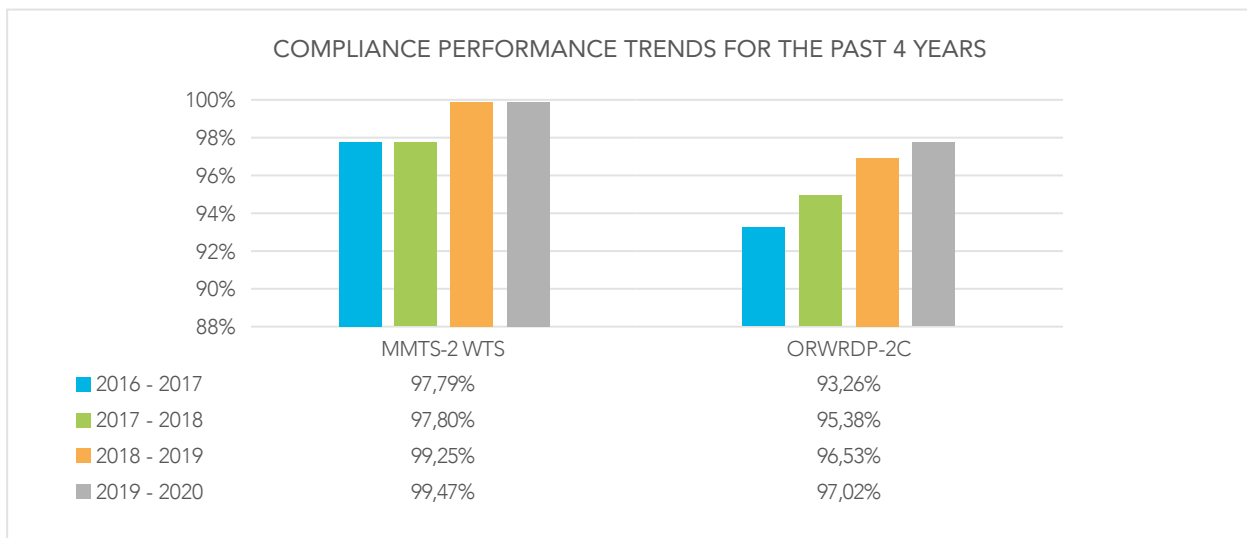
The offset approach, designed by leading offset specialists, relies on the property owner's participation and acceptance. The approved offset area comprises 1303 ha of grassland, 16.4 km of river and 237 ha of wetland on five properties, with two property owners. The primary offset area remains secured, but the owner of the second property (22.8 ha wetland and 2.7 km river) has expressed an intention to withdraw from the programme. Efforts to retain both properties are being made.

An implementation agreement for the sustainable resourcing, operation and maintenance of the offset on behalf of DWS is being negotiated at present. An in-principle agreement has been reached and the outcome of a legal review by the proposed implementer is awaited. Lenders remain supportive of the project and the measures that are being taken to ensure the sustainability of the investment in offsetting.

Servitude Rehabilitation

Rehabilitation of all MMTS2-WTS properties have been completed and landowners have confirmed their acceptance thereof.

Figure 10: Environmental OE Management Performance based on compliance inspection scores



MCWAP1 rehabilitation works have been completed but final acceptance of one borrow area is still to be confirmed. Monitoring and discussions with the property owner are ongoing.

ORWRDP-2C landscaping and rehabilitation efforts have been deemed successful. At the beginning of the

financial year, acceptable cover was still to be established on 7.1% of the site. This has been achieved in all but 1% of the project area and the final rehabilitation maintenance period has been initiated. The final cover assessment for ORWRDP-2C pipeline will serve to confirm the acceptability of rehabilitation maintenance works and will inform the final schedule for rehabilitation closure.

CORPORATE ENVIRONMENTAL MANAGEMENT SYSTEM (EMS)

As part of TCTA's journey to improved understanding of how our business interacts with the environment, TCTA has commenced on a carbon footprint programme. Internal carbon footprinting (CF) competency has been developed and the necessary datasets are being finalised. The TCTA CF corporate facilities footprint calculator is being piloted. It is expected that the first TCTA CF Report will be compiled during the first half of the new financial year.

Water and electricity usage are amongst the most significant resources consumed at the TCTA corporate office facilities. The tracking of water and electricity consumption over the past three years is presented in figures 11 and 12. The consumption patterns are reasonably consistent indicating stable use. The TCTA 2020 Facilities Operational Environmental Management Programmes will include formal measures and targets for the reduction of resource use, specifically targeting a reduction in water and electricity use.

Employee consciousness, on environmental and social sustainability matters, is an essential element of TCTA's

journey to improved sustainability. There has been an increase in the number and quality of awareness building interventions. Presentations on matters of environmental and social sustainability have provided employees with the opportunities to engage actively on topics of interest.

TCTA employees participated in the Denmark Scholarship Programme at the Danida Fellowship Centre in Denmark. Over a period of seven weeks, five of the delegates were exposed to international best practice course on water sector governance and operations. The sixth participant attended a week-long course on green and circular economy leadership. TCTA is represented on national and international fora *inter alia* the Board of the International Association of Public Participation Practitioners, the South African National Committee on Large Dams and on an International Commission on Large Dams technical committee. Presentations on the social management of infrastructure projects and land acquisition were made to the Presidential Infrastructure Coordination Committee.

Figure 11 TCTA Facilities Water Use Per Year

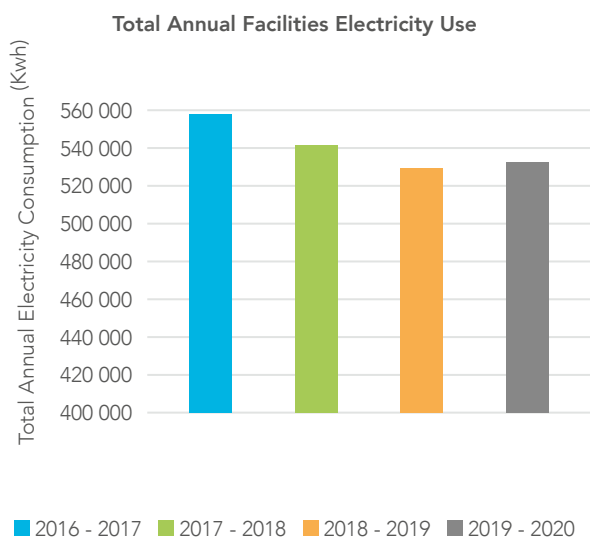
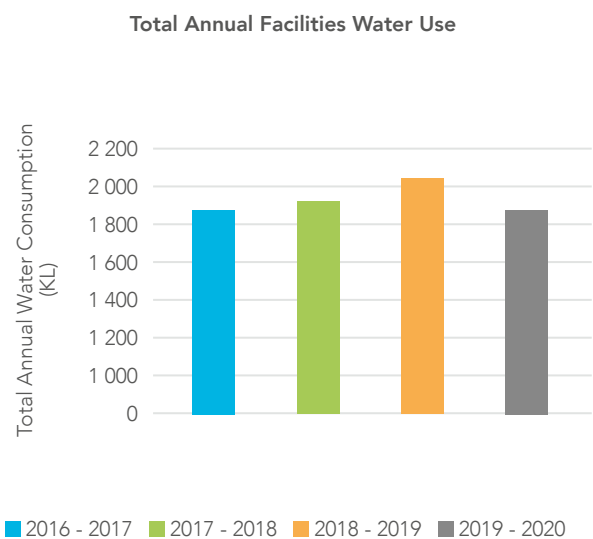


Figure 12 TCTA Facilities Electricity Per Year



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. Thereafter, TCTA is required to appoint a Construction Health and Safety Agent to perform the health and safety oversight as well as monthly audits from which the project's compliance score is derived.

In the 2019/20 financial year, MCWAP-2A was the only project that was approaching construction and therefore as per the Construction Regulations of 2014 TCTA must appoint the CHS Agent for the project. The procurement process for CHS Agent commenced in December 2019 and it is anticipated that the procurement will be finalised during the first quarter of 2020/21 financial period.

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 and anything above this is not acceptable. The formula to calculate RCR is as follows:

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

Since there were no active projects in the construction phase during the reporting period, there were no cases and/or statistics to report.

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 was one fatality accident recorded during the reporting period at Central Basin where a mobile crane fell on an employee on the 5 March 2020. As a result of the fatality, one recordable case was reported which translates to a recordable case rate of 0,64 (due to the number of employees at Central Basin being less than 50, an industry standard of 100 000 hours was used which is for 50 people working 40 hours a week for 50 weeks).

The Eastern and Western Basin plants only recorded first aid, lost time and near misses' incidents.

The health and safety statistics for the three plants in the 2019/2020 financial year are tabulated in Table 6:

Table 6: Summary of AMD Plants Health and Safety statistics

Project	Year	Lost Time Injuries	Fatalities	First Aid	Near miss	Recordable cases	Recordable case rate	H & S compliance score
EASTERN BASIN	2020	3	0	0	94	0	0	99%
	2019	1	0	3	100	0	0	99%
CENTRAL BASIN	2020	1	1	0	86	1	0.64	98%
	2019	0	0	1	108	0	0	97%
WESTERN BASIN	2020	0	0	0	0	0	0	N/A
	2019	0	0	0	0	0	0	N/A

In addition, TCTA operates and maintains the Delivery Tunnel North of the Lesotho Highlands Water Project. A scheduled outage for the inspection and repair of the tunnel was successfully undertaken from 1 October 2019

to 30 November 2019. The tunnel outage achieved the more than 18 000 Lost-Time-Injury free man-hours with only four first aid injuries.

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

During this reporting period, there were no projects under construction.

PROJECTS IN OPERATIONS AND MAINTENANCE

Employees in the service of the operators of the AMD treatment facilities and those employed on LHWP are shown in table 7 below.

Table 7: Operation and Maintenance Employees

Employees	Gender		Ethnic group		Total
	Female	Male	HDI	Non-HDI	March 2019
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	4	4	0	4
Total O&M	28	89	92	25	117

KNOWLEDGE AND LEARNING

ENTRENCHING THE KNOWLEDGE AGENDA

TCTA continues to integrate organisational knowledge flows in support of inclusive learning, to leverage partnerships and networks in support of the knowledge agenda, and to optimise the value accruing from activities that generate knowledge. The knowledge and learning interventions, built on our thought leadership in water management and infrastructure development, as well as the mainstreaming of evaluative knowledge, combine to entrench TCTA as an established knowledge institution. Looking ahead, TCTA will continue to draw on its knowledge assets as a critical driver of its core business strategy, aimed at achieving excellence in the development of bulk water infrastructure, and being a catalyst for social upliftment in the communities affected by our projects.

THOUGHT LEADERSHIP IN THE WATER SECTOR

During the 2019/20 financial year, TCTA sustained its promotion of thought leadership in the water and infrastructure sectors, through presentations at both local and international symposia and conferences, addressing challenges in the sustainable management of water and the coordination, integration and delivery of strategic infrastructure projects. In this regard, TCTA delivered two international and three local presentations, which explored a range of critical water and infrastructure themes. The key areas of focus included the significance of infrastructure maintenance in promoting economic growth; optimal opportunities to improve national water security; water reclamation for reuse; the progression towards seawater desalination in South Africa; and the

role of effective communication in South African public entities.

As per the initial 2012 mandate, TCTA continued in 2019/20 to anchor the coordination of two pivotal national infrastructure programmes: SIP-18, which encompasses all National Water and Sanitation Infrastructure, as well as SIP-3, which deals with the South-Eastern Node and Corridor Development. Strategic and specialised contributions were made towards enhancing the implementation of economic infrastructure in the Eastern Cape, including the refining of implementation options for the uMzimvubu Water Project and the assessment of national water security.

RESEARCH AND PUBLICATIONS

During the year under review, TCTA continued to contribute to the sectoral body of knowledge in infrastructure development and water management good practice, through the research and publishing of thought-leading papers. The research for the reporting period encompassed five strategic themes, and yielded publications on the path towards water security and the pursuit of optimal options for South Africa; planned water reclamation and direct reuse in the country; seawater desalination as a reliable and dependable water source; infrastructure maintenance and management for socio-

economic growth; and effectively communicating goals and results within public sector entities. These diverse, yet related, thought-leading articles helped profile TCTA as a respected knowledge institution, both locally and internationally.

GENERATING LESSONS FOR A LEARNING ORGANISATION

TCTA remains committed to learning as an organisation through its carefully prioritised evaluative work, which engenders a culture of accountability and the management of results. Valuable lessons are drawn from the infrastructure projects and operational programs of TCTA, which support continued growth as a learning organisation. Two evaluative studies were completed during the course of the year, focusing on the effectiveness of external stakeholder engagement and social impact management, as experienced on two capital projects.

Looking ahead, it is foreseen that the mainstreaming of evaluative work, encompassing the review of lessons learned from significant programmes and operations, will enhance the learning and knowledge flows amongst employees and stakeholders, and thereby continue to embed the culture of accountability and the focus on results in the organisation.





INCREASING EFFICIENCY OF WATER USE FROM SOURCE TO TAP TO SOURCE

The storage and transportation of water has a cost associated with it. Reducing losses or unlawful water uses in the system defers the need for capital expenditure. For end users, these can cause lower bills and an ability to produce more with the allocated water (i.e. agriculture).

With water stored in dams, the biggest loss comes from evaporation. Where a dam is operated within a system, the operating rules demand extraction takes place first from the dams with the highest evaporation rates. In the uMgeni System the Albert Falls Dam is given priority and the Vaal Dam is accorded the same treatment in the Integrated Vaal River System.

In South Africa, the natural flow in many of the rivers has been modified with dams constructed in the headwaters or there being transfers into the catchments. The water is then released down the rivers to meet the in-stream flow requirements and benefitting downstream users. Unlawful water use results in less water being available for legitimate users. In the Vaal River System, figures of between 174-241 million m³ per annum have been quoted which represents between 22 and 31% of the yield from the Lesotho Highlands Water Project.

In the bulk water system, losses in the treatment and distribution systems are often less than 4%. If Rand Water buys water from DWS at R3.91/m³, its tariff only needs to be increased to R4.07 /m³ before starting to cover its own costs. However, the impact of non-revenue water is significant in the municipal reticulation systems. Non-revenue water, representing water used by consumers and not billed as well as physical leaks, is reported at 39% in the City of Johannesburg. This means that if Rand Water supplies at R9.35/m³, Johannesburg Water must sell water at a minimum of R15.33/m³ before covering its own costs.

Consumers, through leaking plumbing, are also inefficient in their use of water. It is often not until consumption becomes excessive or water demand management devices are installed, as was done in the City of Cape Town during the drought, do consumers fix leaks. In one commercial property in Johannesburg, a single leaking toilet caused an additional cost of R1 000/month until it was fixed. Another household incurred a bill of over R50 000 for the want of R1 500 to replace pipes.

Using water more efficiently is beneficial for the country, as South Africa reaches the limit of the allocable resources, and to the consumer in lower bills.



PART D: HUMAN CAPITAL, SOCIAL AND ETHICS

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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 2020.

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, 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, and monitor 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 and has regulated its affairs in compliance thereof. The committee reviewed its terms of reference towards the beginning of 2020; the revised terms of reference were approved by the Board on 30 April 2020. The committee is satisfied that it has discharged its responsibilities as contained in the terms of reference and work plan.

During the year under review, the performance of the committee was assessed through a self-appraisal process that was facilitated by the corporate secretariat. The overall score for the Committee was 3.78 (out of 4). Most of the questions were scored high which is indicative that members are confident that the committee is fulfilling its roles and responsibilities in a satisfactory manner.

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. 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 members have sound knowledge and experience of general human resources, which include: strategic human resource management, performance management, talent management, workforce planning, rewards and recognition, including organisational development and design. Members of executive management are permanent invitees to meetings.

Refer to pages 61 and 62 for detailed qualifications and experience of committee members

MEETINGS

Four quarterly meetings and one special meeting were held during the period under review. Attendance during the reporting period is shown below:

Table 8: Attendance at Human Capital, Social and Ethics Committee

Name and Designation	Attendance
*Satish Roopa: Chairman and Independent Non-Executive Director	100%
**Muzi Chonco: Independent Non-Executive Director	100%
***Simphele Kondlo: Independent Non-Executive Director	0%
***Sijabulile Makhathini: Independent Non-Executive Director	100%
****Greg White: Chairman and Independent Non-Executive Director	100%
****Mollale Maponya: Independent Non-Executive Director	100%
****Lindelwa Dlamini: Independent Non-Executive Director	100%
Percy Sechemane: Executive Director (CEO)	100%

*Chairmanship terminated on 17 May 2019, however, remained a member as from the same date

**Term of office ended on 30 April 2019

***Membership terminated on 17 May 2019

****Appointed as a member with effect from 17 May 2019

RESPONSIBILITIES

The Committee is, amongst others, responsible for overseeing:

- general human resource matters
- performance and knowledge management
- remuneration, benefits and incentives
- social and ethics management arrangements. The Committee also considers matters arising from other board committees to conclude on outcomes as regards ethics management

KEY ISSUES THAT RECEIVED ATTENTION DURING THE PERIOD UNDER REVIEW

- performance management
- employee relations monitoring
- ethical risk assessment
- human resource strategic priorities
- social and ethics management
- media analysis
- environmental management
- succession plan for critical roles
- knowledge management
- COVID-19 response plan

The committee made the following recommendations for approval by the Board:

- compensation policy
- resettlement and livelihood restoration policy
- revised performance management policy
- revised recruitment and selection policy
- strategic resourcing plan and high-level structure
- employment equity plan
- revised remuneration policy
- revised short-term incentive policy
- ethics strategy and ethics management plan
- wage mandate and salary increments



Greg White

Human Capital, Social and Ethics Committee
Chairperson

SOCIAL MANAGEMENT

Social interventions for the reporting period included stakeholder engagements during the planning phases of new projects and close-out phases of current projects and Corporate Social Investment. (CSI)

For MCWAP-2A. The engagements are aimed at introducing the project to stakeholders, and to proactively identify social risks and opportunities, mitigation and management measures. Based on the relationship already established, TCTA was invited to the Lephalale strategic planning in February 2020, to provide progress on the MCWAP-2A project for inclusion of Lephalale municipality's support for the project in the municipality's strategic plan. Due to the EIA appeal outcome that is still awaited from DEFF, some stakeholders could not be engaged at this stage.

For the uMzimvubu Water Project, the stakeholder engagements with communities and structures

established for the implementation of Stage 1 (advance infrastructure) of the project, continued. These engagements focussed mainly on facilitating processes for enhancing opportunities for local participation in the project.

Stakeholder engagement to support the servitude handover agreements sign-off by the landowners/users in the ORWRDP-2C is nearing completion, with 93% signed off by the end of the current reporting period

The CSI initiative focussed on the Ekurhuleni municipality where the Central and Eastern Basin treatment plants are situated. This involved providing sanitary pads to the needy girls at local schools and 20 internships in partnership with the local Ward Councillors in the Ekurhuleni Municipality and educational institutions.

STAFF COMPLEMENT AND EMPLOYMENT EQUITY

TCTA's employment numbers for the year ending 31 March 2020 are shown in Table 9. Although 176 and 4 interim positions were approved, only 157 were filled as TCTA adopted a resourcing strategy which allows flexibility in filling positions as and when project mandates and funding are secured.

The financial year 2019/20, marked the end of the three-year Employment Equity Plan. The current and newly developed three-year plan with the associated targets and goals stretches from January 2020 to December 2022, as shown in Table 10 and Table 11. TCTA has shown good results against its ultimate goals as shown in Table 12.

Table 9: Employment and Vacancies

Level	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	1	-	-	1
Senior management	8	1	1	8
Professionally qualified	75	14	9	87
Skilled	47	7	4	45
Semi-skilled	13	7	4	16
Unskilled	-	-	-	-
Total	144	29*	18**	157***

* This figure includes 2 x skilled employees who were appointed during the first month of the financial year, then were terminated upon end of the contract but were subsequently reappointed shortly thereafter in the financial year. 2 x employees were appointed as emergency resources which do not form part of the headcount; 2 x Interim resources were appointed but these form part of the headcount; 1 x HR Temp emergency resource

** This figure includes 2 x skilled employees who were terminated due to end of the contract but were subsequently reappointed shortly thereafter within the financial year (as stated in * above) and of which one resigned thereafter, thus also included; 1 x emergency resource; 1 x HR Temp

*** This figure includes the 2 x emergency resources as well as 2 x Interim resources since they were still employed as at 31 March 2020

The breakdown of employment by category and by personnel cost is given in Tables 10 and 11.

Table 10: Employment by Category

Level	2018/19 Number of employees*	2019/20 Approved posts	2019/20 Number of employees	2019/20 Vacancies	Vacancies as percentages
Top management	1	1	1	-	-
Senior management	8	8	8	-	-
Professionally qualified	76	99	87	25	25.3%
Skilled	47	64	45	13	20.3%
Semi-skilled	14	7	16	1	12.5%
Unskilled	-	-	-	-	-
Total	146	180*	157	39	21.67% (39/180)

*This is excluding 6 HR Temps and 13 Interns.

Table 11: 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 the period	Average personnel cost per employee R'000
Top management	5 404	2.92%	1	5 404
Senior management	21 587	11.67%	8	2 698
Professionally qualified	123 495	66.74%	87	1 419
Skilled	30 683	16.58%	45	681
Semi-skilled	3 858	2.09%	16	241
Unskilled	-	-	-	-
Total	185 027*	100%	157	1 178

*Total costs incurred in the current financial year relating to staff costs amounted to R185m as per the table above. Note 24.3 of the annual financial statements reflects a figure of R165m. This amount also takes into consideration a reversal of the provision for incentives which was raised in the previous financial year. The incentives were not declared as anticipated necessitating that the provision be reversed in the current financial year.

TCTA's Employment Equity status and achievement against set targets for the year under review shows that the target has been achieved in terms of recruitment of black employees. The employment of women in the various employment categories and levels, especially at senior management level remains at a satisfactory level. In this respect, equal remuneration for women and men has been achieved in TCTA. The challenge for the organisation, however, remains to ensure fair representation of people with disabilities. Targeted recruitment has been prioritised in this regard.

Table 12: Overall Employment Equity

Actual / Target	Black	Female	Disabled
Actual	86.6%	49.0%	1.2%
Target (31 March 2020)	85.2%	49.7%	2.5%

Table 13: Breakdown of Employment Equity by Employment Category as of 31 March 2020

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	0	1	.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Senior management	3	2	3	2	0	0	0	0	0	0	0	0	1	2	1	2	0	0	0	0	0
Professionally qualified	34	26	38	33	3	2	3	4	6	2	6	2	5	3	5	4	5	1	5	1	1
Skilled	10	22	22	22	1	6	1	6	0	2	1	2	0	4	1	4	0	0	0	0	0
Semi-skilled	10	6	10	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	58	56	74	62	4	8	4	10	6	4	7	4	6	9	7	10	5	1	5	1	1

Table 14: People Living with Disabilities

Level	Current: 2018/19	Target: 2018/19
Top management	-	-
Senior management	-	-
Professionally qualified	1	2
Skilled	1	2
Semi-skilled	-	-
Unskilled	-	-
Total	2	4

HUMAN CAPITAL PRACTICES

One of TCTA's primary objectives is to create an environment within which the organisation can evolve into a culture of high performance and create a workplace where employees are engaged and fulfilled in their work. Combining the organisational strategic objectives with climate survey results as conducted in the preceding financial year as well as other data points such as exit interviews and social partner engagements with organised labour, TCTA's strategic objectives from a human capital perspective have been the following:

- improving organisational culture and climate;
- enabling skilled and capable employees;
- contributing to the broader Transformation agenda through alleviation of youth unemployment, developing critical skills in the sector and increasing representation of people with disabilities; and
- restoring and cementing meaningful engagement with employees.

CULTURE AND ENGAGEMENT

TCTA supports the notion that employees are engaged when dialogue is prioritised. 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 appeals to the "Head" (Cognitive); "Heart" (Emotional) and "Hands" (performance).

In 2019/20 management continued to implement a culture and climate response plan which focused on:

- improving leadership efficacy;
- improving communication;
- improving human resource efficacy;
- strengthening a performance culture (recognising high performers); and
- aligning systems and processes to enable an effective organisation.

In addition, Management and Labour continued their engagement on matters of mutual consent underpinned by a Recognition Agreement which would be renegotiated in 2020.

SKILLED AND CAPABLE EMPLOYEES

TCTA continues to invest in its people through targeted training interventions aligned with their performance

development plans (PDPs) as well as organisation-wide identified developmental interventions. In this vein, TCTA embarked on a leadership and people management capability development programme where coaching is a cornerstone-intervention, with an already good return on investment shown.

Further, annually, during and after the performance review cycle, employees commit to improving their skills based on the outcome of their performance assessments, Table 15 sets out the indicators for training expenditure.

Table 15: Training Costs

Personnel expenditure R'000	Training expenditure R'000	Training expenditure as a percentage of personnel	Number of employees trained	Average training cost per employee
R185 027	R1 863	1.01%	96	R19 410

ORGANISATIONAL STRUCTURE AND RESOURCE PLAN

For the year under review, TCTA employed 157 people as at 31 March 2020, supported by an approved headcount of 176 for the financial year 2019/20. 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 directives and the securing of funding, reflecting the project environment and financial markets 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. Table 16 below indicates the reasons employees left TCTA.

Table 16: Reasons for Staff Leaving

Reason	Number	(%)
Death	0	-
Resignation	5	29.41
Dismissal	0	-
Retirement	0	-
Ill health	0	-
Expiry of contract*	13	70.59
Total	18**	100

* Expiry of contract refers to fixed-term contracts ending

** This figure includes 2 x skilled employees who were terminated due to end of the contract but were subsequently reappointed shortly thereafter within the financial year and of which one resigned thereafter, thus reflects as 3 x terminations; 1 x emergency resource; 1 x HR Temp; 2 x Interim resources

REMUNERATION

The world of work is constantly changing in terms of the skill set required as well as the makeup of our staff compliment. The endless challenge for employers is balancing the requisite levels of staff with appropriate skills, competencies and drive. We have learnt that the emotional contracting has taken a backseat with the new era of the “gig economy” (a labour market characterised by the prevalence of short-term contracts or freelance work as opposed to permanent jobs) alongside the multi-generational workforce with the increase of millennials in the workplace. TCTA is required to remain agile to attract, develop and retain engaged and capable employees.

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

TCTA subscribes to good governance principles and have conducted a management review of its remuneration practices, in line with the prescripts of Principle 14 within the King IV™ report.

TCTA's five-year Remuneration Strategy set out to achieve the following objectives, namely:

- 1) Fair and well-understood rewards and recognition framework;
- 2) Effective remuneration practices aligned with strategy and policies;
- 3) Re-establishing a pay-for-performance culture; and
- 4) To promote the financial health of employees.

Fair progress has been made with regard to the recognition and reward portfolio, with the major focus for the 2020/2021 year, being the regrading of positions, underpinned by clear and transparent communication about the job evaluation process. To promote a pay-for-performance culture, the partial success of implementing this strategy (performance linked-increases) relies heavily on the actualisation of a meaningful performance management system under which TCTA identifies high performers.

The TCTA's remuneration policy applies to all employees and 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 pay-lines 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 pay line 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. TCTA identified the available companies within the database of the service provider.

The guaranteed pay includes the employer's contributions to employee benefits. This element has been 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, 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.

All TCTA's employees are paid on a Total Cost to Company basis and are remunerated within the formal pay line structure, ensuring we comply with the principle of fair and responsible remuneration practices. Internal pay gap and disparities in remuneration in the organisation are being monitored closely and where necessary, adjusted.

Variable Pay

All employees, including Executive Management, participate in the annual Short-term Incentive Scheme (STI). STI payments are discretionary and depend on business and individual performances. The organisational STI bonus pool is determined by the organisational performance but remains the discretion of the Board. During the 2019/20-year TCTA has not paid out incentives to employees.

TCTA also cautiously use methods such as attraction payments, when critical skill is being secured. During the 2019/20 financial year, no such payments were made.

EMPLOYEE RELATIONS MANAGEMENT

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, it also sustains a healthy working environment. In this endeavour, Organised Labour is a key stakeholder for TCTA. Cases of misconduct and disciplinary action were taken during this period are set out in Table 17.

Table 17: Labour Relations: Cases of Misconduct and Disciplinary Action

Reason	Number
Verbal warning	10
Written warning	7
Final written warning	0
Dismissal	0

HR AND OD AS BUSINESS ENABLER

Delivering on the above Human Capital Focus areas, a Human Resource business partnering model supported by a skilled Centre of Expertise was introduced to align the human resources function to the increasing demands of the organisation to provide timeous and relevant interventions and solutions. The model is a strategic human resources delivery practice in response to the strong evidence that links people management practices and business success.

The business partnering model recognises integrated service delivery and builds alignment between human resources functions and business objectives. Furthermore, it is a key driver to assist line management with human resources solutions through frontline feedback systems. This model projects the organisation’s human resources function as an embodiment of co-creation and partnership in developing people solutions.

The above Human Capital strategies were being implemented in a fast-changing world of work, influenced by the changing economic landscape and the 4th Industrial Revolution. Management practices require adaptability and flexibility, which was especially realised at the end of the financial year with the advent of COVID-19.





EFFECTIVE REGULATION OF WATER SERVICES

The objective of regulation is to achieve a continual improvement in the standard of services that the consumer experiences, in the most efficient manner possible and without causing unacceptable environmental pollution. Effective regulation is required to enable proactive interventions to take place before services collapse, which then require significant sums of funding to rehabilitate. Regulation should always be seen as providing an enabling environment to promote excellence in service delivery rather than a tool to punish.

The approach of waiting until a Province places a municipality under administration, in terms of Section 139 of the Constitution, is ineffective. It deprives people of their rights of access to water and to a safe environment, unacceptable periods of time. The recent court case in which the residents took the Makana municipality and

the Eastern Cape government to court to force the province to dissolve the council highlights the problems with this approach.

There needs to be immediate progress. This can be done by ensuring that Blue, Green and No-Drop Reports are revived, as set out in the National Water and Sanitation Master Plan. The assessments must be carried out yearly and sufficient funds made available to undertake the work. Information must be published to ensure that the meta principles of regulation, credibility, legitimacy and transparency are adhered to.

Thereafter the regulatory regime can be developed at a pace that matches the capacity and financial resources of the sector.












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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 13: Board of directors as from 1 May 2019

			
Director	Gerald Dumas	Maemili Ramataboe	Simphiwe Khondlo
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	Satish Roopa	Norman Baloyi	Mavis Maponya
Designation	Independent Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director
			
Director	Lindelwa Dlamini	Greg White	Percy Sechemane
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 18: 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

EXECUTIVE AUTHORITY

In accordance with the Notice of Establishment 2000, the Board is appointed by the Executive Authority (the Minister of Human Settlements, Water and Sanitation). Directors are appointed through a formal, competitive and transparent process. The Minister appointed a new Board of directors with effect from 1 May 2019; the National Treasury representative position on the Board remains vacant. The Executive Authority ensures that the appropriate mix of directors is appointed with the

necessary skills, experience and qualifications to lead the organisation.

The Board engaged the Minister of Human Settlements, Water and Sanitation on 22 October 2019 on the status of the organisation and on 21 February 2020 regarding the audit outcomes for 2018/19 and critical risks and issues relating to project funding.

PORTFOLIO COMMITTEE ON HUMAN SETTLEMENTS, WATER AND SANITATION

The Portfolio Committee on Human Settlements, Water and Sanitation and the Standing Committee on Public Accounts oversee the performance of TCTA, within the broader context of its contribution to the sector and the State. During the reporting period, TCTA attended a Human settlements, Water and Sanitation Committee

meeting on 22 October 2019 to discuss the outstanding debt owed to DWS and the water boards, and on 13 November 2019 and 11 March 2020 the Standing Committee on Public Accounts meeting to explain the delays in the submission of the Annual Report,

SHAREHOLDER'S COMPACT

In terms of Treasury Regulations issued under 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 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 of directors is ultimately accountable for the governance and performance of TCTA, balancing the interests of the organisation as a responsible citizen with the legitimate interests and expectations of stakeholders. The Board provides oversight, strategic direction and leadership, determines the goals and objectives of TCTA and approves strategic policies.

As the focal point and custodian of corporate governance, the Board of directors of TCTA is fully committed to the principles of good corporate governance as set out in the King IV™ Report on Corporate Governance for South Africa, 2016 (King IV™), and regard it as fundamentally important to creating value through the application of good principles and governance outcomes through its own ethical and effective leadership namely ethical

culture, performance and value creation, adequate and effective control, trust, good reputation and legitimacy.

The Board ensures the appropriate application of King IV™ by adopting relevant or appropriate practices, as determined by the Board, that will give effect to these principles in the context of the organisation. Our King IV™ application register is on page 67.

BOARD CHARTER

To guide its effective functioning, the Board annually reviews its charter. The Board Charter was amended in April 2020, the provisions of which at all times are subject 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 good corporate governance practices 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.

INDUCTION AND TRAINING

On appointment, new directors undergo an induction programme to facilitate their understanding of the business environment and markets in which the organisation operates. This programme is facilitated by the company secretary and includes, inter alia, information on the Notice of Establishment, ministerial directives, organisational structure and leadership configuration,

the business model and funding approach and financial performance. The business is also introduced 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

Seven scheduled and three special meetings, including a two-day strategy session and a risk workshop, were held during the period under review. Attendance for the reporting period are shown below.

Table 19: Attendance at Board Meetings

Director	Designation	Attendance
* Zodwa Manase	Independent Non-Executive Director/Board Chairperson	100%
* Jacob Modise	Independent Non-Executive Director/Deputy Chairman	100%
* Muzi Chonco	Independent Non-Executive Director	50%
* Michael Ellman	Independent Non-Executive Director	100%
* Thepiso Moahloli	Non-Executive Director	0%
* Sijabulile Makhathini	Independent Non-Executive Director	50%
** Gerald Dumas	Independent Non-Executive Director/Board Chairman	91%
** Maemili Ramataboe	Independent Non-Executive Director/Deputy Chairperson	100%
*** Simphiwe Kondlo	Independent Non-Executive Director	92%
*** Satish Roopa	Independent Non-Executive Director	100%
** Greg White	Independent Non-Executive Director	73%
** Mollale Maponya	Independent Non-Executive Director	100%
** Norman Baloyi	Independent Non-Executive Director	91%
** Lindelwa Dlamini	Independent Non-Executive Director	100%
Percy Sechemane	Executive Director (CEO)	100%

* Term of office ended on 30 April 2019

** Appointed as a director with effect from 1 May 2019

*** Reappointed as a director with effect from 1 May 2019

BOARD LEADERSHIP

The Board is led by an independent non-executive chairman, in compliance with paragraph 3.84 of the JSE Listings Requirements and recommended practices of King IV™. The role of the chairman 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.

KEY FOCUS AREAS FOR 2019/20

In the period under review, the Board focused on:

- the refinement of the TCTA strategic framework;
- finalising the employment equity plan;
- changes to the strategic delegation of authority and approval of the Promotion of Access to Information Act (PAIA) manual;
- change management, performance management, organisational culture and strategic resourcing;
- the outcome of the ethics risk assessment and approval of the ethics strategy and implementation plan;

- borrowing limits for uMWP, MCWAP, BRVAS and the VRS Loan Agreements;
- funding strategies and the borrowing programme; and
- introducing amendments to the performance management policy, the recruitment and selection policy and the remuneration policy

ROLE AND RESPONSIBILITIES

Table 20: Role and Responsibilities

Functions	Responsibilities
Chairperson	<ul style="list-style-type: none"> • providing overall leadership to the Board; • overseeing that the Board leads ethically and effectively and that the Board conducts itself in a way that cultivates and exhibits the characteristics of integrity, competence, responsibility, accountability, fairness and transparency; • taking the lead in the allocation of Board members to committees including the appointment of the respective chairs; • taking the lead in ensuring the evaluations of the Board, its committees and its members and in addressing non-performance by members; • mentoring new/young/less experienced Board members to develop skill and enhance confidence; • overseeing that conflicts of interest, declarations, recusal are addressed appropriately; • ensuring that good relations are maintained with the shareholders and other material stakeholders; • acting as the link between the Board and the CEO; • overseeing the performance appraisal of the CEO and the Company Secretary; • act as a sounding board and offer guidance to the CEO during times of crisis; and • act as the contact point for the Company Secretary in respect of the discharge of statutory duties and other duties performed for the Board.
Deputy Chairperson	<ul style="list-style-type: none"> • leading in the absence of the chairman; • serving as a sounding board for the chairman; • acting as an intermediary between the chairman and other board members ; • dealing with stakeholder' concerns where contact through normal channels has failed, or where such contact is inappropriate; • chairing discussions and decision making by the Board on matters where the chairman is conflicted; and • leading the performance appraisal of the chairman.
Chief Executive Officer	<ul style="list-style-type: none"> • leading the implementation of approved strategy, policy and operational planning; • serve as the link between management and the Board; • monitoring and managing the day-to-day operational requirements and administration of the organisation; • developing business plans, policies and objectives for consideration by the Board and considering the business, economic and political trends that may affect operations; • managing/ensuring the submission of reports, financial statements and consolidated budgets for consideration by the Board; and • overseeing the financial management, including financial planning, cash flow and management reporting.

BOARD COMPOSITION AND DIRECTOR INDEPENDENCE

The Board comprises the appropriate balance of knowledge, skills, experience, diversity and independence to discharge its governance role and responsibilities objectively and effectively. Individual members bring considerable and diverse demographics, skills and experience to the boardroom. In line with King IV™, non-executive members may be categorised as independent if the Board concludes that there is no interest, position, association or relationship which, when judged from the perspective of reasonable and informed

third party, is likely to influence unduly or cause bias in decision-making in the best interest of the organisation. After a formal assessment, the Board concluded that the majority of the directors are independent.

Independent non-executive directors = 89%

Executive directors = 11%

Diversity of skills and experience

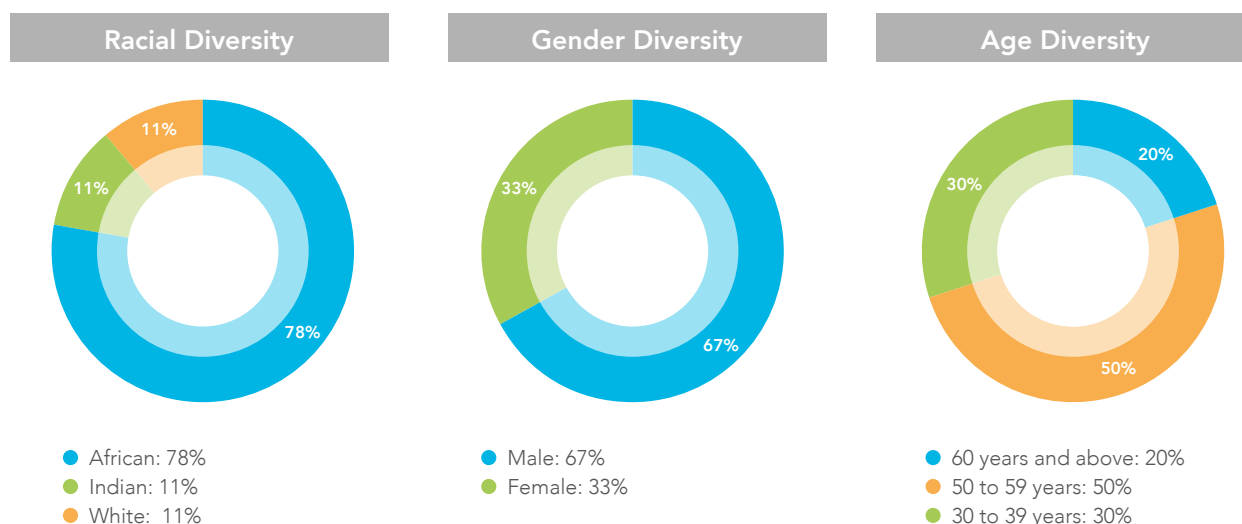
The Board skills matrix is as follows:

Table 21: Skills and Reference of Directors

Surname & Initials	Gender	Race (African, Asian, Coloured and White)	Age	Skills, Knowledge and Experience		Terms of Board Appointment		Active membership on other organisations/ companies/ entities/boards
				Qualifications	Field of Specialty	Date of first appointment	Exit Date	
Dumas, G	Male	African	68	<ul style="list-style-type: none"> MBA BSc Municipal Executives Fin Prog 	<ul style="list-style-type: none"> Business Management Finance Operations Strategy 	2019/05/01	2022/04/30	<ul style="list-style-type: none"> Market Theater Foundation Nethezeka Business Solution
Ramataboe, M	Female	African	64	<ul style="list-style-type: none"> CA MBA Accredited Associate of the Institute for Independent Business 	<ul style="list-style-type: none"> Finance & Auditing Project Management Risk Management & Compliance Strategy & Ethics Corporate Governance Corporate Treasury 	2019/05/01	2022/04/30	<ul style="list-style-type: none"> CSOS UBank MAE Risk Management H.V Utilities
White, G	Male	White	59	<ul style="list-style-type: none"> BA Admin (Hons) Development Studies BA (Economics) 	<ul style="list-style-type: none"> HR Finance Economics Governance 	2019/05/01	2022/04/30	None
Roopa, S	Male	Indian	62	<ul style="list-style-type: none"> BJuris LLB MPhil Certificate: Transformation of Institutes of Higher Education Certificate: Executive programme for Leaders in Government Certificate: Negotiating International Contracts & Development Finance Certificate: Global Housing Trends 	<ul style="list-style-type: none"> Legal HR Philosophy Risk 	2015/12/01	2022/04/30	<ul style="list-style-type: none"> Roopa Ruysenaar and Associates S Roopa Consultants Afriforte Mphete Ventures Independent Commission for the Remuneration of Public Office Bearers Da Vinci Institute: School of Business Leadership Investigation and Recommendations Committees of North West Legal Practice Council Legal Services Committee of Legal Aid South Africa Roopa Potgieter Incorporated Attorneys

Surname & Initials	Gender	Race (African, Asian, Coloured and White)	Age	Skills, Knowledge and Experience		Terms of Board Appointment		Active membership on other organisations/ companies/ entities/boards
				Qualifications	Field of Specialty	Date of first appointment	Exit Date	
Dlamini, L	Female	African	33	<ul style="list-style-type: none"> BSc Hons - Environmental and Water Science BSc - Env Sc 	<ul style="list-style-type: none"> Environmental Management 	2019/05/01	2022/04/30	None
Khondlo, SN	Male	African	52	<ul style="list-style-type: none"> Dip: Civil Engineering BSc Agric. Engineering MSC Eng. Management Dip: Project Management Certificate: Property Practitioner Practice 	<ul style="list-style-type: none"> Engineering Project Management Audit 	2006/07/01	2022/04/30	None
Baloyi, N	Male	African	45	<ul style="list-style-type: none"> Advanced Diploma in Accounting Sciences BSc Mathematics and Applied Mathematics BSc Computer Science and Information Systems Bcom Financial Management Bcom Human Resource Management BSc (Hons) Computational and Applied Mathematics BCom (Hons) PGDip Business Management HDip Computer Auditing MSc Applied Science in Electrical Engineering MSc Electronics MBA MPhil Development Finance 	<ul style="list-style-type: none"> Financial Management Risk Management Strategic Leadership Project Management Infrastructure Development HR 	2019/05/01	2022/04/30	<ul style="list-style-type: none"> SASRIA SAHPRA
Maponya, M	Female	African	56	<ul style="list-style-type: none"> LLB, Univ of North B.Juris, Univ of North Admitted Attorney 2016 	<ul style="list-style-type: none"> HR Audit Planning and Strategy Corporate Governance 	2015/12/01	2022/04/30	None

Figure 14: Board gender, racial and age diversity



BOARD PERFORMANCE EVALUATION

The effectiveness of the Board and its committees are assessed every second year by an independent third party. During the period under review, a self-appraisal was performed with the Corporate Secretariat playing a facilitating role. Most of the questions were scored high which is indicative that members are confident that the Board members are fulfilling their roles and responsibilities well. The necessary measures were put in place to address the identified performance shortcomings.

COMPANY SECRETARY

All directors have access to the services and advice of the company secretary, Ms Wilma De Witt (BLC, LLB, LLM). She is not a director of TCTA and maintains an arms-length relationship with the Board. The company secretary supports the Board as a whole, and directors individually, by guiding how to fulfil their related responsibilities in the best interests of TCTA. To achieve these objectives, independent advisory services are retained by the company secretary at the request of the Board or its committees. The company secretary maintains her knowledge of developments in corporate governance best practice and regulation. In July 2020, on recommendation of the Human Capital, Social and Ethics committee, the Board considered the performance assessment of the company secretary and remains satisfied with her competence and experience.

BOARD COMMITTEES

The Board has established committees to assist with fulfilling its responsibilities in line with the provisions of its charter, promote independent judgement and

ensure a balance of power. The Board acknowledges that delegating authority to these committees does not detract from its responsibility to discharge its fiduciary duties to the company. Each committee is chaired by an independent non-executive director and has its terms of reference. The committees' terms of reference are reviewed annually by the Board. These set out their roles and responsibilities, functions, the scope of authority and composition. In April 2020, the Board approved amendments to all the committees' terms of reference.

The assessment process for the financial year concluded that each committee was satisfied it had fulfilled its responsibilities against its terms of reference. 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.

The Board reconstituted some of its committees following the appointment of new directors in May 2019. The Governance and Sustainability Committee was dissolved with the governance responsibilities having been delegated to the Nominations and Governance Committee (previously known as the Nominations Committee) and the sustainability responsibilities to the Human Capital, Social and Ethics Committee.

Governance and Sustainability Committee *(dissolved in May 2019)*

The committee comprised five independent non-executive directors and the Chief Executive Officer. The Committee was chaired by an independent non-executive director, appointed by the Board. One meeting was held during the period under review. Attendance for the reporting period are shown below:

Table 22: 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	100%
* Michael Ellman	Independent Non-Executive Director	100%
* Simphiwe Khondlo	Independent Non-Executive Director	100%
Satish Roopa	Independent Non-Executive Director	100%
Percy Sechemane	Executive Director (CEO)	100%

*Term of office ended on 30 April 2019

Nominations Committee (renamed the Nominations and Governance Committee in May 2019)

The committee comprised five independent non-executive directors appointed by the board. One meeting was held during the period under review. Attendance for the reporting period are shown below:

Table 23: Attendance at Nominations Committee

Director	Designation	Attendance
* Jacob Modise	Chairman and Independent Non-Executive Director	100%
* Sijabulile Makhathini:	Independent Non-Executive Director	100%
* Muzi Chonco:	Independent Non-Executive Director	100%
Satish Roopa	Independent Non-Executive Director	100%
Simphiwe Kondlo:	Independent Non-Executive Director	100%

*Term of office ended on 30 April 2019

Audit and Risk Committee

The committee comprises four (4) independent non-executive directors. The Committee complies with all applicable legal and regulatory requirements as necessary under the legislation and applies the corporate governance practices for audit committees as recommended by King IV™.

The Board recognises the important role of the Committee in overseeing the risk management and governance processes. 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 information technology (IT), risks as they relate to financial reporting.

Refer to page 88 for the Chairperson's report which 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 independent non-executive directors and the Chief Executive Officer. The committee is chaired by a non-executive director, appointed by the Board. 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 financial reporting, 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 one special meeting were held during the period under review. Attendance for the reporting period are shown below:

Table 24: Attendance at Finance Committee Meetings

Name and Designation	Attendance
* Michael Ellman: Chairperson and Independent Non-Executive Director	100%
Satish Roopa: Independent Non-Executive Director	100%
* Muzi Chonco: Independent Non-Executive Director	0%
* Tshepiso Moahloli: Non-Executive Director	100%
** Norman Baloyi: Chairman and Independent Non-Executive Director	100%
** Simphiwe Kondlo: Independent Non-Executive Director	100%
** Greg White: Independent Non-Executive Director	75%
Percy Sechemane: Executive Director (CEO)	80%

*Term of office ended on 30 April 2020

**Appointed as a member with effect from 17 May 2019

Human Capital, Social and Ethics Committee

The committee comprises four (4) independent non-executive directors and the Chief Executive Officer who is recused from remuneration decisions. The committee is chaired by a non-executive director, appointed by the Board. The 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 to promote the achievement of strategic objectives and positive outcomes in the short, medium and long-term.

Refer to pages 46 for the Chairperson's report which 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 independent 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 meetings were held during the period under review. Attendance for the reporting period are shown below:

Table 25: Attendance at Technical Committee Meetings

Name and Designation	Attendance
Simphiwe Khondlo: Chairperson and Independent Non-Executive Director	100%
* Michael Ellman: Independent Non-Executive Director	100%
* Sijabulile Makhathini: Independent Non-Executive Director	100%
* Muzi Chonco: Independent Non-Executive Director	100%
* Tshepiso Moahloli: Non-Executive Director	0%
** Gerald Dumas: Independent Non-Executive Director	67%
** Maemili Ramataboe: Independent Non-Executive Director	100%
*** Mollale Maponya: Independent Non-Executive Director	100%
**** Lindelwa Dlamini: Independent Non-Executive Director	100%
Percy Sechemane: Executive Director (CEO)	100%

* Term of office ended on 30 April 2019

** Appointed as a member with effect from 17 May 2019

*** Appointed as a member with effect from 17 May 2019 but membership terminated on 31 July 2019 due to membership changes between the Technical Committee and the Audit and Risk Committee

**** Appointed as a member with effect from 31 July 2019

Nominations and Governance Committee:

The committee comprised five independent non-executive directors. The mandate of the committee is, amongst others, to oversee the process of appointment and removal of the CEO and the company secretary. Although the committee does not have the power to nominate or elect Board members, the committee actively seeks to collaborate with the Executive Authority on the required knowledge, skills and capabilities of new directors.

The committee reviews the structure and composition of its committees, from time to time, to enhance its effectiveness and oversees the development of an induction programme for new directors. The committee further ensures that a continuous development and training programme for directors are in place and

oversees the performance review of the Board and its committees. Concerning governance matters, the committee has oversight over the development and implementation of the organisational strategy and the business model including the corporate plan and predetermined objectives. The committee also annually considers the outcome of organisational performance review and review the application of King IV™ practices. Five meetings were held during the period under review. Attendance for the reporting period are shown below:

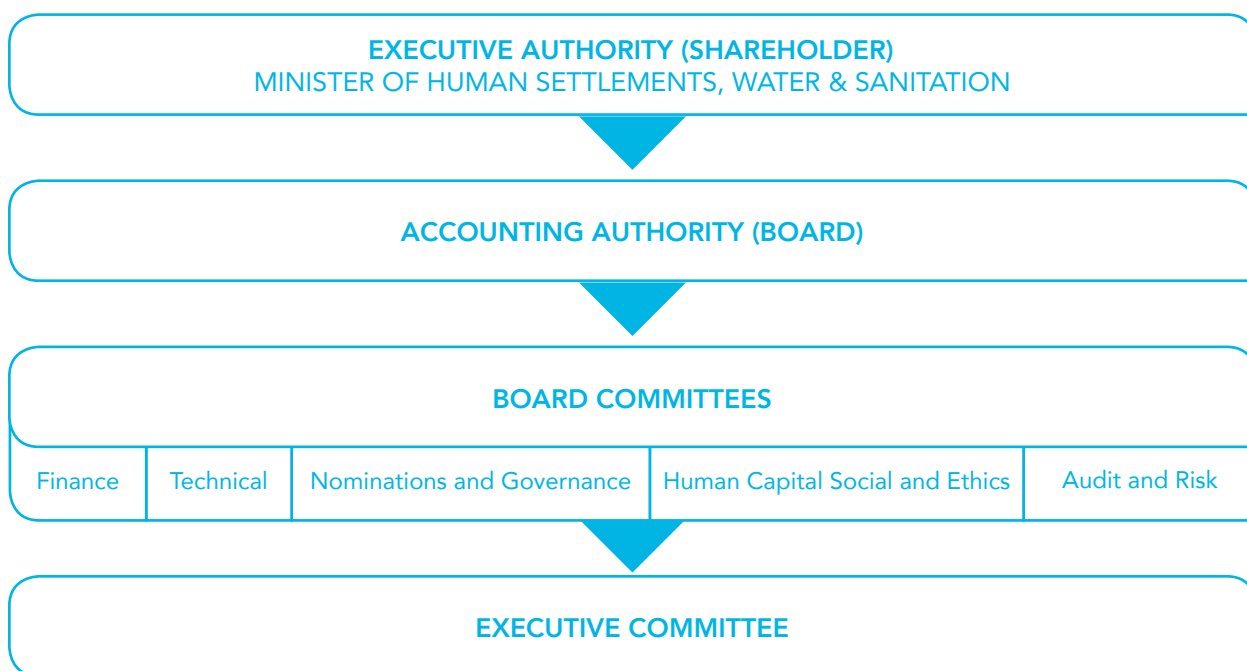
Table 26: Attendance of Nominations and Governance Committee

Director	Designation	Attendance
* Gerald Dumas	Chairman and Independent Non-Executive Director	80%
* Maemili Ramataboe	Independent Non-Executive Director	80%
* Simphiwe Kondlo	Chairman and Independent Non-Executive Director	100%
* Greg White	Independent Non-Executive Director	60%
* Norman Baloyi	Independent Non-Executive Director	100%



GOVERNANCE FRAMEWORK

Figure 15: Corporate Governance Framework



*Appointed as a member with effect from 17 May 2019

APPLICATION OF KING IV™ PRINCIPLES

TCTA subscribes to applicable governance legislation and guidelines including King IV™ principles which guide good corporate governance practices within any organisation. TCTA prides itself on its commitment to good governance as it delivers on its mandate of providing raw water infrastructure using state and

investor funding. The tone for ethical business practice is set by the Board and it filters through every level of the organisation.

TCTA applies the first 16 principles of King IV™, which are relevant to the organisation, in the conduct of its

business, striving to ensure efficient service delivery and to achieve the governance outcomes of an ethical culture, good performance, effective control and legitimacy.

Table 27: Application of King IV™ Principles

KING IV™ PRINCIPLE	APPLICATION
<p>Principle 1:</p> <p>The governing body should lead ethically and effectively.</p>	<p>TCTA is committed to the highest level of corporate governance and ethical business behaviour. The Board sets, demonstrates and promotes the organisation's values, which are documented in TCTA's Code of Business Conduct and Ethics, along with its culture and behaviour. The executives and senior management are responsible for ensuring that these ethical values and effective behaviour are instilled and maintained in the day-to-day activities of the organisation.</p>
<p>Principle 2:</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 the establishment of an ethical culture at TCTA. This includes monitoring adherence to TCTA's Code of Business Conduct and Ethics, which applies to all employees and non-executive directors and forms part of the contractual obligations of parties in the supply chain.</p> <p>Ethical standards are also incorporated into the various functional policies and procedures, the implementation of which is monitored via the Human Capital Social and Ethics Committee to ensure that measures are taken to achieve adherence to ethical standards facilitating a sustainable, ethical corporate culture and oversee the development and implementation of programmes, guidelines and practices congruent with social and ethics policies.</p> <p>TCTA provides an independently run mechanism, Tip-offs Anonymous, to enable employees and third parties to report any perceived or alleged irregular and unethical behaviour in a confidential and controlled manner. Allegations are monitored and managed within the organisation Internal Audit function, and quarterly feedback is provided to the Audit and Risk Committee.</p>

KING IV™ PRINCIPLE	APPLICATION
<p>Principle 3:</p> <p>The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</p>	<p>The Board, via the Human Capital Social and Ethics Committee mandate, drives the advancement of economic and social development of our communities through collaborative long-term partnerships. Responsible corporate citizenship is strongly embedded in the organisation's strategy, underpinned by the TCTA strategic thrust of driving sustainable business.</p> <p>The Human Capital Social and Ethics Committee assists the Board with the monitoring and reporting of social, ethical and transformational practices that are consistent with responsible corporate citizenship.</p>
<p>Principle 4:</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, under the Board Charter, 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 realisation of TCTA's core purpose and values through this strategy.</p> <p>It also adopts a stakeholder-inclusive approach in its decision-making so that legitimate and reasonable stakeholder needs, interests and expectations are considered for sustainable value creation.</p> <p>The Board reviews and monitors the capital and resources required for the achievement of the organisation strategy. TCTA has a formalised risk management process which takes into account 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>
<p>Principle 5:</p> <p>The governing body should ensure that reports issued by the organisation enable stakeholders to make informal assessments of the organisation's performance and its short, medium and long-term prospects.</p>	<p>TCTA publishes an Integrated Annual Report that presents the material information on TCTA in an integrated manner. This 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. Information on the organisation's value creation is presented in a concise, understandable and contextualised manner so that the integrated performance of the organisation and its prospects are clear. The organisation strives to continually improve how it communicates with stakeholders through its reporting practices.</p>
<p>Principle 6:</p> <p>The governing body should serve as the focal point and custodian of corporate governance in the organisation.</p>	<p>The Board is the highest governing authority within TCTA, and through its charter, it carries the ultimate responsibility for corporate governance within the organisation. The Board has adopted the principles of King IV™, and where the recommended practices are not applied, such is being explained. The Board, through its Nominations and Governance Committee, has considered the outcome of the 2019/20 Management Review of King IV™.</p> <p>The Board Charter sets out the Board's role and responsibilities as well as the requirements for its membership, meetings and other procedures. During the period under review, the Board has also approved the Engagement and Communications Protocol with the purpose to facilitate effective Board engagement and open communication within the governance framework.</p>

KING IV™ PRINCIPLE	APPLICATION
<p>Principle 7:</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 directors 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 affected under the Notice of Establishment.</p>
<p>Principle 8:</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>Without abdicating its own responsibility, the Board has formally and in writing delegated certain powers to the following established committees:</p> <ul style="list-style-type: none"> • Audit and Risk Committee; • Human Capital, Social and Ethics Committee; • Nominations and Governance Committee; • Technical Committee; and • Finance Committee. <p>Delegations to Board Committees are recorded through a formal term of reference which is annually reviewed, and any amendments thereto, approved by the Board. All Board Committees have work plans in place to ensure that execute its oversight responsibilities during the year. There is a clear balance of power within the Board and its committees to ensure that no individual has undue decision-making powers.</p>
<p>Principle 9:</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, a self-assessment was performed of the performance of the Board and its committees; the assessment was facilitated by the Company Secretary. Although the overall performance scores were good, certain shortcomings were identified and referred to the relevant Board Committees. Implementing corrective measures will be monitored by the Nominations and Governance Committee.</p> <p>An independent performance appraisal will be performed during 2020/21.</p>
<p>Principle 10:</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>TCTA has a clear Delegation of Authority framework, according to which roles are carried out and authority is exercised, both within the Board structures and the management team. The Board, through the Strategic Delegation of Authority Matrix, has delegated powers to the CEO. The CEO, in turn, has delegated his powers to Executive and Senior Management; these are set out in revised Operational of Authority Matrix that was approved by EXCO in February 2020.</p> <p>The Board is satisfied that the organisation is appropriately resourced for these roles and that delegation of certain roles and responsibilities to management supports effective governance.</p>

KING IV™ PRINCIPLE	APPLICATION
<p>Principle 11:</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. 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. 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. 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>
<p>Principle 12:</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>IT is seen as a fundamental enabler within TCTA and is essential to the support, growth and sustainability of our business. TCTA has a dedicated IT department under the Executive Enterprise-Wide Support Services who 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.</p> <p>The overall responsibility for IT governance lies with the Board, who has delegated the day-to-day management of IT to the Executive and tasked management with the implementation of an IT Governance Framework.</p> <p>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. Furthermore, we remain focused on creating a resilient environment in which our customers, employees and stakeholders feel safe, secure and enabled.</p> <p>The following are some key practices that are applied within TCTA:</p> <p>Information Technology Resilience</p> <ul style="list-style-type: none"> • risk management across our technology landscape. • investing in our people strategy to ensure growth and sustainability of the solutions we have built. • enabling business resilience through our platforms and processes. • performance management of third-party and outsourced services. • focused asset management including aspects such as environmental impact and information security.

KING IV™ PRINCIPLE	APPLICATION
<p>Principle 12 (continued)</p>	<p>Business Value Creation:</p> <ul style="list-style-type: none"> • there is continuous assessment of value delivered to the organisation through significant investments in technology and information, including the evaluation of projects throughout their life cycles and significant operational expenditure Sustain and enhance intellectual capital to ensure that we are aligned with technology trends and can pursue relevant opportunities both from an efficiency and competitive advantage perspective. • empowering our organisation to drive out self-service capabilities, including collaboration using our digital tools. <p>Oversight of our Information Technology Assets</p> <ul style="list-style-type: none"> • ensuring confidentiality, integrity and availability of all technology assets. • ethical and responsible use of Information Technology assets in compliance with the relevant laws. • ensuring privacy of personal information of all our stakeholder • security of information and technology assets • proactive monitoring and response to incidents, including cyber-attacks and adverse social media events. • Information Technology (IT) is seen as a fundamental enabler within TCTA and is essential to the support, growth and sustainability of our business. TCTA has a dedicated IT department under the Executive Enterprise-Wide Support Services who 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, who has delegated the day-to-day management of IT to the Executive 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. Furthermore, we remain focused on creating a resilient environment in which our customers, employees and stakeholders feel safe, secure and enabled.
<p>Principle 13:</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. The Chief Risk Officer and the Company Secretary, are responsible for guiding the Board collectively and the directors about their responsibilities and powers, making them aware of legislation and regulations relevant to the organisation and providing Board orientation and training when appropriate.</p> <p>To ensure that the organisation responds to the constant changes in legislation and regulations, it has a formal Compliance framework and policy approved by the Board. Further, a Regulatory Universe prioritising key legislation has been established to ensure focus on significant matters. The organisation keeps up to date with all intended or promulgated legislation through regular interaction with its contemporary gazette to keep staff informed of changes in the legal landscape.</p> <p>The Risk Division assesses significant legal risks and the organisation's level of compliance as part of their annual risk management activities. Reports from the various functions are submitted to the Audit and Risk, Human Capital Social and Ethics committees every quarter.</p> <p>The Compliance Officer is responsible for ensuring that the organisation's compliance processes are adequate and effective to fulfil its legal and regulatory responsibilities.</p>

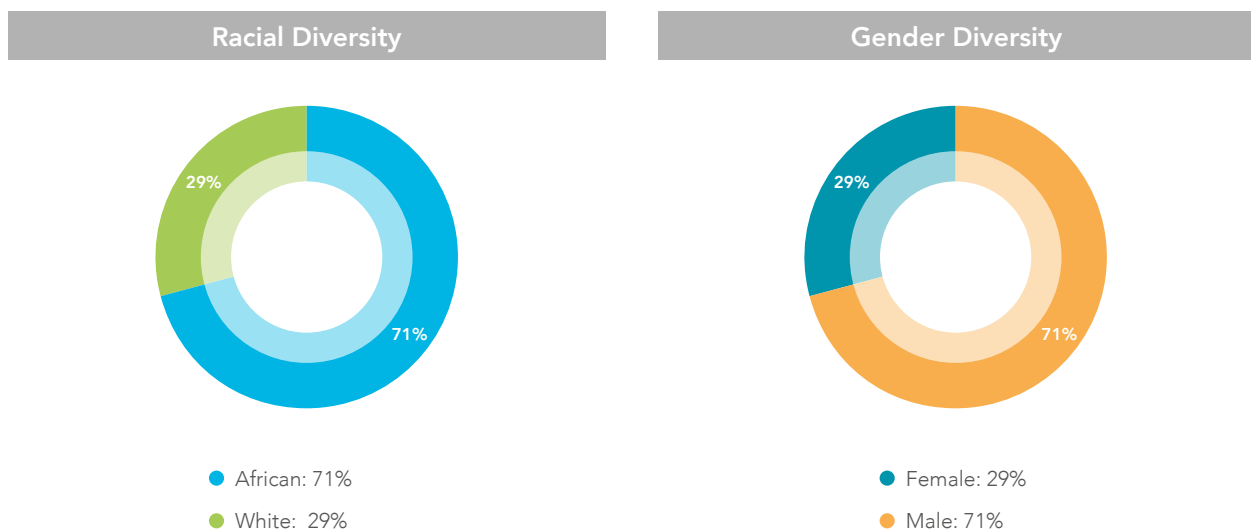
KING IV™ PRINCIPLE	APPLICATION
<p>Principle 14:</p> <p>The governing body should ensure that the organisation remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term.</p>	<p>The Human Capital Social and Ethics Committee operates under the delegated authority of the Board and is well established. The committees fulfil the important function of ensuring that remuneration is responsible and fair across the organisation, and ensures that disclosures are accurate, complete and transparent.</p>
<p>Principle 15:</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>The Board delegated the Audit and Risk Committee (ARC) to fulfil the King IV™ requirements on combined assurance. The ARC adopted the four Lines of Assurance for TCTA. A Combined Assurance Strategy and Combined Assurance Policy were developed based on the four levels of assurance and was approved by the Audit and Risk Committee on its April 2020 meeting.</p> <p>Risk Management, Compliance, Legal and Internal Audit, collaborated in managing key risks and in enhancing the control environment. Whereas the first line assurance is provided by the Management through, among others, reports with relevant Information Management that supported the integrity of information for internal decision-making, and for reporting to external stakeholders.</p> <p>The Risk, Compliance and Legal departments which are the functionaries within the Risk Division, among others, provided Management and the Board with a second line of assurance and reported progress on the mitigation strategies. The major focus area by the Risk Division was on the reduction of the irregular expenditure.</p> <p>The Internal Audit Division, through the risk-based internal audit plan, provided reasonable assurance on the adequacy and effectiveness of controls, as the third line.</p> <p>The Auditor-General of South Africa provided fourth line assurance to the Board and other external stakeholders, through the 2019/20 Regulatory Audit. The outcome of this level of assurance contributed to TCTA reviewing financial internal controls and enhancing other areas that needed improvement.</p>
<p>Principle 16:</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. Key disclosures on the organisation's key stakeholders, engagement objectives and stakeholder focus areas are contained in the Integrated Annual Report.</p>

EXECUTIVE COMMITTEE

Our executive committee comprises the Chief Executive Officer, the Chief Financial Officer and six members of top management. The Chief Internal Auditor has a standing invitation to attend all executive committee meetings. The Board delegates authority to executive management, through the Chief Executive Officer, 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 operational delegation of authority. The executive committee operates within its approved terms of reference and its key tasks are:

- operationalising the organisational values and ensuring these are widely understood and consistently adhered to;
 - developing the strategy (for approval by the Board) having regard to the interests of its shareholder, clients, employees and other stakeholders;
 - development and implementation of financial and operational plans, policies, procedures and budgets to execute the strategy;
 - actively managing and monitoring the operational and financial performance of the business against targets, objectives and key performance indicators;
 - optimising the calibration, allocation, prioritisation and adequacy of resources;
 - holding the business to account through an effective organisational, performance and accountability structure;
 - identifying issues and acting on early warnings and deviations from the business plan and/or budget,
- reviewing the adequacy of interventions and monitoring the effectiveness of remedial actions;
 - the design (for recommendation by the Human Capital, Social and Ethics Committee and approval by the Board) of the performance cycle, including balanced scorecards, goals, mid-year and year-end reviews, the remuneration strategy, framework and policies;
 - implementation of the performance cycle and remuneration policies;
 - owning the overall responsibility for managing risk and protecting the TCTA brand;
 - setting the tone and implementing the risk management strategy, policy and plan and embedding risk management into daily operations;
 - ensuring compliance with offering relevant policies, legislation and regulations;
 - embracing internal and external auditing processes and offering support and cooperation;
 - designing preventative, detective and corrective controls, ensuring the adequacy and effectiveness of internal controls within their business areas through active monitoring and management;
 - implementing corrective action plans to resolve internal and external audit findings and leading a Combined Assurance approach and collaborating with all assurance providers; and
 - safeguarding the integrity and adequacy of management information and financial reporting systems.

Figure 16: EXCO gender and race diversity as of 31 March 2020



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 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, clients, employees, business partners,

competitors, 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 approved a revised code of business conduct in November 2018 which contains 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

TCTA has an approved Conflict-of-Interest Policy. It requires 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 families and friends or other beneficiaries who may have interests that conflict with those of TCTA.

ENTERPRISE RISK MANAGEMENT

Risk management in TCTA is fundamental to the delivery and achievement of corporate objectives. The Board is responsible for the governance of risk and sets the direction. Management implements and manage risks in accordance with the approved policy and framework.

The TCTA risk management framework sets out the level of risk that TCTA is willing to take in pursuit of its strategic objectives, and is aligned to principles outlined in King IV™, ISO 31000 and COSO internal control framework.

The risk management implementation plan has been approved by the Audit and Risk Committee to ensure appropriate management of risks within TCTA. The plan also includes business continuity management

and implementation.

The Risk Management department conducts periodic environment scans, by monitoring TCTA's internal and external environment to detect potential threats to the organisation. The information gathered is used to assess material risks and opportunities that may affect the achievement of objectives. This allows the organisation to execute its business strategy effectively. The risk assessment is based on objectives set out in the corporate and divisional plans. The department conducts risk assessments across the organisation. Operational risk registers are updated bi-monthly with departmental heads and strategic risk registers quarterly with Divisional Executives. During the risk register review sessions new and emerging risks are identified and progress towards the implementation

of measures to reduce previously identified risks is monitored.

The status of key risks is reported quarterly to the Audit and Risk Committee.

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 risk management requires a team-based approach for effective application across the organisation. The responsibility to implement and execute risk management is delegated to management, in line with King IV™, so as to ensure the achievement of business objectives. Management ensures that all risks affecting their areas of responsibility are identified and mitigated to acceptable tolerance levels.

APPROACH TO RISK MANAGEMENT

The management of risk at TCTA entails proactive identification of potential risks and opportunities continuously and systematically 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.

MANAGEMENT OF RISKS DURING THE FINANCIAL YEAR

The risk management activities highlighted in the risk implementation plan approved by the Board at the beginning of the financial year 2019/2020 were all implemented by the end of the financial year.

The strategic, operational and project risks were reviewed to ensure that all identified and emerging risks are mitigated in line with the organisational risk appetite and tolerance level.

During the year the organisation placed corporate insurance covers on the market. However, the negative perception of SOEs and delays in the finalisation of financial statements affected the placement of liability policies. Hence, the organisation was not able to place Directors and Officers Liability, Commercial Liability and Employment Practices Liability during the year.

Strategic risks:

These are risks that are likely to impact TCTA's strategic direction and are largely outside of the organisation's

control. The identification and assessment of strategic risks is conducted at an annual risk workshop conducted with the Board and EXCO. The assessment is based on the organisational balanced scorecard and business plan for the financial year. Divisions are responsible for the identification and management of business risks as well as strategic risks in their areas of responsibility. The implementation of mitigations in place to reduce such risks to acceptable levels is regularly reviewed with EXCO.

Some of the key strategic risks identified during the year were related to the sustainability of the organisation, governance, finance and procurement, information and technology, people, as well as market risks. The delays in obtaining borrowing limits and guarantees from the government, the recent qualified audit and general negative perception of SOEs by the market, continued to have an impact on TCTA's ability to raise funding. COVID-19 pandemic posed some risks to TCTA's operations towards the end of the financial year. The following were the risks posed to the organisation, the impacts of which would be experienced during the following financial year:

- the restriction in movement led to possible loss of productivity, delays in project completion and increased costs;
- failure to procure goods and services on time affected TCTA's ability to operate and maintain projects and deliver against strategic objectives; and
- there was a possibility that the general slowdown in economic activities across SA might affect water users' ability to pay, resulting in failure by TCTA to meet financial obligations.

The organisation put in place measures to mitigate this risk by allowing non-critical staff to work from home. A Task Team was created to advise and assist with the management of the situation. Some of the measures put in place to reduce the spread of the virus at TCTA Offices included information sharing and awareness sessions, enhancing office access control measures, provision of disinfectants, screening and social distancing.

Project Risks

The main risk associated with the projects was the failure to implement projects within approved timelines, mainly due to the inability to raise both commercial and social funding for the projects. The discussions on institutional arrangements and the drafting of both the implementation and water supply and take-off agreements were required to obtain borrowing limits from the National Treasury. Approval of borrowing limits would enable the raising of funding.

The following were the key project issues raised during the financial year:

- Mokolo Crocodile River Water Augmentation Project – Phase 2A. The PSP was experiencing problems within its management team. This was likely to result in lack of integration, missed milestones and delays in project implementation;
- Berg River Voëlvlei Augmentation Scheme- The project was experiencing delays in raising funding as institutional arrangements had not been finalised. However, DWS had undertaken to make an amount of R 75 million for project preparation activities; and
- the raising of interim and long-term funding for uMkhomazi Water Project Phase 1 had not begun. However, DWS had undertaken to make an amount of R 60 million for project preparation activities.

Financial risks

The organisation is exposed to financial risks associated with project 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 experienced during the year:

- although the delays in receipt of revenues from DWS had improved somewhat, this remained a risk and 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 qualified audit opinion obtained by the organisation during the 2018/2019 financial year raised the risk of the possibility of funders calling on debt. However, management negotiated with funders to waive the qualified audit opinion as a condition of default to avoid debt being called up;
- the downgrade of South Africa's credit rating to junk status during March 2020, affected the credit ratings of TCTA's projects. This might have an impact during the fund raising process;
- TCTA is required to comply with borrowing limits obtained from the National Treasury. At the end of the financial year, the utilised portions of Vaal River Eastern Subsystem Project (VRESAP), Mooi-Mgeni Transfer Scheme (MMTS-2), Berg Water Project (BWP) and Komati Water Supply Augmentation Project (KWSAP) 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 to avoid any breach of the borrowing limits;
- in terms of the approved Treasury Risk Policy, 70% of funding for post-construction projects must have a fixed interest rate to make interest rate payments

predictable. All projects were within the approved threshold, except MMTS-2 and VRESAP which respectively had 53% and 67% of their funding at fixed rates. The organisation continued to manage the interest rate risk associated with the two projects that were not within the approved threshold; and

- during the financial year, all investments were within the approved counterparty limits and were adequately diversified.

Business Continuity Management

In line with the approved Business Continuity Management Policy, the Risk Department conducted business continuity assessments quarterly. The assessments identified the Business Units, operations and processes essential to the survival of TCTA's business. The process determined how quickly essential Business Units and/or processes will return to full operations following a disaster, and also identified critical resources associated with various business processes. The business impact assessment informed the organisation's business continuity plan. The onset of COVID-19 in March 2020 resulted in continuity risks to the organisation as the country went into lockdown. The organisation was able to put in place a continuity plan to deal with COVID-19, based on the business continuity plan in place.

During the year the organisation experienced hardware failure resulting from a faulty hard disk, resulting in both data and systems being inaccessible to the Virtual Machines. The incidents were caused by ageing ICT infrastructure that has exceeded its useful life. The organisation was also not able to execute the business continuity plan due to lack of an integrated disaster recovery site. To mitigate the risk of infrastructure failure, local data backups of the file server were distributed among three different servers. This mitigated the risk of loss of data due to the failure of one server.

IT was able to restore data that was recoverable. Data was stored externally at Internet Solutions in Sandton. By the end of the year, a Service Provider had been appointed to revamp of ICT infrastructure, which included the setting up of a disaster recovery site. Planning for the implementation of the project was underway

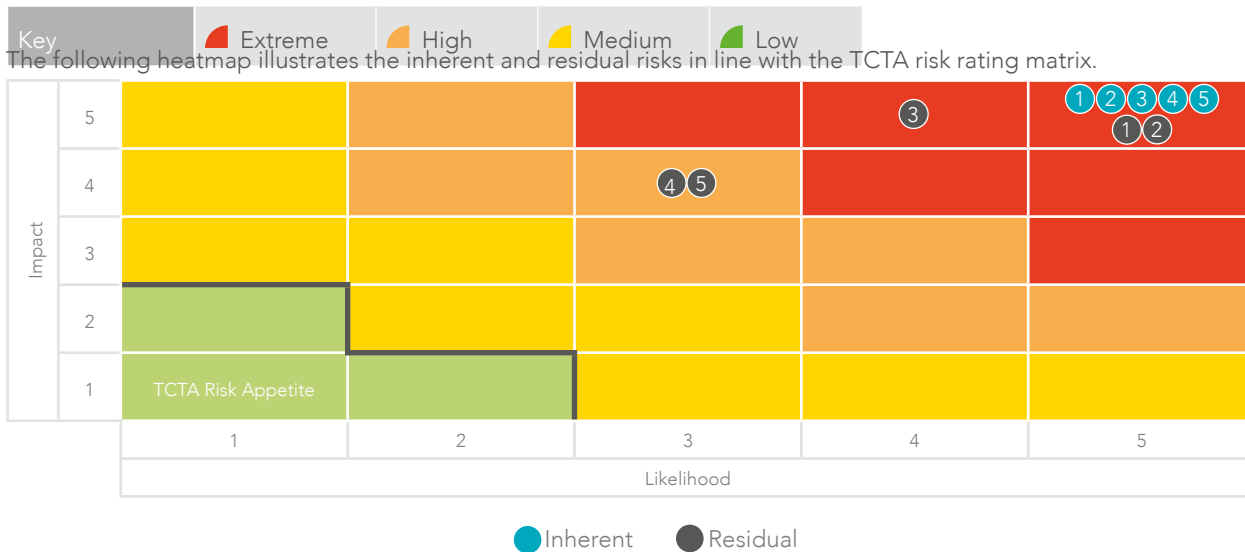
KEY RISK IDENTIFIED DURING THE FINANCIAL YEAR 2019/20

The following table 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. At the end of the financial year, the organisation was still in the process of implementing mitigation measures to

manage identified risks.

Table 28: Key Strategic Risks

No.	Risk	Inherent risk	Mitigation Measure	Residual Risk
1.	Sustainability of TCTA business model. - This risk relates to the uncertainty of obtaining directives from DWS	25	<ul style="list-style-type: none"> there is regular engagements between DWS and TCTA to ensure identification of potential projects for structuring and implementation by the TCTA 	25
2.	ICT failure and loss of data. - This risk relates to lack of sufficient disaster recovery site and ageing infrastructure and technology obsolescence	25	<ul style="list-style-type: none"> a 5-year contract has been awarded to a service provider to assess, design and implement the cloud solution and maintain infrastructure. 	25
3.	Disconnect between Treaty requirements and evolving regulatory requirements. The risk relates to the accounting of Lesotho costs by TCTA	25	<ul style="list-style-type: none"> TCTA to review its approach in accounting the Lesotho costs. There is also a need to review some Treaty requirements to align with the current regulatory framework such the PFMA. 	20
4.	Failure to implement ICTC strategy in support of key business processes and strategic objectives. This risk relates to a lack of capacity and ageing infrastructure	25	<ul style="list-style-type: none"> the ICT strategy has been approved and is being implemented and monitored quarterly by Management and Board 	12
5.	Inability to raise funding due to low investor appetite for TCTA's risk, ongoing perception of State-owned enterprises, delays in obtaining borrowing limits and guarantees from National Treasury	25	<ul style="list-style-type: none"> there are regular engagements between TCTA, DWS and National Treasury on funding related matters. Investor roadshows were held with potential Lenders profiling current and future projects. 	12



COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS

To the best knowledge and belief of the directors, the organisation has, during the year, complied, in all material respects, with all legislation and regulations applicable to it, except as disclosed in the annual financial statements.

PFMA compliance.

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

- a consistent monitoring of PFMA checklist where divisions provide inputs;
- an automated reporting process on the Exclaim Compliance system;
- a constant interaction with Supply Chain Management process on the Delegation of Authority, Procurement and PFMA policy and procedures;
- intensified PFMA training and awareness programme;
- integrated systems and processes; and
- a materiality framework that is aligned with National Treasury requirements that support the inputs in the Shareholder Compact which is cascaded throughout the organisation.

Sections 51 and 55 of the PFMA impose certain obligations on the organisation relating to the prevention, identification and reporting of fruitless and wasteful expenditure; irregular expenditure; expenditure that does not comply with the legislation; losses through criminal conduct; and the collection of all revenue. To comply with the PFMA's obligations, TCTA has a materiality framework, which was approved by the Audit and Risk Committees and noted by the Board. In the 2019 financial year, the Auditor-General qualified TCTA's annual financial statements as they were unable to obtain enough appropriate audit evidence on certain transactions of the organisation.

During the year under review, management has undertaken a significant effort to improve and establish adequate controls to maintain complete and accurate records and evidence for irregular expenditure. Most of the irregular expenditure reported in the current year relates to contracts entered in prior years, which is indicative of the improvement in the procurement control environment that is now preventing new incidences of non-compliance. The amount of irregular

expenditure reported in the current year is insignificant due to the expected exclusion of Olifants River Water Resources Development Project (Olifants for 2019/2020) expenditure which had been erroneously declared in the previous financial years even though National Treasury had approved variations orders in 2015. Despite the above mentioned corrective action, during the current audit, it was confirmed that TCTA's implementation of certain of the Preferential Procurement Regulations, 2017 relating to tender pre-qualification criteria was inconsistent with the legislation.

The organisation had consulted National Treasury and agreed on the approval process for construction claims and TCTA Operations Delegation of Authority has been revised to deal with variation orders where prior approval is sought and obtained before actioning. It is important to emphasise that this is merely due to the misinterpretation of legislation to ensure procurement practices contribute to the achievement of certain competing developmental objectives.

Given management's interpretation of the legislation, appropriate controls to identify and record this category of expenditure were not put in place. Due to this, and the timing of the clarification relating to this issue, the organisation was not in a position to satisfy external audit that the reporting of this category of irregular expenditure is complete and accurate and, accordingly, the external auditors have issued a qualified opinion, that is specific to the completeness and accuracy of the reported irregular expenditure, as required by the PFMA.

Reportable irregularities in respect of the alleged reportable irregularities:

- the reportable irregularities from the prior financial year that were and are continuing were submitted to National Treasury in the current financial year and are awaiting condonation;
- the reportable irregularities for the Olifants River Water Resources Development Project which were erroneously reported in the previous financial year have been discussed with auditors and they are in the process of being removed from the financials and the necessary adjustments will be made in the current financial year.

The Board, together with management, will continue to enhance controls relating to these irregularities to address the recurrence of such instances of non-compliance. For further detail on reportable irregularities, refer to note 41 of the annual financial statements.

INTERNAL AUDIT

The in-house Internal Audit division is governed by an approved Internal Audit Charter and upholds the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing (Standards) in executing its 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 2019/20 financial year, in line with the approved risk-based annual and three-year rolling Internal Audit Plan. The outcome of the completed internal audit reviews informed the process to form an opinion on the annual assessment. There has been an improvement in monitoring and tracking the timeous resolution of action plans committed to by management, on internal and external audit findings. The delayed conclusion of the 2018/19 Auditor-General of South Africa's regulatory audit contributed to, among other things, the Internal Audit Plan not being completed on time. This fact was considered in compiling the Annual Written Assessment for 2019/20.

Risk Management

The review of the adequacy and effectiveness of controls indicates that the embedment of risk management into all daily operations needs improvement to fully embrace Enterprise-Wide Risk Management (ERM). No formal Risk Management review was conducted in the period, as such the following were considered to inform this written assessment: Reports presented to management structures and Board oversight structures; the progress on the implementation of action plans in the strategic risk register; and the root causes identified during the execution of internal audit reviews.

A Combined Assurance approach, led by the Internal Audit division, supported by the Risk Unit, Compliance and other assurance providers, is being pursued to further enhance the control environment. Four lines of assurance have been adopted by the Audit and Risk Committee and the approved Combined Assurance Strategy and Policy were aligned to this approach.

The organisational resilience achieved through an effective business continuity management process can be further strengthened by enhancing organisational business impact analysis 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 and Ethics 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 and ethics 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 investigations.

Governance

TCTA subscribes to the King IV Report and Code. No formal Governance Review has been conducted for the Board that served during the period and, as a result, the adequacy and/or effectiveness of the Board cannot be informed by an outcome from an independent assurance review. A self-assessment was conducted by the Board Members, with support from the Company Secretary. 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. The Board and Management 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 their needs. TCTA's Combined Assurance approach, saw an improved collaboration with most assurance providers to enhance the control environment further. These included management, the Risk and Compliance units and the Auditor General of 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 continue to be made to improve the control weaknesses, which if implemented, should enable TCTA to achieve its strategy through effective performance.

Water Heroes, Harrismith



THE IMPACT ON THE SECTOR OF NOT BEING FINANCIALLY SUSTAINABLE

The sustainable financial management of the water sector involves the full spectrum of financial management and governance activities required to develop and sustain effective water and sanitation services to the people, environment and the economy of the country. The focus of the country must be on sustainable management and not only on infrastructure investment.

The sector is not financially sustainable, and this is highlighted by a lack of maintenance that has resulted in an accumulated refurbishment backlog of about R59 billion. The bigger portion (R25 billion) of this is with municipal infrastructure, while refurbishment of irrigation canals totals about R18 billion. The municipal budget reform process targeted increasing municipal maintenance budgets from R9 billion to R24 billion, targeting 8% of asset replacement value or 11% of operational expenses. Municipal expenditure on repairs and maintenance is, however, lagging because of shortages in skills and capacity.

This lack of maintenance, which is caused by insufficient revenue, has led to the collapse of services around the country. The failure of the sewer reticulation and wastewater treatment works in Emfuleni Local Municipality is but one example of this. It is causing pollution of the Vaal River, which is an important water resource for the country that supports 50-60% of South Africa's gross domestic product.

Once infrastructure has collapsed, it always costs more to fix or replace it than maintaining it in the first place.

There are essentially only two ways to pay for capital and operation of infrastructure, being either through taxes (national) and/or tariffs (users). Loan funding is not "new funding", but used to address immediate funding needs to be repaid over a longer-term from future tariffs. In the constrained fiscal climate, the only way to increase revenue is through tariffs.

Municipalities must, therefore, accurately measure and bill all water consumption and enforce credit control measures when payment is not received. Coupled with accurate billing, there must be education so that people understand the amounts of water they use and take action before bills become unaffordable. Many persistently high bills are as a result of leaks within their properties. A good example of this was the Mannenberg pensioner who was "outed" by the City of Cape Town for having the second highest monthly bill in the municipality (R41 364,60 on a usage of 655KL). A more proactive approach would have been to notify the consumer when the bill started rising and offer advice on how to fix the pipe instead of ending up with a bill that will not be paid, and water wasted in the middle of a severe drought. The installation of water demand management devices proved very successful in making people realise that they had leaks that needed fixing while preventing exorbitant bills.

Only when the above has been instituted and consumers have trust in the billing system, will it be possible to ensure that tariffs are cost-reflective to ensure the financial sustainability of the water and sanitation sector.



PART F: INFORMATION AND COMMUNICATION TECHNOLOGY

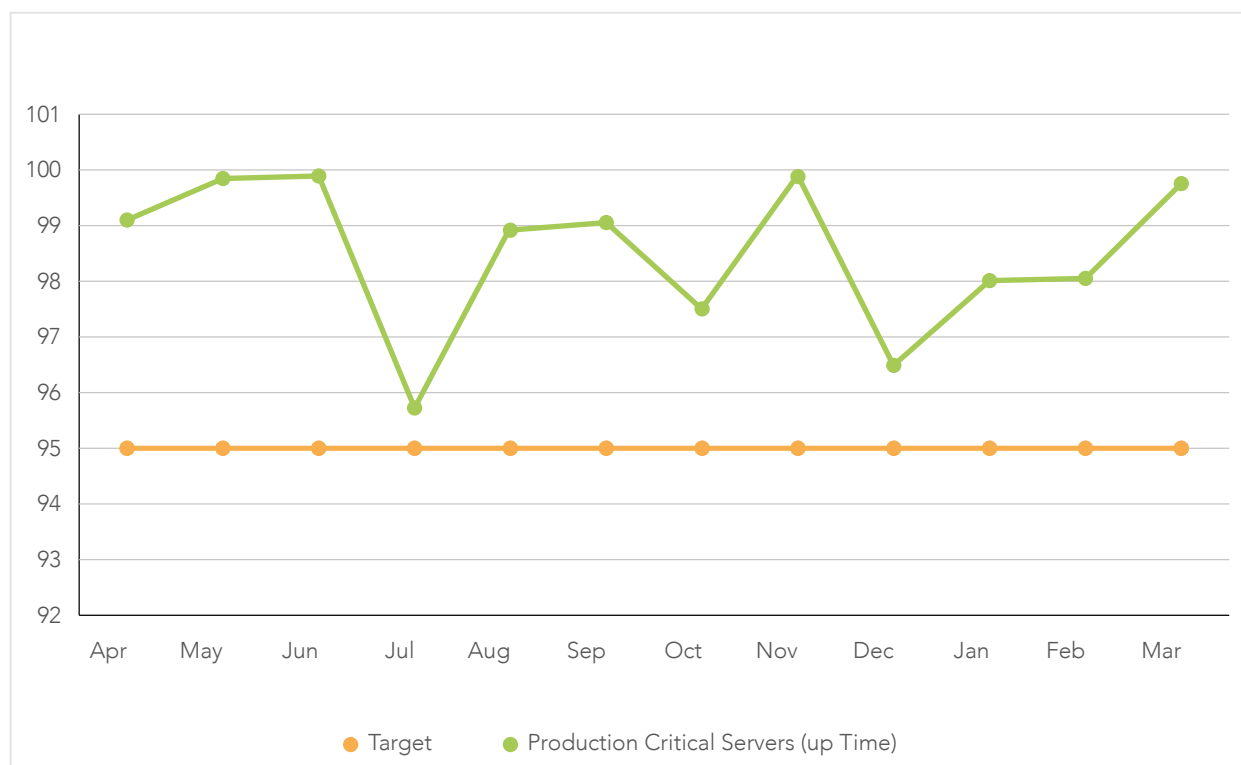
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BUSINESS CONTINUITY

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 2020, the average uptime recorded for critical servers was 98.62% which is above the 95% target. This annual average was achieved despite the ageing ICT infrastructure.

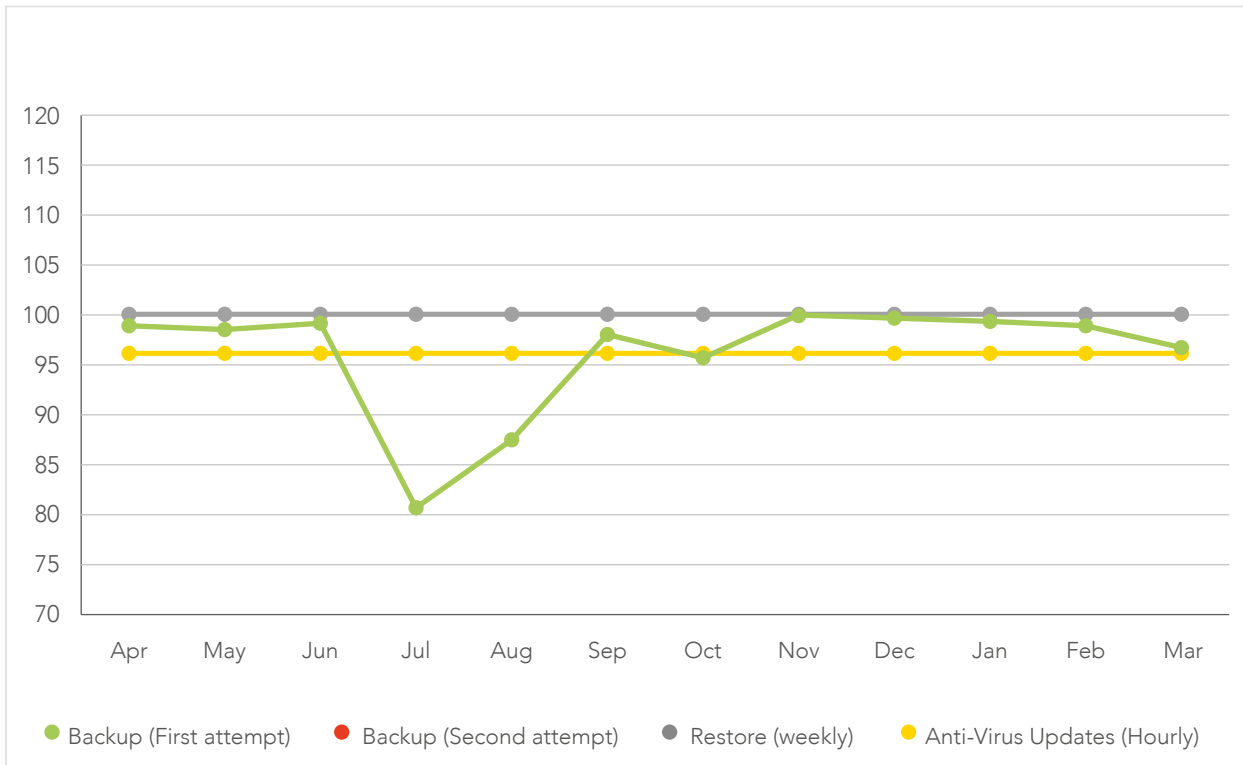
Figure 17: Critical Server Uptime



Two power failures in July 2019 saw the drop in the uptime of the statistics. Normal year-end maintenance in December 2019 also depicts a slight downward trend. 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. Also, to mitigate risk on one file server, the data has been distributed over three servers to minimise the risk. A NAS storage device was also purchased to back up full servers to recover in a shorter timeframe. The project to establish our disaster recovery site has also commenced and further detail is provided in the section regarding Strategic Projects.

The success rate achieved for data backup is 95.6% at the 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 18: Data Backup Success Rate



The ageing ICT infrastructure remains a threat to business continuity. However, the organisation has embarked on an infrastructure renewal programme and has awarded the tender in the third quarter of the year under review. The project, currently in progress, is a cloud-based and integrated Infrastructure-as-a-Service (IaaS) solution, with built-in disaster recovery capabilities. The project will be concluded by the end of 2020 and will provide a much more stable and resilient environment for TCTA.

REPORTABLE INCIDENTS

The following incidents were reported during the period under review.

- the Domain Controller (server responsible for authenticating users) failed on Saturday 23 June 2019 and was recovered the same day. This did not impact business operations.
- the company has not experienced any reportable social engineering and phishing incidents for the period under review. It is however important to note that based on industry trends that have highlighted a global increase in social engineering and phishing events, the organisation has put measures in place to monitor potential threats. To manage the cyber-attack risks, the organisation continues to provide cyber awareness and training to employees.

STRATEGIC OBJECTIVES AND PROJECTS

During the period under review, in March 2020 the organisation appointed a service provider to implement an integrated and cloud-based ICT Infrastructure project. The project is valued at over R120 million over five years. It is envisaged that the expected outcomes will increase stability, reliability, security and business continuity within the ICT environment. In terms of the architectural design, 2 (two) identical data centres will be set up at separate locations to ensure high system and network availability, business continuity, and site-to-site replication. The service provider will fully manage and maintain the centres, with full visibility and oversight by the TCTA team.

In the previous financial year, it was reported that the organisation embarked on an Enterprise Resource Planning (ERP) system, however, the Oracle eBusiness suite ERP implementation project failed to meet business

objectives and requirements. Fundamental challenges were identified such as difficulty with the consolidation of the general ledger into the Oracle system and the projects charter of accounts. This could result in future financial reporting and integration challenges. Other technical challenges were also identified which led to TCTA Management recommending that implementing Finance and SCM modules should be paused until a viable solution could be found. To mitigate business disruptions, the business and IT resolved to continue using the Accpac Finance system and manual SCM processes in the interim. In November 2018, the Board approved the ERP Recovery Plan which involved the appointment of a technical expert to audit the ERP project implementation. The service provider has been appointed that work has commenced and will be finalised in the 2020/21 financial year.



Collecting Water in Cape Town



THE IMPACT ON SOUTH AFRICA IF THERE IS NOT A FINANCIALLY SUSTAINABLE WATER SECTOR

Water is Life, Sanitation is dignity.

Water is not only life to humans, animals and plants for without it they will not survive, but it is the lifeblood for commerce and industry. Industry requires access to a constant supply of water to enable their production processes to function. An example of this is Eskom's coal-fired power stations where an interruption to water supply results loss of electricity production. The consequent load shedding, which then limits the ability to pump water, compounds the impact on the economy even further.

At a household level, the National Water and Sanitation Master Plan reported that only 65% of households have access to a safe and reliable water supply, and 14.1 million people do not have access to safe sanitation. Further, 56% of wastewater treatment works and 44% of water treatment works are in a poor or critical condition, causing health risks. The people affected most by this are those living in rural areas and informal settlements. Therefore, the capability of a population to safeguard sustainable access to adequate quantities of acceptable quality water for sustainable 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 stability becomes compromised without a secure water supply.

South Africa seeks, by 2030, to reduce:

- the number of households living below R418 a month per person (in 2009 rands) from 39 percent of the South African population to zero, and
- level of inequality from 0.7 in 2009 to 0.6, as measured by the Gini coefficient

The impacts of non-functioning or unreliable schemes are:

- 1) The productivity of households, particularly among women and children, is reduced as time is spent in fetching water rather in other productive activities.
- 2) Households invest in home-based solutions (rainwater harvesting, wells, boreholes, etc.) or small community-run schemes, which do not have the economies of scale of the large schemes, but at least assure the household of daily access to water, and
- 3) Economic growth is stunted. A 2015 study on the impact of load shedding on just the retail industry showed that for the first six months of that year, R13.72 billion in revenue was lost and R716 million had been invested in backup generation power. The difference with water is that there is often no alternative, particularly for areas such as Gauteng where it is pumped into the area.

It is, therefore, essential that South Africa has a financially sustainable water sector to enable it to meet the targets set out in the National Development Plan.



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AUDIT AND RISK COMMITTEE REPORT

Maemili Ramataboe

Chairperson

I am pleased to present the audit and risk committee report for the year ended 31 March 2020.

The Audit and Risk Committee's primary purpose is to provide oversight of the TCTA's internal controls, the financial reporting process including the statutory audit process and to provide financial assurance to the Board in compliance with the statutory duties and responsibilities required of it in terms of the Public Finance Management Act and King IV™. The Committee also ensures that TCTA has implemented a robust and effective risk management policy and plan that enhances the organisation's ability to achieve its strategic objectives; and oversees that risk disclosures are comprehensive, timely, and relevant.

The committee has adopted appropriate formal terms of reference, has regulated its affairs in compliance thereof and 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 the reporting period, and the revised terms of reference were accordingly approved by the Board. Composition:

The committee at all times consisted of four independent non-executive directors. The Board Chairperson is not eligible to be a member of the committee. The members collectively have the requisite business, financial and leadership skills and are financially literate. The chief executive officer, chief financial officer, chief risk officer, the chief audit Executive, as well as the independent external auditor, are permanent invitees to the committee meetings. The committee meets separately with the external auditors at least once a year.

Refer to pages 61 to 62 for detailed qualifications and experience of committee members

Meetings

During the period under review four quarterly meetings and five special meetings were held. Designations and attendance for the reporting period are shown below:

Name and Designation	Attendance
* Jacob Modise: Chairperson and Non-Executive Director	100%
* Michael Ellman: Non-Executive Director	100%
* Sijabulile Makhathini: Non-Executive Director	100%
Satish Roopa: Non-Executive Director	100%
** Maemili Ramataboe: Chairperson and Non-Executive Director	100%
** Norman Baloyi: Non-Executive Director	100%
*** Lindelwa Dlamini: Non-Executive Director	100%
**** Mollale Maponya	83%

* Term of office ended on 30 April 2019

** Appointed as Chairperson with effect from 17 May 2019

*** Appointed as a member with effect from 17 May 2019 but membership terminated on 31 July 2019 due to membership changes between the Technical Committee and the Audit and Risk Committee

**** Appointed as a member with effect from 31 July 2019

Responsibilities

The Committee confirms that it has adopted a formal Terms of Reference, and that it has conducted its responsibilities in accordance with this charter, and report as follows:

Review of Financial Statements:

We reviewed significant accounting and reporting issues, including complex project issues and other financing transactions that involve highly judgmental areas. In this process we considered professional and regulatory requirements to understand the impact on the financial statements.

We reviewed the Financial statements and considered whether they were consistent with information reported by Management during the period and other relevant information known to us as the Committee of the Board. We also considered the appropriateness of the applicable accounting principles.

We reviewed interim and quarterly reports to both the Department of Water and Sanitation and the National Treasury with Management, and considered compliance with regulatory requirements, accounting principles, and TCTA information known to us.

We reviewed with Management and the entity's External Auditors, the Auditor General South Africa (AGSA), and extensively discussed the results of the audit and difficulties encountered with financial reporting for the Lesotho Highlands Water Project (LHWP), particularly with respect to the Treaty bilateral arrangements.

We have reviewed the relevant sections of the Annual Integrated Report and considered the accuracy and completeness of information, considering relevant regulatory requirements.

Internal Control:

We considered the effectiveness of the entity's internal control system, including Information Technology security and controls. In relation to the latter we were satisfied that current plans, developed during the reporting period and in the process of implementation, are adequate to ensure business continuity and delivery of business operations.

We reviewed Internal and External Audit findings and related action plans regularly, to understand the impact on the financial reporting process, the recommended and planned remedial actions, considered their appropriateness and advised accordingly. We are

satisfied that current weaknesses, can be adequately addressed with the commitment expressed by management and the Board.

We have observed that there are significant challenges which result in inconsistencies in the financial reporting between the LHDA and the TCTA, due to structural arrangements within the Treaty bilateral arrangements, that affect the audit outcome of the entity, and we believe these can be resolved by the parties to the Treaty, as facilitated by the two bilateral agencies.

Internal Audit:

TCTA Internal Audit function satisfactorily meets the professional standards of the Institute of Internal Auditors (IIA), as well as the International Standards for Professional Practice of Internal Auditors (SPPIA), having gone through the required assessment during the period under review.

We have reviewed the Internal Audit Charter. We have also approved the appointment of out-sourced Internal Audit Partner to augment the capacity within the business unit.

The Annual Audit Plan which the Committee approved for the year under review was not fully delivered, due to the delay in finalising the procurement process of the Outsourced partner. The Committee closely monitored this development, and together with the Chief Audit Executive (CAE) made some adjustments in order to focus on critical risk areas.

The Committee also reviewed with the CAE the efficacy of the business unit, the budget, the resource plan, the activities in relation to the organisational structure, and the decision to capacitate the Unit with the Outsourced partner was implemented.

External Audit:

The Committee have reviewed the audit remedial action plan developed in order to address audit findings from the prior year and have monitored progress regularly. Some of the key issues relating to the complex structural arrangements have commenced, however they were not satisfactorily achieved, and they are ongoing and expected to take some time.

The Committee reviewed the AGSA proposed audit scope, the regular reports provided at our meetings, and the debriefing provided to the Board, and the matters raised were tracked as part of the remedial action plan. The Committee is satisfied that the AGSA, in their second year of full engagement at TCTA, are fully acquainted with the business environment, and are

adequately providing the assurances required in line with the statutory requirements.

The Committee with Management and the AGSA have discussed the Audit Opinion on the Financial Statements and accept the audit outcome received.

Combined Assurance:

The Combined Assurance Framework was developed during the period under review, as a joint effort between Internal Audit and the Risk Division, and introducing enhancements and best practice processes and procedures, to ensure a robust and effective system of delivering the required assurances across the entity. We are confident that the results will be visible in the current financial year.

Risk Management:

TCTA Risk Division has the overarching responsibility for co-ordinating risk management activity across the entity. It also includes a separate Compliance department, which is responsible for co-ordinating compliance with laws and regulations. The key challenge that the business has, is to embed down its compliance with the PFMA, particularly the Framework for Managing Irregular Expenditure,

which is fundamental in ensuring the reduction in Irregular Expenditure arising from project activities. The inherent complexity of project implementation, and the requisite approvals from the National Treasury in line with National Treasury Instruction Note 3, must be properly managed.

During the current year the Loss Control Committee was set up to address this challenge, and the Audit and Risk Committee believes that with commitment expressed by management, and the determination by the Board to control and manage the reputation of the TCTA, this challenge will be properly managed, and consequently eradicated from the books of the TCTA.

The Committee concludes by confirming that it has recommended to the Board of the TCTA the approval of the Financial Statements and the Integrated Report for the financial year 2019/2020.



Maemili Ramataboe
Audit and Risk Committee Chairperson

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE TRANS-CALEDON TUNNEL AUTHORITY

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Trans-Caledon Tunnel Authority (TCTA) set out on the pages 96 to 247, which comprise the aggregated statement of financial position as at 31 March 2020, 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 the financial statement present fairly, in all material respects, the financial position of the entity as at 31 March 2020, and its 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 Financial Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

3. 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.
4. I am independent of the entity in accordance with sections 290 and 291 of the *Code of ethics for professional accountants* and parts 1 and 3 of the *International code of ethics for professional accountants (including International Independence Standards)* of the International Ethics Standards Board for Accountants (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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

6. I draw attention to the matter below. My opinion is not modified in respect of these matters.

Contingent asset

7. As disclosed in note 27.2 to the annual financial statements; the entity has a probable claim related to a change in royalty rates that should be back dated to prior years when the agreement is reached between the parties to the relevant agreement. The outcome of the claim could not be determined due to reasons detailed in the note, and consequently, no recognition of the asset was made in the financial statements.

Restatement of corresponding figures

8. As disclosed in note 29 to the annual financial statements, the corresponding figures for 31 March 2019 have been restated as a result of errors in the financial statements of the entity at, and for the year ended, 31 March 2020.

Responsibilities of the accounting authority for the financial statements

9. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS and the requirements of the PFMA, and for such internal control as the accounting authority determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
10. In preparing the financial statements, the accounting authority is responsible for assessing the entity'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 statutory either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE TRANS-CALEDON TUNNEL AUTHORITY

Auditor-general’s responsibilities for the audit of the financial statement

11. 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 include 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 user taken on the basis of these financial statements.
12. A further description of my responsibilities for audit of the financial statements is included in the annexure to this auditor’s report.

Report on the audit of the annual performance report

Introduction and scope

13. In accordance with the Public Audit of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in the terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives presented in the annual performance reported. I performed procedures to identify material findings but not to gather evidence to express assurance.
14. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance measures included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures also do 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 finding do not extend to these matters.
15. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria development from the performance management and reporting framework, as defined in the general notice, for the following selected objective presented in the annual performance report of the public entity for the year ended 31 March 2020:

Objective	Pages in the annual performance report
Objective 2 – operate and maintain designated projects in accordance with DWS requirements / specifications	23-24

16. I performed procedures to determine whether the reported performance information 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.

17. The material findings in respect of the usefulness and reliability of the selected objectives are as follows:

Objective 2 - operate and maintain designated projects in accordance with DWS requirements / specifications

On the central and Eastern Basins acid mine water is pumped to maintain or reduce water levels within the mine voids

18. The method of calculations for achieving the planned measure was not clearly defined for the following targets:
 - The water level in the central basin is lowered to between 8 m above and ECL by 31 March 2020. Note: ECL is at 126 m below ground level.
 - The water level in the eastern basin is lowered to between 10-15 m below ECL by 31 March 2020. Note: ECL is at 106m below ground level.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE TRANS-CALEDON TUNNEL AUTHORITY

Other matters

19. I draw attention to the matters below.

Achievement of planned targets

20. Refer to the annual performance report on pages 23 to 24 for information on the achievement of planned targets for year. This information should be considered in the context of the material findings on the usefulness of the reported performance in paragraph 18 of this report.

Adjustment of material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of objective 2: operate and maintain designated projects in accordance with DWS requirements/specifications. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

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

Annual financial statements

24. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1) (a) and (b) of the PFMA.
25. Material misstatements of non-current assets, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statement were corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

26. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R141 889 075 as disclosed in note 32 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with national treasury instruction note 03 of 2016/17 regarding the approval of expansions and variations orders.

Other information

27. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes segmental of cash flows for the period ended 31 March 2020, the directors' report and 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.
28. 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.
29. 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

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE TRANS-CALEDON TUNNEL AUTHORITY

in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

30. 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 charge 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

31. 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.
32. The leadership of the entity developed a plan to address internal and external findings but the appropriate level of management did not monitor adherence to the plan in a timely manner. The revised due dates on the action plans falls outside of the financial year end, therefore, for the year under review the action plans were not monitored and implemented timeously; however, due to audit delays, some of the control deficiencies were addressed prior to finalizing the audit report.
33. 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 of the Lesotho Highlands Water project occurs across borders, certain supporting schedules were not obtained ad quality submission of information. As a result of audit delays, corrections to material misstatements were made prior to conclusion on the audit.
34. Management did not adequately implement the requirements of the supply chain management (SCM) legislation and the National Treasury Framework for Programme Performance Information (FMPPi). This led to the requirements of the SCM legislation and the FMPPi being inadequately applied.

Auditor - General

Pretoria

07 December 2020



**AUDITOR - GENERAL
SOUTH AFRICA**

Auditing to build public confidence

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE TRANS-CALEDON TUNNEL AUTHORITY

Annexure - Auditor-general's responsibility for the audit

1. As part of audit in accordance with the ISAs, I exercise professional judgements 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, which constitutes the accounting authority.
 - conclude on the appropriateness of the use by the board, which constitutes the accounting authority, 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 relating to events or conditions that may cast significant doubt on the ability of the TCTA 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 my 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 operating as a going concern.
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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, actions taken to eliminate threats or safeguards applied.

AGGREGATED STATEMENT OF FINANCIAL POSITION FOR THE PERIOD ENDED 31 MARCH 2020

	Note(s)	2020 R mil	2019 Restated * R mil	2018 Restated * R mil
ASSETS				
Non-Current Assets				
Property, plant and equipment	9	5	6	6
Right-of-use assets	10	8	-	-
Intangible assets	11	-	5	15
Tariff receivable*	12.4	16 154	18 755	20 126
AMD receivable	15	1 798	1 641	1 489
Total Non-Current Assets		17 965	20 407	21 636
Current Assets				
Tariff receivable*	12.4	807	1 360	3 563
Short-term financial market investments	12.5	709	482	371
Loans and other receivables	13	372	230	260
Prepayments	14	480	226	74
Cash and cash equivalents	19	4 291	3 049	3 849
AMD receivable	15	152	140	78
Total Current Assets		6 811	5 487	8 195
TOTAL ASSETS		24 776	25 894	29 831
EQUITY AND LIABILITIES				
RESERVES				
Retained income		2 077	1 564	1 143
TOTAL EQUITY		2 077	1 564	1 143
LIABILITIES				
Non-Current Liabilities				
Borrowings	12.6.3	19 985	20 687	17 678
Provisions	18	384	372	368
Lease liability	20	4	-	-
Total Non-Current Liabilities		20 373	21 059	18 046
Current Liabilities				
Trade and other payables	16	1 350	1 145	1 043
Non-contractual amounts	17.1	34	186	77
Provisions	18	34	58	43
Borrowings	12.6.2	903	1 882	9 479
Lease liability	20	5	-	-
Total Current Liabilities		2 326	3 271	10 642
TOTAL LIABILITIES		22 699	24 330	28 688
TOTAL EQUITY AND LIABILITIES		24 776	25 894	29 831

* See Note 5 & 26

AGGREGATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2020

	Note(s)	2020 R mil	2019 Restated * R mil
Construction revenue	21	1 436	686
Construction costs	21	(1 436)	(686)
Other operating income		1 584	1 464
Expenses		(1 584)	(1 464)
Legal fees and litigation costs		(4)	(9)
Depreciation	9	(7)	(1)
Amortisation	11	(5)	(10)
Operating costs for the work in Lesotho	25	(184)	(83)
Lesotho Highlands Water Commission (LHWC) costs	28.2.1	(20)	(14)
Staff costs	24.3	(127)	(157)
Directors' emoluments and related costs	28.3	(7)	(9)
Royalties	23	(884)	(918)
AMD operations and maintenance	24	(271)	(228)
Other operating expenses	24	(75)	(35)
Operating surplus/(deficit)		-	-
Net finance income/(costs)		504	420
Finance income	22.1	2 517	3 293
Finance costs	22.2	(2 013)	(2 873)
Surplus/(deficit) for the year		504	420
Total comprehensive income (deficit) for the year		504	420

* See Note 5 & 26

AGGREGATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2020

	Retained income R mil	Total equity R mil
Opening balance as previously reported	641	641
Adjustments		
Prior period error	502	502
Balance at 31 March 2018 as restated*	1 143	1 143
Profit for the year	420	420
Other comprehensive income	-	-
Total comprehensive income for the year	420	420
Opening balance as previously reported	1 563	1 563
Adjustments		
Prior period errors	1	1
Balance at 31 March 2019 as restated	1 564	1 564
Profit for the year	504	504
Other comprehensive income	-	-
Total comprehensive income for the year	504	504
Prior period adjustments	9	9
Balance at 31 March 2020	2 077	2 077

* See Note 5 & 26

AGGREGATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2020

	Note(s)	2020 R mil	2019 Restated * R mil
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts on tariff receivable/transfers between projects		9 250	9 877
Cash paid to suppliers and employees		(4 320)	(3 335)
Cash generated from project activities	A	4 930	6 542
Other Finance costs		(19)	(30)
Interest paid	C	(1 998)	(2 176)
Net cash from operating activities		2 913	4 336
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	(5)	(1)
Payments to acquire financial assets		(220)	(125)
Proceeds on the sale of financial assets		2	-
Interest received	B	262	265
Net cash from investing activities		39	139
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings		200	6 550
Repayment of long-term borrowings		(1 351)	(11 778)
Proceeds from short-term borrowings		403	963
Repayment of short-term borrowings		(958)	(1 011)
Payment on lease liabilities		(4)	-
Net cash from financing activities	D	(1 710)	(5 276)
Total cash movement for the year		1 242	(801)
Cash at the beginning of the year		3 049	3 850
Total cash at end of the year	19	4 291	3 049

* See Note 5 & 26

NOTES TO THE AGGREGATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2020

	2020 R mil	2019 R mil
A. CASH GENERATED FROM PROJECT ACTIVITIES		
Profit for the year	504	420
Adjustments for non-cash flow items:		
Depreciation on non-current assets	12	11
Net interest income	1 583	2 476
Interest income on tariff receivable	(2 087)	(2 895)
Construction revenue	(1 436)	(672)
Other income	(1 584)	(1 464)
Non-cash flow in operating expenses	12	11
Changes in working capital:		
Loans and other receivables	(148)	71
Prepayments	(254)	(152)
Payables and provisions (excluding interest payable)	67	201
Capitalised to/(removed from) tariff receivable	8 094	8 292
Non-cash flow item in accounts receivable	171	77
VAT on tariff receivable debtor	(4)	166
	4 930	6 542
B. INTEREST RECEIVED		
Amount due at beginning of the year	4	18
Income during the year adjusted for non-cash items	271	251
Interest accrued	431	398
AMD interest	(160)	(147)
Amount due at the end of the year	(13)	(4)
Interest received	262	265

NOTES TO THE AGGREGATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2020

	2020 R mil	2019 R mil
C. INTEREST PAID		
Amount not paid at beginning of the year	(429)	(443)
Expensed during the year adjusted for non-cash items	(1 967)	(2 162)
Amount expensed (excluding imputed interest)	(1 994)	(2 845)
Deficit on switch auction	-	1
Capital adjustment to inflation-linked liability	17	656
Interest on lease liability	1	-
Interest capitalised to the principal amount	9	30
Accrued interest on switched bonds	-	(4)
Amount not paid at the end of the year	398	429
Interest paid	(1 998)	(2 176)
D. RECONCILIATION OF FINANCIAL MARKET LIABILITIES TO FINANCING ACTIVITIES AS AT 31 MARCH		
Liabilities at beginning of the year	22 569	27 154
Long-term borrowings	20 687	17 675
Short-term borrowings	1 882	9 479
Cash flow from financing activities	(1 710)	(5 276)
Non-cash flow items	40	690
Capitalised interest	9	30
Capital adjustment to inflation-linked liability	17	660
Capitalisation of office building lease	13	-
Interest on lease liability	1	-
Liabilities as at end of year	20 897	22 569
Long-term borrowings	19 985	20 687
Short-term borrowings	903	1 882
Long-term lease liability	4	-
Short-term lease liability	5	-

* See Note 5 & 26

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

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 with an exception of first time adoption of IFRS 16.

3. 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 do 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; it reflects the economic substance of transactions, other events and conditions and not merely the legal form, it is neutral and free from bias and it is prudent, complete in all material aspects.

The Accounting Standards Board (ASB), as mandated by the PFMA to 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 statement in accordance with the Generally Recognised Accounting Practices (GRAP). The Directive has set out the criteria that institutions are to meet 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 the organisation 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 from applying GRAP as the reporting framework and allow the continuance of the International Financial Reporting Framework (IFRS) as the reporting framework. This exemption is granted for the financial years ending 2019 to 2023.

3.1. 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 4. TCTA presents financial information on an individual project basis on the Statement of Financial Position, Statement of Comprehensive Income (Note 7) and the Statement of Cash Flows (Annexure A) of TCTA which will be useful to the users of these financial statements.

These accounting policies are consistent with the previous period.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

3.2. Summary of significant accounting policies

3.2.1. 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 over 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 is 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.

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

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 annually 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.

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's) 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Recoverable amount

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

Fair value less costs of disposal

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

Value in use

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

3.3.2. Right-of-use asset

Recognition

Right-of-use asset is defined as an asset that represents a lessee's right to use an underlying asset for the lease term.

The right of use asset is recognised at the commencement date and measured at cost, consisting of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee

All lease payments of significant value with a lease period of more than twelve months are capitalised as a right-of-use asset. Non-lease components, for example, maintenance costs, are separated from the lease payments and expensed as they are incurred. Each lease is accounted for separately.

Measurement

Right-of-use assets are initially measured at cost and subsequently at cost less accumulated depreciation and accumulated impairment losses, and adjusted for remeasurement of the lease liability.

Depreciation

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the leased asset. Useful lives of the leased assets are determined using the same criteria as the property, plant and equipment.

Lease modifications

Lease modifications are accounted for as a separate lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets. Further, this becomes the case when the consideration for the lease increases by an amount commensurate with the stand-alone price for the growth in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Impairment

The impairment of the right-of-use assets is determined in a similar way as that of property, plant and equipment.

3.3.3. 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 are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Comprehensive Income as the expense category that is consistent with the function of the intangible assets.

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

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

<i>Item</i>	<i>Useful life</i>
Computer software, other	2 years

Impairment

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

3.3.4. Financial assets

Classification

TCTA recognises a financial asset in its Statement of Financial Position when, and only when, it becomes a party to the contractual provisions of the instrument. Financial assets are classified based on the organisation's business model. (IFRS 9). TCTA considers if it holds the financial assets to collect contractual cash flows or to sell it before maturity to realise fair value changes. It holds its financial assets to maturity and thus elected to collect the cash flows from holding the asset. Further, 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, but with a financial asset this is done through surplus or deficit, particular transaction costs. Assets are subsequently measured at amortised cost.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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.

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 a review of external factors, where the counterparty's credit rating, country of origin, expertise in investments and the track record are considered;
- 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 to ensure the spreading of risk and limits exposure to particular assets or industry; and
- 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 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 part of financial investments. All fixed investments are held-to-maturity.

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 in approximately twenty years. This category consists of the right to receive cash from the DWS for 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 4.

Derivative instruments

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, based on their settlement dates.

Loans and receivables

Loans and receivables are measured at amortised cost.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Impairment of financial assets

Financial assets, other than those that are measured at fair value through profit or loss, 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 result from transactions that are within the scope of IFRS 15, and do not contain a significant financing component in line with IFRS 15 (or when the entity applies the practical expedient per 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 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 considers 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; and
- 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 potential 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 monthly and the payment terms are as set in the Memorandum of Agreement between TCTA and DWS.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

Derecognition of financial assets

TCTA derecognises financial assets when, and only when, the contractual rights to the cash flows from the asset expires, or if 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 aggregated Statement of Cash Flows, cash and cash equivalents comprise bank balances, call deposits and cash on hand and is measured at amortised cost.

3.3.5. Financial liabilities

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

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 8.2.3 for information relating to the management of interest rate risk.

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

Other financial liabilities

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Long-term financial market liabilities

Funding portfolio

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

- locally registered bonds in issue are classified as "other liabilities" and are hence carried at amortised cost, applying the effective interest rate method;
- local loans are stated at amortised cost and classified as "other liabilities". At the 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; and
- long-term commercial paper (over 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, its obligations are discharged, cancelled or expire.

3.3.6. Offsetting

Financial assets and financial liabilities are offset, and the net amount reported in the Statement of Financial Position where there is a legally enforceable right to offset the recognised amounts. Further, this happens where there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.3.7. 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 and leasing activities.

3.3.8. 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 for the termination of employment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

3.3.9. Provisions

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

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

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

Compensation

The provision relates to compensation payments being made on the Lesotho Highlands Water Project (LHWP) over 50 years. 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 rate of inflation (CPI) forecasted by Lesotho. These cash flows are considered managements' best estimate of the obligation payable to the LHDA and are discounted at 4.5% in line with the LHDA Compensation Policy to ensure that the provision more closely approximates RSA's funding obligation.

The provision for compensation includes amounts 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 lump-sum provision is calculated based on the size of rangeland lost and the agreed rate per hectare. The undisbursed lump-sum amount is escalated, annually using the Lesotho CPI rate.

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. This short-term incentive enhances the pay at risk element of the total cost of employment and aims to retain and incentivise high performers.

3.3.10. 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 governments of the Republic of South Africa (RSA) and the Kingdom of Lesotho (KOL), the RSA is responsible for all costs relating to the water transfer component of the project and the KOL 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

RSA's financial obligations, in terms of the Treaty, on the water transfer part within Lesotho include making cost-related payments to the LHDA in terms of Article 10, Royalty Payments to GOL in terms of Article 12 (refer to Note 3.3.12) 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 they become due for payment by the LHDA. With 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. 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 demands that borrowings for the project be centralised under 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 two delegations representing the respective Governments and is administered by a Secretariat. The LHWC, located in Maseru, and 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 KOL. Each party is liable for the costs of its delegation, and all others are met by the parties equally. TCTA makes monthly funding contributions to the LHWC for the RSA share of the operating costs.

3.3.11. Construction contracts

TCTA construction contracts relate to infrastructure projects that from time to time the Minister of Human Settlements, Water and Sanitation directs TCTA to implement. These projects are accounted for in terms of IFRS 15 and deal with the construction of a single asset such as a dam or pipeline. In other instances, they could involve several assets which are closely interrelated or interdependent in terms of their design, technology and function, 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 associated costs as revenue and expenses, respectively, using the input method in IFRS 15.

Contract costs

Contract costs comprise:

- a.) costs that relate directly to the specific contract;
- b.) costs 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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 it is probable that they will result in revenue; and
 - (ii) they are capable of being reliably measured.

The input method of recognising 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 method 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, contribute to TCTA's progress in satisfaction of its performance obligations.

3.3.12. Royalties

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

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

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

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

It comprises of:

- the difference in electricity costs. This component is adjusted every month per the Producer Price Index (PPI) and corrected yearly 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 every month following the PPI.

Royalties are recognised in the Statement of Comprehensive Income in the period they are incurred.

3.3.13. Interest income

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

3.3.14. Leasing

TCTA adopted IFRS 16 *Leases* during the financial year ended 31 March 2020. The changes to TCTA accounting policies are disclosed in Note 5.

The comparative information with respect to leases has been prepared in terms of IAS 17 *Leases*. (refer to Note 10) .

A lease is classified as a 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 the inception date at the present value of the lease payments. A corresponding lease obligation is included in the Statement of Financial Position. Lease payments consist 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 with a lease period of more than one month but not more than twelve months (short-term leases), low-value asset leases with a period of more than one month and leases with variable lease payments not included in the measurement of a lease liability are charged against surplus/deficit on a straight-line basis over the period of the lease.

Payments made under operating leases are charged against surplus/deficit on a straight-line basis over the period of the lease.

3.3.15. Related party transactions

TCTA has applied the government-related entities exemption in terms of IAS 24: *Related Party Disclosures* and has only disclosed significant transactions with entities controlled by the Government of South Africa in Note 25. 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 non-market terms;
- outside normal day-to-day business operations;
- disclosed to regulatory or supervisory authorities; or
- reported to the Executive Committee (Exco) and the Board of Directors.

3.3.16. Fruitless and wasteful and irregular expenditure

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

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

Both fruitless and wasteful expenditure and irregular expenditure are recognised as expenditure in the aggregated Statement of Comprehensive Income.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

3.3.17. Impairment of assets

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

Irrespective of whether there is any indication of impairment, the company 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 profit or loss. 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/deficit. Any reversal of an impairment deficit of a revalued asset is treated as a revaluation increase.

3.3.18. 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.

3.3.19. Contingent assets

Contingent assets are possible assets whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events that are not wholly within the control of the TCTA. TCTA does not recognise contingent assets but disclose contingent assets when it is more likely than not that an inflow of benefits will occur. When this inflow of benefits is almost certain an asset is recognised in the Statement of Financial Position, because that asset is no longer considered to be contingent.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

4. 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.

4.1. Provision for compensation

This provision relates to compensation payments being made on the LHWP over 50 years. 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 discounted at a rate of 4.5% in line with the Compensation Policy as implemented by the LHDA to closely reflect RSA's financial obligation to the LHDA. Refer to Note 18 for the reconciliation of the compensation provision.

4.2. 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 factor in 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 income 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 12.

4.3. Operating segments

IFRS 8 requires that the results and information with regard 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. The function of CODM is fulfilled by the Chief Executive Officer and EXCO members who review the financial results of TCTA every quarter. TCTA considers the quarterly reporting to and review by the CODM as "regular". Refer to Note 7 for further disclosures.

4.4. 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 taking into account 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 18.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

5. CHANGES IN ACCOUNTING POLICY

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

Application of IFRS 16 Leases

In the current year, the entity has applied IFRS 16 *Leases* (issued in January 2016) and the related consequential amendments to other IFRSs. IFRS 16 replaces IAS 17 *Leases* and introduces new requirements for recognition and measurement of right-of-use assets and lease liabilities; and their presentation and disclosure.

The entity has applied IFRS 16 in accordance with the transition provisions set out in IFRS 16.

Recognition and measurement of right-of-use assets and lease liabilities.

The initial date (i.e the date on which the entity has assessed its leasing activities in terms of the requirements of IFRS 16) is 01 April 2019. Accordingly, the entity has applied the requirements of IFRS 16 to leases that have not been derecognised agreements terminated as at 01 April 2019 and has not applied the requirements to leases that have already been derecognised as at 01 April 2019. The modified retrospective approach has been adopted and therefore no comparatives have been provided as no restatements have been made.

IFRS 16 requires that all leases with the lease term of over twelve months (referred to as short-term leases) be capitalised as right-of-use assets, with each lease treated separately. Leases of low value and those with lease term not exceeding twelve months can also be capitalised if an entity elects to do so. TCTA has elected not to capitalise the leases of low-value items and short-term leases.

All lease payments of significant value with a lease period of over twelve months are capitalised as a right-of-use asset and all leases with a period of twelve months or less or leases of low value are expensed. Non-lease components, for example, maintenance costs, are separated from the lease payments and expensed as they are incurred. Each lease is accounted for separately.

The measurement requirements are summarised below:

Right-of-use asset:

Right-of-use assets are initially measured at cost comprising:

- a) the amount of the initial measurement of the lease liability;
- b) any lease payments made at or before the commencement date, less any lease incentives received;
- c) any initial direct costs incurred by TCTA; and
- d) an estimate of costs to be incurred by TCTA in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. TCTA incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

Right-of-use assets are subsequently measured at cost:

- a) less any accumulated depreciation, and any accumulated impairment losses; and
- b) adjusted for any remeasurement of the lease liability:

If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, TCTA shall recognise any remaining amount of the remeasurement in profit or loss.

Right-of-use assets are depreciated on a straight-line basis over the shorter of lease term and the useful life of the leased asset.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Lease liability

At the commencement date, the lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using TCTA's incremental borrowing rate, determined as a rate that TCTA would pay if it were to borrow to finance the lease, obtained as a quote from financial institutions. The liability is subsequently measured at amortised cost using the incremental borrowing rate.

Presentation and disclosure of right-of-use assets and lease liabilities.

The presentation and disclosure requirements are summarised below:

Presentation

Right-of-use assets are presented separately from Property, Plant and Equipment as an independent line item of Non-current assets. Both the long-term and the short-term portion of lease liability are presented separately from other liabilities. Depreciation on the right-of-use asset is aggregated to the depreciation for the Property, Plant and Equipment and interest on lease liability is added to other finance costs.

Disclosure:

A separate Note, including relevant reconciliations, similar to that of Property, Plant and Equipment or Intangible Assets is included in the notes to the financial statements for the right-of-use assets. The lease liability is disclosed as a separate line item of the financial liabilities.

TCTA has assessed its lease active as at 01 April 2019 and determined that the office building lease qualifies for capitalisation and as such it has been capitalised as a right-of-use asset and raised a corresponding lease liability.

TCTA has assessed its lease active as at 01 April 2019 and determined that the office building lease qualifies for capitalisation and as such it has been capitalised as a right-of-use asset and raised a corresponding lease liability.

The impact of the above increased the carrying amount of assets by R8m (2019: Rnil) and the resulting liability with an amount of R9m (2019: Rnil). There was no impact on the opening balance of retained earnings.

6. NEW STANDARDS AND INTERPRETATIONS

6.1. 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 apply to its operations:

IFRS 16 Leases

IFRS 16 *Leases* is a new standard which replaces IAS 17, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the entity are as follows:

Entity as lessee:

- lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short-term leases or those with an underlying asset of low value, which is expensed on a straight line or other systematic basis.
- the cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- the lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

- the right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property, and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- the lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- re-measurements of lease liabilities are affected against right-of-use assets unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- the lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- the lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications, which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 *Leases*.

The effective date of the standard is for years beginning on or after 01 January 2019.

The company has adopted the standard for the first time in the 2020 annual financial statements.

6.2. Standards and Interpretations early adopted

The entity has chosen not to early adopt the following standards:

Conceptual Framework for Financial Reporting and Amendments to References to the Conceptual Framework in IFRS Standards

A revised version of the Conceptual Framework for Financial Reporting was issued in March 2018. Although it does not have a formal effective date, it is regarded as being applicable by preparers at the same time as the changes introduced by Amendments to References to the Conceptual Framework in IFRS Standards are effective. The Amendments to References to the Conceptual Framework in IFRS Standards were also issued in March 2018, last amended in February 2019, and are effective for annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted if at the same time an entity also applies all other amendments referred to in the conceptual framework.

Conceptual Framework for Financial Reporting

The *Conceptual Framework for Financial Reporting* contains updated definitions of an asset and a liability and updated criteria for including assets and liabilities in financial statements.

In addition, new concepts and guidance have been added on the following topics:

- a) measurement, including factors to be considered when selecting a measurement basis;
- b) presentation and disclosure, including when to classify income and expenses in other comprehensive income
- c) the reporting entity; and
- d) when assets and liabilities are removed from financial statements.

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The Conceptual Framework also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Amendments to References to the Conceptual Framework in IFRS Some Standards, their accompanying documents and IFRS practice statements contain references to or quotations from the IASC's Framework for the Preparation and Presentation of Financial Statements adopted by the Board in 2001 or the Conceptual Framework for Financial Reporting issued by the Board in 2010. Amendments to References to the Conceptual Framework in IFRS Standards updates some of these references and quotations so that they refer to the Conceptual Framework for Financial Reporting issued in 2018, and makes other amendments to clarify which version of the Conceptual Framework is referred to in each document.

The amendments are unlikely to have a material impact on TCTA's annual financial statements.

Definition of Material

Definition of Material amends *IAS 1 Presentation of Financial Statements* and *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* and makes consequential amendments to several other Standards. The amendments will improve the understanding of the definition of material by:

- a) aligning the wording of the definition in IFRS and the Conceptual Framework to avoid the potential for confusion arising from different definitions;
- b) incorporating supporting requirements in IAS 1 into the definition to give them more prominence and clarify their applicability; and
- c) providing existing guidance on the definition of material in one place, together with the definition.

The amendments are effective for the annual reporting periods beginning on or after 1 January 2020 and are unlikely to have a material impact on TCTA's annual financial statements.

Classification of Liabilities as Current or Non-current

Amendments to *IAS 1 Presentation of Financial Statements* with regards to the classification of liabilities as current and non-current were issued in January 2020. The amendments entail the following:

- a) the right to defer settlement of the liability for at least twelve months after the reporting period no longer needs to be unconditional for the liability to be classified as current. It has now been clarified that the right needs to be in existence at the end of the reporting period;
- b) an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance. If the right to defer settlement is subject to the entity complying with specified conditions, the right exists at the end of the reporting period only if the entity complies with those conditions at the end of reporting. The entity must comply with the conditions at the end of the reporting period, even if the lender does not test compliance until a later date;
- c) the words 'expects' and 'refine' have been removed and 'discretion' replaced with the 'right' under the paragraph dealing with rolling over of obligation;
- d) the word 'provision' has been replaced with, 'condition' when the reference is to a long-term arrangement, and the word 'unconditional' has been removed from the right to defer settlement;
- e) classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after reporting period. If a liability meets the criteria for classification as non-current. It is classified as non-current even if management intends or expects the entity to settle the liability within twelve months after the reporting period, or even if the entity settles the liability between the end of the reporting period and the date the financial statements are authorised for issue. However, in either of these circumstances, the entity may need to disclose information about the timing of the settlement to enable users of its financial statement to understand the impact of the liability on the entity's financial position;
- f) if the settlement of a liability classified as non-current occurs between the end of the reporting period and the date of the financial statements are authorised for issue, the event is disclosed as a non-adjusting even in accordance with *IAS 10 Events after Reporting Period*;
- g) for the purpose of classifying a liability as current or non-current, settlement refers to a transfer to the counterparty that results in the liability's extinguishment. The transfer could be of:
 - i) cash or other economic resources - for example, goods or services; or
 - ii) the entity's own equity instruments, unless (h) below applies.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

- h) terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments do not affect its classification as current or non-current. If applying IAS 32 *Financial Instruments: Presentation*, the entity classifies the option as an equity instrument, recognising it separately from the liability as an equity component of a compound financial instrument.

An entity shall apply these amendments for annual reporting periods beginning on or after 01 January 2022 retrospectively in accordance with IAS 8. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

TCTA has not elected to early adopt the amendments and the impact of the amendments will depend on TCTA's obligations upon the adoption of the amendments.

Interest Rate Benchmark Reform

Amendments to IFRS 9, IAS 39 and IFRS 7 with regard to Interest Rate Benchmark Reform issued in September 2019. IFRS 9 allows companies, when they first apply IFRS 9, to choose, as an accounting policy, to continue to apply the hedge accounting requirements of IAS 39, hence the amendment to IAS 39 as well. The amendments entail the following:

- a) when determining whether a forecast transaction is highly probable, a company shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform. The amendment also applies to cash flow hedges that have been discontinued with an amount remaining in the cash flow hedge reserve;
- b) when performing prospective assessments, a company shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instruments are based is not altered as a result of the interest rate benchmark reform;
- c) a company is not required to undertake the IAS 39 retrospective assessment for hedging relationships directly affected by the reform; however, the company must comply with all other IAS 39 hedge accounting requirements, including the prospective assessment;
- d) a company shall apply separately identifiable requirement only when an instrument is initially designated as a hedged item in a 'macro hedge' relationship;
- e) when a company designates a group of items as a hedged item, or a combination of financial instruments as the hedging instruments, the end of application requirement should be applied to each item in the hedge; and
- f) For hedging relationships affected by the amendments, companies are required to provide the following disclosures:
 - the significant interest rate benchmarks to which the company's hedging relationships are exposed;
 - the extent of the risk exposure the company manages that is directly affected by the interest rate benchmark reform;
 - how the company is managing the process to transition to alternative benchmark rates;
 - description of significant assumptions or judgements the company made in applying the exceptions (for example, assumptions or judgements about when the uncertainty arising from interest rate benchmark reform is no longer present); and
 - the nominal amount of the hedging instruments in those hedging relationships.

The amendments apply for annual reporting periods beginning on or after 01 January 2020. Earlier application is permitted.

TCTA has not elected to adopt the amendments early; therefore, their impact will depend on the organisation's activities upon their adoption. At present, TCTA has not embarked on hedging as part of its activities.

COVID-19-Related Rent Concessions

Amendments to IFRS 16 *Leases* issued in May 2020 entail:

- a) a practical expedient that permits lessees not to assess whether the rent concessions that occur as a direct consequence of the COVID-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications. The Board provided the practical expedient in response to information about the effects of the COVID-19 pandemic.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

- b) The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all the following conditions are met:
- i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
 - ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extended beyond 30 June 2021); and
 - iii) there is no substantive change to other terms and conditions of the lease.
- c) If a lessee applies the practical expedient, the lessee shall disclose:
- i) that it has applied the practical expedient to all rent concessions that meet the conditions in paragraph 46B or, if not applied to all such rent concessions, information about the nature of the contracts to which it has applied the practical expedient (see paragraph 2); and
 - ii) the amount recognised in profit or loss for the reporting period to reflect changes in lease payments that arise from rent concessions to which the lessee has applied the practical expedient in paragraph 46A.

The amendments are applicable for the annual reporting periods beginning on or after 01 June 2020. Earlier application is permitted, including in financial statements not authorised for issue on 28 May 2020.

TCTA has not elected the early application, and the impact is to be assessed upon the adoption of the amendment.

IFRS 17 Insurance Contracts

The entity has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2020 or later periods:

IFRS 17 sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. The standard was issued in May 2017 and amended in June 2020; and it replaces IFRS 4: *Insurance contracts*.

The standard is effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted but only if IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* is been applied.

TCTA has elected not to early adopt the standard and the standard will have no impact on TCTA as TCTA does not issue any insurance contracts nor holds any reinsurance contracts.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

7. 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.

7.1. 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) meets the criteria as an identifiable component of TCTA's business as it

- (a) may earn revenues and incur expenses;
- (b) each segment's operating results are regularly reviewed by the entity's Chief Operating Decision Maker (CODM) to determine the allocation of resources and assess its performance, and
- (c) discrete financial information for it is available. The function of CODM is fulfilled by the Chief Executive Officer and EXCO members who review the financial results of TCTA every month.

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

7.2. Identification of operating segments

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

TCTA provides various services to its customers such as liability management, treasury management services as well as project implementation. TCTA is required to report and account separately for each project and reports to the CODM (monthly), 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 can 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 7.4 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 YEAR ENDED 31 MARCH 2020

7.3. Entity-wide disclosures

DESCRIPTION OF THE SEGMENT	CURRENT WORK	ACRONYM
<p>Vaal River System</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"> to fulfil the RSA financial obligations in terms of or resulting from the Treaty to receive the water from LHDA and discharge into the Ash River additional functions pertaining to the release of the water 	<p>Royalty payments to the Government of Lesotho.</p> <p>Payments for :</p> <ul style="list-style-type: none"> the operation and maintenance of the water transfer component in Lesotho undertaken by Lesotho Highlands Development Authority for the construction of Phase II and Lesotho Highlands Water Commission costs 	VRS
<p>Vaal River System</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	VRS
<p>Acid Mine Drainage</p> <p>Sections 24 (d) Other functions that may be assigned to the Authority in terms 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>Short-term intervention</p> <p>The installation of pumps to extract water from the Western, Central and Eastern Basins in the Witwatersrand goldfields, neutralisation and reduction in the concentration of metals before discharge into the river system.</p>	<p>Management of debt</p> <p>Operation and Maintenance</p>	AMD
<p>Berg River Water Project</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	BWP
<p>Vaal River Eastern Sub-System Augmentation Project</p> <p>The project comprises a scheme to convey water 121 km from the Vaal Dam to the Secunda area.</p>	Management of debt, Project close-out	VRESAP

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

DESCRIPTION OF THE SEGMENT	CURRENT WORK	ACRONYM
<p>Mooi Mgeni Transfer Scheme - Phase 2</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 Mpofana River.</p>	Management of debt, Project close-out	MMTS-2
<p>Komati Water System Augmentation Project</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>Olifants River Water Resource Development Project Phase 2C:</p> <p>The project comprises a 40 km pipeline from De Hoop Dam to Steelpoort.</p> <p>Phase 2B:</p> <p>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>Mokolo Crocodile Water Augmentation Project: Phase 1:</p> <p>The project consists of a scheme to convey water 43 km from the Mokolo Dam to the Lephhalale area.</p> <p>Phase 2A:</p> <p>The project comprises a scheme to transfer water 160 km from the Crocodile River, near Thabazimbi, to the Lephhalale area.</p>	Management of debt Project close-out Pre-implementation	MCWAP
<p>Mooi Mgeni Transfer Scheme - Phase 1</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>UMGENI</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>KRIEL</p> <p>The project comprises a 3 km pipeline from the KWSAP to Kriel Water treatment works and the upgrading of the works.</p>	Project management services	KRIEL
<p>Mzimvubu River Water Project</p> <p>This project is in the Mzimvubu area in the Eastern Cape. Currently the advance infrastructure is being implemented.</p>	Project management services	MRWP
<p>Trans Caledon Tunnel Authority - Corporate</p>		TCTA-C

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

DESCRIPTION OF THE SEGMENT	CURRENT WORK	ACRONYM
<p>Berg River-Voëlvelei Augmentation Scheme</p> <p>The project comprises a diversion weir and a pump station in the Berg River to transfer water into the Voelvllei Dam to augment the Western Cape Water Supply system.</p>	Pre-implementation	BRVAS
<p>uMkhomazi Water Project</p> <p>The project comprises a 81m high dam and appurtenant works at Smithfield on the uMkhomazi River near Bulwer. A Conveyance infrastructure (32km 3.5m diameter tunnel and 5km 2.6m diameter raw water pipeline) to the proposed Umgeni Water's Water Treatment Works in the uMlaza River valley.</p>	Pre-implementation	UMWP

7.4. Operating segments: financial results

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

7.4.1. Segmental Statement of Financial Position as at 31 March 2020

	Note(s)	VRS R mil	BWP R mil	VRESAP R mil	MCWAP-1 R mil	MMTS-2 R mil
ASSETS						
Non-Current Assets						
Property, plant and equipment	9	5	-	-	-	-
Right-of-use assets	10	8	-	-	-	-
Intangible assets	11	-	-	-	-	-
Tariff receivable*	12.4	9 991	440	3 522	481	729
AMD receivable	15	1 798	-	-	-	-
Total Non-Current Assets		11 802	440	3 522	481	729
Current Assets						
Tariff receivable*	12.4	-	91	284	151	210
Short-term financial market investments	12.5	615	-	-	45	49
Loans and other receivables	13	117	10	14	1	42
Prepayments	14	468	-	-	-	1
Non-contractual amounts	17.1	-	-	-	-	-
Cash and cash equivalents	19	2 922	35	55	676	436
AMD receivable	15	152	-	-	-	-
Total Current Assets		4 274	136	353	873	738
TOTAL ASSETS		16 076	576	3 875	1 354	1 467
EQUITY AND LIABILITIES						
RESERVES						
Retained income		1 368	83	727	11	(104)
LIABILITIES						
Non-Current Liabilities						
Borrowings	12.6.3	12 941	411	2 895	1 280	1 273
Provisions	18	384	-	-	-	-
Lease liability	20	4	-	-	-	-
Total Non-Current Liabilities		13 329	411	2 895	1 280	1 273
Current Liabilities						
Trade and other payables	16	1 018	4	33	13	65
Non-contractual amounts	17.1	18	1	7	3	9
Provisions	18	34	-	-	-	-
Borrowings	12.6.2	304	77	213	47	224
Lease liability	20	5	-	-	-	-
Total Current Liabilities		1 379	82	253	63	298
TOTAL LIABILITIES		14 708	493	3 148	1 343	1 571
TOTAL EQUITY AND LIABILITIES		16 076	576	3 875	1 354	1 467

* Department of Water and Sanitation (DWS) invoiced debtor 2020: R2.0bn (2019: R2.3bn); additional disclosure in Note 12.4.3
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 YEAR ENDED 31 MARCH 2020

ORWRDP	KWSAP	UMGENI	KRIEL	TCTA-C	MRWP	MCWAP-2	BRVAS	UMWP	TOTAL
R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil
-	-	-	-	-	-	-	-	-	5
-	-	-	-	-	-	-	-	-	8
-	-	-	-	-	-	-	-	-	-
-	991	-	-	-	-	-	-	-	16 154
-	-	-	-	-	-	-	-	-	1 798
-	991	-	-	-	-	-	-	-	17 965
-	71	-	-	-	-	-	-	-	807
-	-	-	-	-	-	-	-	-	709
45	13	17	6	-	12	76	15	4	372
11	-	-	-	-	-	-	-	-	480
4	-	-	-	-	-	2	-	-	-
18	143	-	-	6	-	-	-	-	4 291
-	-	-	-	-	-	-	-	-	152
78	227	17	6	6	12	78	15	4	6 811
78	1 218	17	6	6	12	78	15	4	24 776
-	(14)	4	-	2	-	-	-	-	2 077
-	1 185	-	-	-	-	-	-	-	19 985
-	-	-	-	-	-	-	-	-	384
-	-	-	-	-	-	-	-	-	4
-	1 185	-	-	-	-	-	-	-	20 373
78	7	13	6	4	12	78	15	4	1 350
-	2	-	-	-	-	-	-	-	34
-	-	-	-	-	-	-	-	-	34
-	38	-	-	-	-	-	-	-	903
-	-	-	-	-	-	-	-	-	5
78	47	13	6	4	12	78	15	4	2 326
78	1 232	13	6	4	12	78	15	4	22 699
78	1 218	17	6	6	12	78	15	4	24 776

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

7. SEGMENTAL INFORMATION (CONTINUED)

7.4.2. Restated 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
ASSETS						
Non-Current Assets						
Property, plant and equipment	9	6	-	-	-	-
Right-of-use assets	10	-	-	-	-	-
Intangible assets	11	5	-	-	-	-
Tariff receivable*	12.4	11 144	535	4 020	773	1 211
AMD receivable	15	1 641	-	-	-	-
Total Non-Current Assets		12 796	535	4 020	773	1 211
Current Assets						
Tariff receivable*	12.4	860	37	225	23	153
Short-term financial market investments	12.5	432	-	-	-	50
Loans and other receivables	13	85	-	-	-	22
Prepayments	14	214	-	-	-	1
Cash and cash equivalents	19	1 593	121	224	592	296
AMD receivable	15	140	-	-	-	-
Total Current Assets		3 324	158	449	615	522
TOTAL ASSETS		16 120	693	4 469	1 388	1 733
EQUITY AND LIABILITIES						
RESERVES						
Retained income		788	95	782	(14)	(107)
LIABILITIES						
Non-Current Liabilities						
Borrowings	12.6.3	13 245	438	3 092	1 327	1 362
Provisions	18	372	-	-	-	-
Lease liability	20	-	-	-	-	-
Total Non-Current Liabilities		13 617	438	3 092	1 327	1 362
Current Liabilities						
Trade and other payables	16	766	19	52	26	73
Non-contractual amounts	17.1	148	4	14	7	6
Provisions	18	58	-	-	-	-
Borrowings	12.6.2	743	137	529	43	398
Lease liability	20	-	-	-	-	-
Total Current Liabilities		1 715	160	595	76	477
TOTAL LIABILITIES		15 332	598	3 687	1 403	1 839
TOTAL EQUITY AND LIABILITIES		16 120	693	4 469	1 388	1 733

* Department of Water and Sanitation (DWS) debtor R2.3bn (2018: R3.2bn); additional disclosure in Note 12.4.3 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 YEAR ENDED 31 MARCH 2020

ORWRDP	KWSAP	UMGENI	KRIEL	TCTA-C	MRWP	MCWAP-2	BRVAS	UMWP	TOTAL
R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil
-	-	-	-	-	-	-	-	-	6
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	5
-	1 072	-	-	-	-	-	-	-	18 755
-	-	-	-	-	-	-	-	-	1 641
-	1 072	-	-	-	-	-	-	-	20 407
-	62	-	-	-	-	-	-	-	1 360
-	-	-	-	-	-	-	-	-	482
-	-	17	6	-	24	69	7	-	230
11	-	-	-	-	-	-	-	-	226
59	150	-	-	14	-	-	-	-	3 049
-	-	-	-	-	-	-	-	-	140
70	212	17	6	14	24	69	7	-	5 487
70	1 284	17	6	14	24	69	7	-	25 894
-	15	4	-	1	-	-	-	-	1 564
-	1 223	-	-	-	-	-	-	-	20 687
-	-	-	-	-	-	-	-	-	372
-	-	-	-	-	-	-	-	-	-
-	1 223	-	-	-	-	-	-	-	21 059
68	11	13	6	13	24	67	7	-	1 145
2	3	-	-	-	-	2	-	-	186
-	-	-	-	-	-	-	-	-	58
-	32	-	-	-	-	-	-	-	1 882
-	-	-	-	-	-	-	-	-	-
70	46	13	6	13	24	69	7	-	3 271
70	1 269	13	6	13	24	69	7	-	24 330
70	1 284	17	6	14	24	69	7	-	25 894

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

7. SEGMENTAL INFORMATION (CONTINUED)

7.4.3. Segmental Statement of Financial Position as at 31 March 2019 as previously stated

	Note(s)	VRS R mil	BWP R mil	VRESAP R mil	MCWAP R mil	MMTS-2 R mil
ASSETS						
Non-Current Assets						
Property, plant and equipment	9	6	-	-	-	-
Right-of-use assets	10	-	-	-	-	-
Intangible assets	11	4	-	-	-	-
Tariff receivable*	12.4	11 361	535	4 022	785	1 211
AMD receivable	15	415	-	-	-	-
Total Non-Current Assets		11 788	535	4 022	785	1 211
Current Assets						
Tariff receivable*	12.4	879	37	225	23	153
Short-term financial market investments	12.5	432	-	-	-	50
Loans and other receivables	13	84	-	-	-	22
Prepayments	14	267	-	-	-	1
Non-contractual amounts	17.1	-	-	-	-	-
Cash and cash equivalents	19	1 593	121	224	592	296
AMD receivable	15	312	-	-	-	-
Total Current Assets		3 567	158	449	615	522
TOTAL ASSETS		15 356	693	4 471	1 400	1 733
EQUITY AND LIABILITIES						
RESERVES						
Retained income		56	95	784	(3)	(106)
LIABILITIES						
Non-Current Liabilities						
Long-term financial market liabilities	12.6.3	13 231	438	3 092	1 327	1 362
Provisions	18	355	-	-	-	-
Lease liability	20	-	-	-	-	-
Total Non-Current Liabilities		13 586	438	3 092	1 327	1 362
Current Liabilities						
Trade and other payables	16	766	19	52	26	73
Non-contractual amounts	17.1	148	4	14	7	6
Provisions	18	57	-	-	-	-
Short-term financial market liabilities	12.6.2	743	137	529	43	398
Lease liability	20	-	-	-	-	-
Total Current Liabilities		1 714	160	595	76	477
TOTAL LIABILITIES		15 300	598	3 687	1 403	1 839
TOTAL EQUITY AND LIABILITIES		15 356	693	4 471	1 400	1 733

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

ORWRDP	KWSAP	UMGENI	KRIEL	TCTA-C	MRWP	MCWAP-2	BRVAS	TOTAL
R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil
-	-	-	-	-	-	-	-	6
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	4
-	1 062	-	-	-	-	-	-	18 976
-	-	-	-	-	-	-	-	415
-	1 062	-	-	-	-	-	-	19 402
-	61	-	-	-	-	-	-	1 378
-	-	-	-	-	-	-	-	482
-	-	17	6	-	24	69	7	229
11	-	-	-	-	-	-	-	279
-	-	-	-	-	-	-	-	-
59	150	-	-	14	-	-	-	3 048
-	-	-	-	-	-	-	-	312
70	211	17	6	14	24	69	7	5 728
70	1 273	17	6	14	24	69	7	25 131
-	4	4	-	1	-	-	-	835
-	1 223	-	-	-	-	-	-	20 673
-	-	-	-	-	-	-	-	355
-	-	-	-	-	-	-	-	-
-	1 223	-	-	-	-	-	-	21 028
68	11	13	6	13	24	67	7	1 141
2	3	-	-	-	-	2	-	187
-	-	-	-	-	-	-	-	57
-	32	-	-	-	-	-	-	1 882
-	-	-	-	-	-	-	-	-
70	46	13	6	13	24	69	7	3 267
70	1 269	13	6	13	24	69	7	24 294
70	1 273	17	6	14	24	69	7	25 131

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

7. SEGMENTAL INFORMATION (CONTINUED)

7.4.4. Restated Segmental Statement of Financial Position as at 31 March 2018

	VRS R mil	BWP R mil	VRESAP R mil	MCWAP-1 R mil	MMTS-2 R mil
ASSETS					
Non-Current Assets					
Property, plant and equipment	6	-	-	-	-
Right-of-use assets	-	-	-	-	-
Intangible assets	15	-	-	-	-
Tariff receivable*	11 840	570	4 338	820	1 397
AMD receivable	1 489	-	-	-	-
Total Non-Current Assets	13 350	570	4 338	820	1 397
Current Assets					
Tariff receivable*	2 867	69	285	183	109
Short-term financial market investments	321	-	-	-	50
Loans and other receivables	53	-	-	57	23
Prepayments	62	-	-	-	1
Cash and cash equivalents	2 910	72	82	474	209
AMD receivable	78	-	-	-	-
Total Current Assets	6 291	141	367	714	394
TOTAL ASSETS	19 641	711	4 705	1 534	1 791
EQUITY AND LIABILITIES					
RESERVES					
Retained income	307	111	845	(33)	(97)
LIABILITIES					
Non-Current Liabilities					
Long-term financial market liabilities	9 696	515	3 286	1 497	1 450
Provisions	368	-	-	-	-
Lease liability	-	-	-	-	-
Total Non-Current Liabilities	10 064	515	3 286	1 497	1 450
Current Liabilities					
Trade and other payables	723	5	50	24	69
Non-contractual amounts	59	3	5	3	-
Provisions	43	-	-	-	-
Long-term financial market liabilities	8 445	77	519	43	367
Lease liability	-	-	-	-	-
Total Current Liabilities	9 270	85	574	70	436
TOTAL LIABILITIES	19 334	600	3 860	1 567	1 886
TOTAL EQUITY AND LIABILITIES	19 641	711	4 705	1 534	1 791

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

ORWRDP	KWSAP	MMTS-1	UMGENI	KRIEL	MCWAP-2	TCTA-C	MRWP	BRVAS	TOTAL
R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil
-	-	-	-	-	-	-	-	-	6
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	15
-	1 161	-	-	-	-	-	-	-	20 126
-	-	-	-	-	-	-	-	-	1 489
-	1 161	-	-	-	-	-	-	-	21 636
-	50	-	-	-	-	-	-	-	3 563
-	-	-	-	-	-	-	-	-	371
26	-	1	17	6	60	-	17	-	260
11	-	-	-	-	-	-	-	-	74
1	70	-	-	-	-	31	-	-	3 849
-	-	-	-	-	-	-	-	-	78
38	120	1	17	6	60	31	17	-	8 195
38	1 281	1	17	6	60	31	17	-	29 831
-	6	-	4	-	-	-	-	-	1 143
-	1 234	-	-	-	-	-	-	-	17 678
-	-	-	-	-	-	-	-	-	368
-	-	-	-	-	-	-	-	-	-
-	1 234	-	-	-	-	-	-	-	18 046
37	13	1	13	6	59	31	12	-	1 043
1	-	-	-	-	1	-	5	-	77
-	-	-	-	-	-	-	-	-	43
-	28	-	-	-	-	-	-	-	9 479
-	-	-	-	-	-	-	-	-	-
38	41	1	13	6	60	31	17	-	10 642
38	1 275	1	13	6	60	31	17	-	28 688
38	1 281	1	17	6	60	31	17	-	29 831

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

7. SEGMENTAL INFORMATION (CONTINUED)

7.4.5. Segmental Statement of Financial Position as at 31 March 2018 as previously stated

	VRS R mil	BWP R mil	VRESAP R mil	MCWAP R mil	MMTS-2 R mil
ASSETS					
Non-Current Assets					
Property, plant and equipment	6	-	-	-	-
Right-of-use assets	-	-	-	-	-
Intangible assets	14	-	-	-	-
Tariff receivable*	11 967	570	4 338	820	1 397
AMD receivable	569	-	-	-	-
Total Non-Current Assets	12 556	570	4 338	820	1 397
Current Assets					
Tariff receivable*	2 920	69	285	183	109
Short-term financial market investments	321	-	-	-	50
Loans and other receivables	53	-	-	57	21
Prepayments	115	-	-	-	1
Non-contractual amounts	-	-	-	-	2
Cash and cash equivalents	2 910	72	82	474	209
AMD receivable	205	-	-	-	-
Total Current Assets	6 524	141	367	714	392
TOTAL ASSETS	19 080	711	4 705	1 534	1 789
EQUITY AND LIABILITIES					
RESERVES					
Retained income	(198)	111	845	(33)	(97)
LIABILITIES					
Non-Current Liabilities					
Long-term financial market liabilities	9 671	515	3 286	1 497	1 450
Provisions	323	-	-	-	-
Lease liability	-	-	-	-	-
Total Non-Current Liabilities	9 994	515	3 286	1 497	1 450
Current Liabilities					
Trade and other payables	724	5	50	24	69
Non-contractual amounts	59	3	5	3	-
Provisions	39	-	-	-	-
Short-term financial market liabilities	8 462	77	519	43	367
Lease liability	-	-	-	-	-
Total Current Liabilities	9 284	85	574	70	436
TOTAL LIABILITIES	19 278	600	3 860	1 567	1 886
TOTAL EQUITY AND LIABILITIES	19 080	711	4 705	1 534	1 789

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

ORWRDP	KWSAP	MMTS-1	UMGENI	KRIEL	TCTA-C	MRWP	MCWAP-2	TOTAL
R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil
-	-	-	-	-	-	-	-	6
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	14
-	1 161	-	-	-	-	-	-	20 253
-	-	-	-	-	-	-	-	569
-	1 161	-	-	-	-	-	-	20 842
-	50	-	-	-	-	-	-	3 616
-	-	-	-	-	-	-	-	371
26	-	1	17	6	-	17	60	258
11	-	-	-	-	-	-	-	127
-	-	-	-	-	-	-	-	2
1	70	-	-	-	31	-	-	3 849
-	-	-	-	-	-	-	-	205
38	120	1	17	6	31	17	60	8 428
38	1 281	1	17	6	31	17	60	29 270
-	6	-	4	-	-	-	-	638
-	1 234	-	-	-	-	-	-	17 653
-	-	-	-	-	-	-	-	323
-	-	-	-	-	-	-	-	-
-	1 234	-	-	-	-	-	-	17 976
37	13	1	13	6	31	12	59	1 044
1	-	-	-	-	-	5	1	77
-	-	-	-	-	-	-	-	39
-	28	-	-	-	-	-	-	9 496
-	-	-	-	-	-	-	-	-
38	41	1	13	6	31	17	60	10 656
38	1 275	1	13	6	31	17	60	28 632
38	1 281	1	17	6	31	17	60	29 270

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

7. SEGMENTAL INFORMATION (CONTINUED)

7.4.6. Segmental Statement of Comprehensive Income for the year ended 31 March 2020

	Note(s)	VRS R mil	BWP R mil	VRESAP R mil	MCWAP-1 R mil	MMTS-2 R mil
Construction revenue	21	1 289	-	(12)	-	2
Construction costs	21	(1 289)	-	12	-	(2)
Other operating income		1 528	6	8	8	15
Expenses		(1 528)	(6)	(8)	(8)	(15)
Legal fees and litigation costs		(2)	-	-	-	(2)
Depreciation	9	(12)	-	-	-	-
Operating costs for the work in Lesotho	25	(184)	-	-	-	-
Lesotho Highlands Water Commission (LHWC) costs	28.2.1	(20)	-	-	-	-
Staff costs	24.3	(105)	(3)	(5)	(5)	(6)
Directors' emoluments and related costs	28.3	(7)	-	-	-	-
Royalties	23	(884)	-	-	-	-
AMD operations and maintenance	24	(271)	-	-	-	-
Other operating expenses	24	(43)	(3)	(3)	(3)	(7)
Operating surplus/(deficit)		-	-	-	-	-
Net finance income/(costs)		574	(14)	(56)	26	3
Finance income	22.1	1 792	31	287	153	165
Finance costs	22.2	(1 218)	(45)	(343)	(127)	(162)
Surplus/(deficit) for the year		574	(14)	(56)	26	3
Total comprehensive income/(deficit) for the year		574	(14)	(56)	26	3

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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ORWRDP	KWSAP	MMTS-1	UMGENI	KRIEL	MCWAP-2	MRWP	BRVAS	UMWP	TOTAL
R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil
72	-	-	-	-	73	-	8	4	1 436
(72)	-	-	-	-	(73)	-	(8)	(4)	(1 436)
12	5	-	-	-	-	2	-	-	1 584
(12)	(5)	-	-	-	-	(2)	-	-	(1 584)
-	-	-	-	-	-	-	-	-	(4)
-	-	-	-	-	-	-	-	-	(12)
-	-	-	-	-	-	-	-	-	(184)
-	-	-	-	-	-	-	-	-	(20)
-	(3)	-	-	-	-	-	-	-	(127)
-	-	-	-	-	-	-	-	-	(7)
-	-	-	-	-	-	-	-	-	(884)
-	-	-	-	-	-	-	-	-	(271)
(12)	(2)	-	-	-	-	(2)	-	-	(75)
-	-	-	-	-	-	-	-	-	-
-	(29)	-	-	-	-	-	-	-	504
-	89	-	-	-	-	-	-	-	2 517
-	(118)	-	-	-	-	-	-	-	(2 013)
-	(29)	-	-	-	-	-	-	-	504
-	(29)	-	-	-	-	-	-	-	504

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

7. SEGMENTAL INFORMATION (CONTINUED)

7.4.7. Restated 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
Construction revenue	21	598	-	-	(6)	2
Construction costs	21	(598)	-	-	6	(2)
Other operating income		1 419	5	8	7	18
Expenses		(1 419)	(5)	(8)	(7)	(18)
Legal fees and litigation costs		(8)	-	-	-	(2)
Depreciation	9	(11)	-	-	-	-
Operating costs for the work in Lesotho	25	(83)	-	-	-	-
Lesotho Highlands Water Commission (LHWC) costs	28.2.1	(14)	-	-	-	-
Staff costs	24.3	(125)	(4)	(5)	(6)	(12)
Directors' emoluments and related costs	28.3	(8)	-	-	-	-
Royalties	23	(918)	-	-	-	-
AMD operations and maintenance	24	(228)	-	-	-	-
Other operating expenses	24	(24)	(1)	(3)	(1)	(4)
Operating surplus/(deficit)		-	-	-	-	-
Net finance income/(costs)		480	(15)	(63)	19	(9)
Finance income	22.1	2 502	37	306	159	161
Other Finance costs	22.2	(2 022)	(52)	(369)	(140)	(170)
Surplus/(deficit) for the year		480	(15)	(63)	19	(9)
Total comprehensive income/(deficit) for the year		480	(15)	(63)	19	(9)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

ORWRDP	KWSAP	MMTS-1	UMGENI	KRIEL	MCWAP-2	BRVAS	MRWP	TOTAL
R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil
60	1	-	-	1	16	7	7	686
(60)	(1)	-	-	(1)	(16)	(7)	(7)	(686)
-	7	-	-	-	-	-	-	1 464
-	(7)	-	-	-	-	-	-	(1 464)
-	-	-	-	-	-	-	-	(10)
-	-	-	-	-	-	-	-	(11)
-	-	-	-	-	-	-	-	(83)
-	-	-	-	-	-	-	-	(14)
-	(5)	-	-	-	-	-	-	(157)
-	-	-	-	-	-	-	-	(8)
-	-	-	-	-	-	-	-	(918)
-	-	-	-	-	-	-	-	(228)
-	(2)	-	-	-	-	-	-	(35)
-	-	-	-	-	-	-	-	-
-	9	-	-	-	(1)	-	-	420
-	129	-	-	-	(1)	-	-	3 294
-	(120)	-	-	-	-	-	-	(2 874)
-	9	-	-	-	(1)	-	-	420
-	9	-	-	-	(1)	-	-	420

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

7. SEGMENTAL INFORMATION (CONTINUED)

7.4.8. Segmental Statement of Comprehensive Income for the year ended 31 March 2019 as previously stated

	VRS R mil	BWP R mil	VRESAP R mil	MCWAP R mil	MMTS-2 R mil
Construction revenue	598	-	-	6	2
Construction costs	(598)	-	-	(6)	(2)
Other operating income	1 426	5	8	7	18
Expenses	(1 426)	(5)	(8)	(7)	(18)
Legal fees and litigation costs	(8)	-	-	-	(2)
Depreciation	(11)	-	-	-	-
Operating costs for the work in Lesotho Lesotho Highlands Water Commission (LHWC) costs	(83)	-	-	-	-
Staff costs	(125)	(4)	(5)	(6)	(12)
Directors' emoluments and related costs	(9)	-	-	-	-
Royalties	(918)	-	-	-	-
AMD operations and maintenance	(228)	-	-	-	-
Other operating expenses	(30)	(1)	(3)	(1)	(4)
Operating surplus/(deficit)	-	-	-	-	-
Net finance income/(costs)	254	(15)	(60)	30	(9)
Finance income	2 308	37	309	170	161
Finance costs	(2 054)	(52)	(369)	(140)	(170)
Surplus/(deficit) for the year	254	(15)	(60)	30	(9)
Total comprehensive income/(deficit) for the year	254	(15)	(60)	30	(9)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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ORWRDP R mil	KWSAP R mil	MMTS-1 R mil	UMGENI R mil	KRIEL R mil	MCWAP-2 R mil	MRWP R mil	BRVAS R mil	TOTAL R mil
60	1	-	-	1	16	7	7	688
(60)	(1)	-	-	(1)	(16)	(7)	(7)	(688)
-	7	-	-	-	-	-	-	1 471
-	(7)	-	-	-	-	-	-	(1 471)
-	-	-	-	-	-	-	-	(10)
-	-	-	-	-	-	-	-	(11)
-	-	-	-	-	-	-	-	(83)
-	-	-	-	-	-	-	-	(14)
-	(5)	-	-	-	-	-	-	(157)
-	-	-	-	-	-	-	-	(9)
-	-	-	-	-	-	-	-	(918)
-	-	-	-	-	-	-	-	(228)
-	(1)	-	-	-	-	-	-	(41)
-	1	-	-	-	-	-	-	-
-	(2)	-	-	-	-	-	-	197
-	118	-	-	-	-	-	-	3 103
-	(120)	-	-	-	-	-	-	(2 906)
-	(1)	-	-	-	-	-	-	198
-	(1)	-	-	-	-	-	-	198

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

8. FINANCIAL INSTRUMENT RISK MANAGEMENT

8.1. 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 11.6) 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 quarterly. As part of this review, the Committee considers the cost of capital and the risks associated with each class of debt.

TCTA's borrowing limits per project is reviewed on an annual basis by the Minister of 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 the construction of the infrastructure. This ensures that there is less volatility on the debt curve and there is high predictability of cash flows, thus minimising the associated interest rate risk to each project.

8.2. Financial risk management objectives

The Board has overall responsibility for the establishment and oversight of risk management within the organisation and approves all risk management policies. Risk management in TCTA is carried out through a central risk management function. The Risk Department identifies, assesses and mitigates financial risks in close co-operation with other Operational Units. The 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 with 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 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 prudently, 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.

TCTA has taken a more proactive approach to short-term cash management. The cashflow requirements for the next

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

12 months are assessed, and where required, the required funding is procured. 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.

8.2.1. Liquidity stress test scenarios as at 31 March 2020

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 31 March 2020 and considers two scenarios:

Scenario 1

- this scenario which assumes the estimated time from the 31 March 2020 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 31 March 2020 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 ⁽¹⁾	Undrawn Notes liquidity facilities ⁽²⁾ R mil	Notes
MMTS-2	61	66	11-June-20	514	Note 1
VRESAP	55	67	12-Jun-20	450	Note 2
ORWRDP	16	84	29-Jun-19	-	
BWP	34	161	14-Sep-19	650	
VRS	3 432	176	29-Sep-20	6 500	
MMTS-2	423	325	25-Feb-21	-	
KWSAP	144	340	25-Feb-21	750	
MCWAP	720	>357 days	After March 2021	200	

(1) Expected date at which the cash resources will be depleted

(2) TCTA has available facilities that enable each project to drawdown, on if required, except ORWRDP which is funded from the fiscus.

Notes

1. The liquidity risk for MMTS-2 in the table above is impacted by the maturity of commercial paper from 21 May 2020 to 23 June 2020, this risk is further mitigated by the potential use of undrawn facilities of R564m which would be sufficient to meet the expected cash outflows post 31st March 2021.
2. The liquidity risk for VRESAP in the table above is impacted by debt service commitments up to 31 March 2021. This risk will be mitigated by issuing commercial paper, which will be sufficient to meet the expected cash outflows until 26 Feb 2021.

Scenario 2

This scenario considers the estimated time from the 31 March 2020 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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 31 March 2020 exhaustion of cash resources assuming the forecast tariff receivable is received

Project	Current cash balances R mil	Days till cash is depleted	Anticipated depletion date ⁽¹⁾	Undrawn liquidity facilities ⁽²⁾ R mil	Notes
ORWRDP	16	66	29-Jun-20	-	Note 1
VRESAP	505	324	26-Feb-21	-	
MMTS-2	423	>357 days	After March 2021	-	
MCWAP	920	>357 days	After March 2021	-	
MMTS-2	575	>357 days	After March 2021	-	
BWP	684	>357 days	After March 2021	-	
LHWP	9 932	>357 days	After March 2021	-	
KWSAP	894	>357 days	After March 2021	-	

(1) Expected date at which the cash resources will be depleted

(2) TCTA has available facilities that enable each project to drawdown on if required, except ORWRDP which is funded from the fiscus.

Notes

- 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 due to TCTA. This will ensure timely payment of tariffs by DWS to TCTA.

VRS

Financing facilities

Funding sources and utilisation at 31 March:

	2020 R million	2019 R million
Total borrowing authority		
Global limit ⁽¹⁾	17 700	42 500
Utilisation	(13 235)	(13 973)
Available	4 465	28 527

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Total utilisation of capital market and commercial paper facilities

The following tables reflect the bonds and commercial paper, but exclude local and foreign loans as the latter does not have authorised limits.

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

Approved facilities	Individual limit R mil	Issued R mil	Available R mil	CPI-adjusted value R mil	Outstanding debt R mil
2020					
Total issued to date					
Commercial Paper Programme (including Term Paper)	4 000	-	4 000	-	-
Capital Market - WSP4	1 000	97	903	-	96
Capital Market - WSP5	13 824	9 433	4 391	-	9 433
	18 824	9 530	9 294	-	9 529
Repurchases					
Repurchases for the year	1 000	-	1 000	-	-
2019					
Total issued to date					
Commercial Paper Programme (including Term Paper)	4 000	-	4 000	-	-
Capital Market - WS05	7 000	-	7 000	8 804	-
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	9 433	4 391	4 286	9 433
	29 000	9 562	19 438	13 090	9 560
Repurchases					
Repurchases for the year	1 000	-	1 000	-	-

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Utilisation of approved facilities	Individual limit R mil	Disbursed R mil	Available R mil	Outstanding debt R mil
2020				
Loan	1 000	1 000	-	1 000
Loan	500	-	500	-
Loan	3 000	3 000	-	2 700
Loan	1 000	-	1 000	-
Loan	1 000	-	1 000	-
Total	6 500	4 000	2 500	3 700
2019				
Loan	1 000	1 000	-	1 000
Loan	500	-	500	-
Loan	3 000	3 000	-	2 900
Loan	1 000	-	1 000	-
Loan	1 000	500	500	500
Total	6 500	4 500	2 000	4 400

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

Loan commitments

	2020 Utilisation R mil	2019 Utilisation R mil	2020 Outstanding debt R mil	2019 Outstanding debt R mil
Total utilisation of local and foreign loans				
Local loans	16	27	16	27

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 and 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. Including 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 11.5 and 11.6.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

As at 31 March, VRS 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		
2020						
Financial assets						
Tariff receivable	15.88	237	767	39 693	40 460	40 697
Loans and receivables	NA	117	-	-	-	117
Fixed-term investments	7.05	615	-	-	-	615
Cash and cash equivalents ⁽¹⁾	5.45	2 922	-	-	-	2 922
Financial asset maturities		3 891	767	39 693	40 460	44 351
Financial liabilities						
Bonds	9.09	(950)	(9 857)	-	(9 857)	(10 807)
CPI-linked bonds	8.50	-	-	-	-	-
Commercial paper	6.87	-	-	-	-	-
Term paper	8.37	-	-	-	-	-
Fixed-rate loans: Local	10.16	(9)	(5)	-	(5)	(14)
Variable-rate loans: local ⁽¹⁾	8.25	(484)	(2 183)	(4 102)	(6 285)	(6 769)
Trade and other payables (excluding interest payable) ⁽²⁾	NA	(821)	-	-	-	(821)
Lease liability	8.90	(5)	(4)	-	(4)	(9)
Financial liabilities maturities		(2 269)	(12 049)	(4 102)	(16 151)	(18 420)
Net financial asset/ (liabilities)		1 622	(11 282)	35 591	24 309	25 931
2019						
Tariff receivable	11.952	2 317	-	31 572	31 572	33 889
Loans and receivables	NA	85	-	-	-	85
Fixed-term investments	7.52	432	-	-	-	432
Cash and cash equivalents ⁽¹⁾	6.93	1 593	-	-	-	1 593
Financial asset maturities		4 427	-	31 572	31 572	35 999
Financial liabilities						
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 ⁽¹⁾	9.03	(1 059)	(2 216)	(4 286)	(6 502)	(7 561)
Trade and other payables (excluding interest payable) ⁽²⁾	NA	(766)	-	-	-	(766)
Financial liabilities maturities		(2 731)	(13 037)	(4 286)	(17 323)	(20 054)
Net financial asset/ (liabilities)		1 696	(13 037)	27 286	14 249	15 945

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Liquidity analysis for derivative financial instruments

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

BWP

Financing facilities

Funding sources and utilisation at 31 March:

	2020	2019
	R million	R million
Total borrowing authority		
Global limit ⁽¹⁾	660	715
Utilisation	(488)	(575)
Available	172	140

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

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

Total utilisation of capital market and commercial paper facilities

The following tables reflect the commercial paper, but exclude local and foreign loans as the latter does not have authorised limits.

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

2020	Individual limit	Issued	Available	Outstanding debt ⁽³⁾
Approved facilities	R mil	R mil	R mil	R mil
Total issued to date				
Commercial Paper Programme	450		450	-
Loan ⁽¹⁾	500	400	-	180
Loan ^{(1) (2) (3)}	EUR 100	EUR 100	-	258
Loan	300	50	250	50
			700	488

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 ⁽¹⁾	500	400	-	210
Loan ^{(1) (2) (3)}	EUR 100	EUR 100	-	315
Loan	300	50	250	50
			700	575

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

(2) This is a Euro-denominated facility drawn in Rands and repaid in Rands.

(3) All amounts are in ZAR unless otherwise stated.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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 11.5 and 11.6.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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

2020	Weighted average effective interest rate	Total undiscounted current financial assets / (liabilities)	Non-current financial assets / (liabilities)		Total undiscounted non-current financial assets / (liabilities)	Total undiscounted financial assets / (liabilities)
Non-derivative financial assets / (liabilities)	%	R mil	1-5 years R mil	>5 years R mil	R mil	R mil
2020						
Financial assets						
Tariff receivable	5.62	120	329	208	537	657
Loans and receivables	NA	10	-	-	-	10
Cash and cash equivalents ⁽¹⁾	5.15	35	-	-	-	35
Financial asset maturities		165	329	208	537	702
Financial liabilities						
Fixed-rate loans: Local	8.36	(112)	(357)	(96)	(453)	(565)
Variable-rate loans: local ⁽¹⁾	7.58	(4)	(18)	(75)	(93)	(97)
Trade and other payables (excluding interest payable) ⁽²⁾	NA	(12)	-	-	-	(12)
Financial liabilities maturities		(128)	(375)	(171)	(546)	(674)
Net financial asset/ (liabilities)		37	(46)	37	(9)	28
2019						
Financial assets						
Tariff receivable	4.73	65	340	310	650	715
Cash and cash equivalents ⁽¹⁾	7.05	121	-	-	-	121
Financial asset maturities		186	340	310	650	836
Financial liabilities						
Fixed-rate loans: Local	8.35	(138)	(396)	(169)	(565)	(703)
Variable-rate loans: local ⁽¹⁾	9.12	(51)	-	-	-	(51)
Trade and other payables (excluding interest payable) ⁽²⁾	NA	(12)	-	-	-	(12)
Financial liabilities maturities		(201)	(396)	(169)	(565)	(766)
Net financial asset/ (liabilities)		(15)	(56)	141	85	70

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

VRESAP

Financing facilities

Funding sources and utilisation at 31 March:

Total borrowing authority	2020 R million	2019 R million
Borrowing limit	3 936	4 039
Utilisation	(3 109)	(3 621)
Available	827	418

Approved facilities	Individual limit R mil	Disbursed R mil	Available R mil	Outstanding debt (3) R mil
2020				
Total issued to date				
Commercial Paper Programme	500	50	450	50
Loan ^{(1) (2)}	EUR 85	EUR 85	-	534
Loan	1 350	1 350	-	1 185
Loan	1 000	1 004	-	917
Loan	155	155	-	111
Loan	350	350	-	311
			450	3 108
Repurchases				
2019				
Commercial Paper Programme (including Term Paper)	500	390	110	380
Loan ^{(1) (2)}	EUR 85	EUR 85	-	591
Loan	1 350	1 350	-	1 273
Loan	1 000	981	19	907
Loan	155	155	-	120
Loan	350	350	-	350
			129	3 621

(1) This is a Euro-denominated facility drawn in Rands and repaid in Rands.

(2) All amounts are in ZAR unless otherwise stated.

Liquidity and interest risk tables

The liquidity and interest risk tables are included for each project and 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 VRESAP.

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

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in Note 11.5 and 11.6.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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 non-current financial assets / (liabilities)	Total undiscounted financial assets / (liabilities)
			1-5 years	>5 years		
	%	R mil	R mil	R mil	R mil	R mil
2020						
Financial assets						
Tariff receivable	6.21	521	2 334	2 192	4 526	5 047
Cash and cash equivalents ⁽¹⁾	5.46	55	-	-	-	55
Financial asset maturities		576	2 334	2 192	4 526	5 102
Financial liabilities						
Commercial paper	6.90	-	-	-	-	-
Term paper	9.34	-	(50)	-	(50)	(50)
Fixed-rate loans: Local	10.04	(403)	(1 553)	(1 267)	(2 820)	(3 223)
Variable-rate loans: local ⁽¹⁾	8.06	(92)	(424)	(1 325)	(1 749)	(1 841)
Trade and other payables (excluding interest payable) ⁽²⁾	NA	(19)	-	-	-	(19)
Financial liabilities maturities		(514)	(2 027)	(2 592)	(4 619)	(5 133)
Net financial asset/ (liabilities)		62	307	(400)	(93)	(31)
2019						
Financial assets						
Tariff receivable	6.46	499	2 359	3 030	5 389	5 888
Cash and cash equivalents ⁽¹⁾	6.83	224	-	-	-	224
Financial asset maturities		723	2 359	3 030	5 389	6 112
Financial liabilities						
Term paper	8.05	(340)	(50)	-	(50)	(390)
Fixed-rate loans: Local	10.03	(409)	(1 576)	(1 646)	(3 222)	(3 631)
Variable-rate loans: local ⁽¹⁾	9.15	(100)	(430)	(1 453)	(1 883)	(1 983)
Trade and other payables (excluding interest payable) ⁽²⁾	NA	(35)	-	-	-	(35)
Financial liabilities maturities		(884)	(2 056)	(3 099)	(5 155)	(6 039)
Net financial asset/ (liabilities)		(161)	303	(69)	234	73

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

MCWAP-1

Financing facilities

Funding sources and utilisation at 31 March:

	2020 R million	2019 R million
Total borrowing authority		
Borrowing limit	6 934	4 400
Utilisation	(1 327)	(1 369)
Available	5 607	3 031

	Individual limit R mil	Issued R mil	Available R mil	Outstanding debt (3) R mil
Approved facilities				
2020				
Total issued to date				
Loan	700	498	-	459
Loan	200	-	200	-
Loan	600	225	-	77
Loan	700	700	-	790
	2 200	1 423	200	1 326
2019				
Loan	700	498	-	479
Loan	200	-	200	-
Loan	600	225	-	83
Loan	700	700	-	807
	2 200	1 423	200	1 369

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 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 11.5 and 11.6.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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 non-current financial assets / (liabilities)	Total undiscounted financial assets / (liabilities)
			1-5 years	>5 years		
	%	R mil	R mil	R mil	R mil	R mil
2020						
Financial assets						
Tariff receivable	17.70	263	362	1 025	1 387	1 650
Loans and receivables		1	-	-	-	1
Fixed-term investments	5.93	45	-	-	-	45
Cash and cash equivalents ⁽¹⁾	5.50	676	-	-	-	676
Financial asset maturities		985	362	1 025	1 387	2 372
Financial liabilities						
Fixed-rate loans: Local	9.50	(121)	(504)	(1 281)	(1 785)	(1 906)
Variable-rate loans: local ⁽¹⁾	8.28	(44)	(194)	(451)	(645)	(689)
Trade and other payables (excluding interest payable) ⁽²⁾	NA	(12)	-	-	-	(12)
Financial liabilities maturities		(177)	(698)	(1 732)	(2 430)	(2 607)
Net financial asset/ (liabilities)		808	(336)	(707)	(1 043)	(235)
2019						
Financial assets						
Tariff receivable	13.59	132	526	1 227	1 753	1 885
Cash and cash equivalents ⁽¹⁾	7.15	592	-	-	-	592
Financial asset maturities		724	526	1 227	1 753	2 477
Financial liabilities						
Fixed-rate loans: Local	9.08	(120)	(498)	(1 321)	(1 819)	(1 939)
Variable-rate loans: local ⁽¹⁾	9.26	(50)	(201)	(467)	(668)	(718)
Trade and other payables (excluding interest payable) ⁽²⁾	NA	(13)	-	-	-	(13)
Financial liabilities maturities		(183)	(699)	(1 788)	(2 487)	(2 670)
Net financial asset/ (liabilities)		541	(173)	(561)	(734)	(193)

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

MMTS-2

Financing facilities

Funding sources and utilisation at 31 March:

	2020 R mil	2019 R mil
Total borrowing authority		
Borrowing limit	1 814	1 860
Utilisation	(1 497)	(1 760)
Available	317	100

	Individual limit R mil	Issued R mil	Available R mil	Outstanding debt (3) R mil
Approved facilities				
2020				
Total issued to date				
Commercial Paper Programme	400	86	314	85
Loan	250	50	200	50
Loan ⁽¹⁾⁽²⁾	EUR 80	EUR 54	EUR 0	558
Loan ⁽¹⁾⁽²⁾	EUR 70	EUR 45	EUR 0	493
Loan ⁽¹⁾⁽²⁾	EUR 45	EUR 29	EUR 0	310
				1 496
2019				
Total issued to date				
Commercial Paper Programme	400	324	76	310
Loan	250		250	-
Loan ⁽¹⁾⁽²⁾	EUR 80	EUR 54	EUR 0	609
Loan ⁽¹⁾⁽²⁾	EUR 70	EUR 45	EUR 0	516
Loan ⁽¹⁾⁽²⁾	EUR 45	EUR 29	EUR 0	325
				1 760

(1) This is a Euro-denominated facility drawn in Rands and repaid in Rands

(2) 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.

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 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. Including 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 11.5 and 11.6.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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 non-current financial assets / (liabilities)	Total undiscounted financial assets / (liabilities)
			1-5 years	>5 years		
	%	R mil	R mil	R mil	R mil	R mil
2020						
Financial assets						
Tariff receivable	24.01	436	-	1 005	1 005	1 441
Loans and receivables	NA	42	-	-	-	42
Fixed-term investments	6.76	49	-	-	-	49
Cash and cash equivalents ⁽¹⁾	5.16	436	-	-	-	436
Financial asset maturities		963	-	1 005	1 005	1 968
Financial liabilities						
Term paper	7.87	(86)	-	-	-	(86)
Fixed-rate loans: Local	8.79	(150)	(353)	(392)	(745)	(895)
Variable-rate loans: local ⁽¹⁾	9.74	(108)	(479)	(848)	(1 327)	(1 435)
Trade and other payables (excluding interest payable) ⁽²⁾	NA	(1)	-	-	-	(1)
Financial liabilities maturities		(345)	(832)	(1 240)	(2 072)	(2 417)
Net financial asset/ (liabilities)		618	(832)	(235)	(1 067)	(449)
2019						
Financial assets						
Tariff receivable	10.15	291	761	1 321	2 082	2 373
Loans and receivables	NA	22	-	-	-	22
Fixed-term investments	7.01	50	-	-	-	50
Cash and cash equivalents ⁽¹⁾	6.68	296	-	-	-	296
Financial asset maturities		659	761	1 321	2 082	2 741
Financial liabilities						
Term paper	7.92	(324)	-	-	-	(324)
Fixed-rate loans: Local	8.93	(104)	(371)	(474)	(845)	(949)
Variable-rate loans: local ⁽¹⁾	10.25	(122)	(487)	(932)	(1 419)	(1 541)
Trade and other payables (excluding interest payable) ⁽²⁾	NA	(24)	-	-	-	(24)
Financial liabilities maturities		(574)	(858)	(1 406)	(2 264)	(2 838)
Net financial asset/ (liabilities)		85	(97)	(85)	(182)	(97)

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

ORWRDP

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 11.5 and 11.6.

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 non-current financial assets / (liabilities) R mil	Total undiscounted financial assets / (liabilities) R mil
			1-5 years R mil	>5 years R mil		
2020						
Financial assets						
Loans and receivables	NA	45	-	-	-	45
Cash and cash equivalents ⁽¹⁾	5.06	18	-	-	-	18
Financial asset maturities		63	-	-	-	63
Financial liabilities						
Trade and other payables (excluding interest payable) ⁽²⁾	NA	(78)	-	-	-	(78)
Financial liabilities maturities		(78)	-	-	-	(78)
Net financial asset/ (liabilities)		(15)	-	-	-	(15)
2019						
Financial assets						
Cash and cash equivalents ⁽¹⁾	6.56	59	-	-	-	59
Financial asset maturities		59	-	-	-	59
Financial liabilities						
Trade and other payables (excluding interest payable) ⁽²⁾	NA	(68)	-	-	-	(68)
Financial liabilities maturities		(68)	-	-	-	(68)
Net financial asset/ (liabilities)		(9)	-	-	-	(9)

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

KWSAP

Financing facilities

Funding sources and utilisation at 31 March:

Total borrowing authority	2020 R mil	2019 R mil
Borrowing limit	1 399	1 408
Utilisation	(1 223)	(1 255)
Available	176	153

Approved facilities	Individual limit R mil	Issued R mil	Available R mil	Outstanding debt (3) R mil
2020				
Total issued to date				
Commercial Paper Programme	500	-	500	-
Loan	400	369	31	299
Loan	600	600	-	924
Loan	250	-	250	-
	1 750	969	781	1 223
2019				
Total issued to date				
Commercial Paper Programme	500	-	500	-
Loan	400	369	31	322
Loan	600	600	-	932
Loan	250	-	250	-
	1 750	969	781	1 254

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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 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 11.5 and 11.6.

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 non-current financial assets / (liabilities)	Total undiscounted financial assets / (liabilities)
			1-5 years	>5 years		
	%	R mil	R mil	R mil	R mil	R mil
2020						
Financial assets						
Tariff receivable	7.94	154	573	962	1 535	1 689
Loans and receivables	NA	13	-	-	-	13
Cash and cash equivalents ⁽¹⁾	5.61	143	-	-	-	143
Financial asset maturities		310	573	962	1 535	1 845
Financial liabilities						
Fixed-rate loans: Local	9.58	(117)	(488)	(1 132)	(1 620)	(1 737)
Variable-rate loans: local ⁽¹⁾	7.56	(29)	(161)	(493)	(654)	(683)
Trade and other payables (excluding interest payable) ⁽²⁾	NA	(7)	-	-	-	(7)
Financial liabilities maturities		(153)	(649)	(1 625)	(2 274)	(2 427)
Net financial asset/ (liabilities)		157	76	(663)	(739)	(582)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Non-derivative financial assets / (liabilities)	Weighted average effective interest rate	Total undiscounted current financial assets / (liabilities)	Non-current financial assets / (liabilities)		Total undiscounted non-current financial assets / (liabilities)	Total undiscounted financial assets / (liabilities)
			1-5 years	>5 years		
	%	R mil	R mil	R mil	R mil	R mil
2019						
Financial assets						
Tariff receivable	6.84	140	511	1 140	1 651	1 791
Cash and cash equivalents ⁽¹⁾	7.09	150	-	-	-	150
Financial asset maturities		290	511	1 140	1 651	1 941
Financial liabilities						
Fixed-rate loans: Local	9.59	(117)	(488)	(1 208)	(1 696)	(1 813)
Variable-rate loans: local ⁽¹⁾	9.10	(34)	(157)	(501)	(658)	(692)
Trade and other payables (excluding interest payable) ⁽²⁾	NA	(2)	-	-	-	(2)
Financial liabilities maturities		(153)	(645)	(1 709)	(2 354)	(2 507)
Net financial asset/ (liabilities)		137	(134)	(569)	(703)	(566)

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

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

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

UMGENI

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 11.5 and 11.6.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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 non-current financial assets / (liabilities)	Total undiscounted financial assets / (liabilities)
			1-5 years	>5 years		
	%	R mil	R mil	R mil	R mil	R mil
2020						
Financial assets						
Loans and receivables	NA	17	-	-	-	17
Financial asset maturities		17	-	-	-	17
Financial liabilities						
Trade and other payables (excluding interest payable) ⁽¹⁾	NA	(13)	-	-	-	(13)
Financial liabilities maturities		(13)	-	-	-	(13)
Net financial asset/ (liabilities)		4	-	-	-	4
2019						
Financial assets						
Loans and receivables	NA	17	-	-	-	17
Financial asset maturities		17	-	-	-	17
Financial liabilities						
Trade and other payables (excluding interest payable) ⁽¹⁾	NA	(13)	-	-	-	(13)
Financial liabilities maturities		(13)	-	-	-	(13)
Net financial asset/ (liabilities)		4	-	-	-	4

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

MRWP

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 MRWP.

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 11.5 and 11.6.

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) 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		
2020						
Financial assets						
Loans and receivables	NA	12	-	-	-	12
Financial asset maturities		12	-	-	-	12
Financial liabilities						
Trade and other payables (excluding interest payable)	NA	(12)	-	-	-	(12)
Financial liabilities maturities		(12)	-	-	-	(12)
Net financial asset/ (liabilities)		-	-	-	-	-
2019						
Financial assets						
Loans and receivables	NA	24	-	-	-	24
Financial asset maturities		24	-	-	-	24
Financial liabilities						
Trade and other payables (excluding interest payable)	NA	(24)	-	-	-	(24)
Financial liabilities maturities		(24)	-	-	-	(24)
Net financial asset/ (liabilities)		-	-	-	-	-

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TCTA-C

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 11.5 and 11.6.

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) 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		
2020						
Financial assets						
Cash and cash equivalents ⁽¹⁾	6.65	6	-	-	-	6
Financial asset maturities		6	-	-	-	6
Financial liabilities						
Trade and other payables (excluding interest payable) ⁽²⁾	NA	(4)	-	-	-	(4)
Financial liabilities maturities		(4)	-	-	-	(4)
Net financial asset/ (liabilities)		2	-	-	-	2
2019						
Financial assets						
Cash and cash equivalents ⁽¹⁾	6.65	14	-	-	-	14
Financial asset maturities		14	-	-	-	14
Financial liabilities						
Trade and other payables (excluding interest payable) ⁽²⁾	NA	(13)	-	-	-	(13)
Financial liabilities maturities		(13)	-	-	-	(13)
Net financial asset/ (liabilities)		1	-	-	-	1

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

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

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BRVAS

Liquidity and interest risk tables

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

The following tables detail BRVAS'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 BRVAS may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand BRVAS'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 11.5 and 11.6.

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 non-current financial assets / (liabilities)	Total undiscounted financial assets / (liabilities)
			1-5 years	>5 years		
	%	R mil	R mil	R mil	R mil	R mil
2020						
Financial assets						
Loans and receivables	NA	15	-	-	-	15
Financial asset maturities		15	-	-	-	15
Financial liabilities						
Trade and other payables (excluding interest payable) ⁽¹⁾	NA	(15)	-	-	-	(15)
Financial liabilities maturities		(15)	-	-	-	(15)
Net financial asset/ (liabilities)		-	-	-	-	-
2019						
Financial assets						
Tariff receivable		1	-	-	-	1
Financial asset maturities		1	-	-	-	1
Financial liabilities						
Trade and other payables (excluding interest payable) ⁽¹⁾		1	-	-	-	1
Financial liabilities maturities		1	-	-	-	1
Net financial asset/ (liabilities)		2	-	-	-	2

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

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

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8.2.2. 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 per 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 a 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 11.4 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 a 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:

- 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 Swaps 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's 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. An exception to the limits requires approval through exception reporting by the Risk department.

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Similar credit ratings in the notes below, refer to different counterparties and are therefore not combined.

2020		Investments				
Moody's Ratings:		Credit limit	VRS	BWP	VRESAP	MCWAP-1
Long-term	Short-term	R mil	R mil	R mil	R mil	R mil
Aaa1	P-1	1500	397	2	2	52
Aa1	P-1	1500	307	9	10	83
Aa1	P-1	1500	425	5	6	80
Aaa	P-1	1500	610	8	14	82
Aa1	P-1	332	99	-	-	-
Aaa3	P-1	1500	555	8	8	112
		*	250	1	4	54
		**	715	1	4	208
		*	41	-	2	22
		*	137	1	5	28
Aa3	P-1	500	-	-	-	-
		8 332	3 536	35	55	721

* 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

2019		Investments				
Moody's Ratings:		Credit limit	VRS	BWP	VRESAP	MCWAP-1
Long-term	Short-term	R mil	R mil	R mil	R mil	R mil
Aa1	P-1	1500	259	22	59	86
Aa1	P-1	1500	286	10	28	15
Aa1	P-1	1500	225	4	12	2
Aaa	P-1	1500	14	4	11	2
Aa1	P-1	332	318	-	-	-
Aa1	P-1	1500	233	11	46	21
		**	99	11	10	52
		*	323	34	33	291
		*	184	18	18	89
		*	82	7	7	34
Aa3	P-1	500	1	-	-	-
		-	-	-	-	-
		8 332	2 024	121	224	592

* 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

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FOR THE YEAR ENDED 31 MARCH 2020

MMTS-2	Investments			TCTA-C	Total utilisation	Available
	R mil	ORWRDP R mil	KWSAP R mil			
2	1	4	-	-	460	1 040
437	6	25	5	5	883	617
10	3	7	-	-	536	964
13	6	19	-	-	752	748
-	-	-	-	-	99	233
12	2	8	-	-	705	795
2	-	14	-	-	325	(325)
8	-	53	-	-	989	(989)
-	-	3	-	-	68	(68)
-	-	10	-	-	181	(181)
-	-	-	-	-	-	500
484	18	143	5	5	4 998	3 334

MMTS-2	Investments			Total utilisation	Available
	R mil	ORWRDP R mil	KWSAP R mil		
301	19	23	-	-	731
8	1	13	-	-	1 139
7	10	1	-	-	1 239
6	10	1	-	-	1 452
-	-	-	-	-	14
11	19	13	-	-	1 146
3	-	12	-	-	-
-	-	54	-	-	-
8	-	23	-	-	-
1	-	10	-	-	-
-	-	-	-	-	-
-	-	-	-	-	499
345	59	150	150	3 515	6 220

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

8.2.3. Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to a 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 are no foreign currency-denominated borrowings.

LHWP , BWP, VRESAP, MMTS-2, KWSAP, ORWRDP, MCWAP, AMD, MMTS-1 and UMGENI.

These projects do not have any foreign currency exposures.

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 (2019:70%) and 30% floating (2019:30%). This ensures limited fluctuation of the cumulative debt curve.

The ratio of fixed to floating debt as at 31 March 2020 was 72% (2019: 69%) fixed and 28% (2019: 31%) floating.

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

Interest -rate exposure on borrowings	Borrowings at fixed rates	Borrowings at variable rates	Fixed-rate borrowings as % of total debt book	Variable-rate borrowings as % of total debt book
	R mil	R mil		
2020				
Borrowings	9 545	3 700	72%	28%
2019				
Borrowings	9 588	4 400	69%	31%

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 (2019: +/- 100bps) and +200bps and -200bps (2019: +/- 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Sensitivity analysis: Impact on surplus / (deficit)	2020	2019
	R mil	R mil
Financial liabilities		
Change in interest rates of -100bps	38	37
Change in interest rates of +100bps	(38)	(37)
Change in interest rates of -200bps	77	74
Change in interest rates of +200bps	(77)	(74)
Financial assets		
Change in interest rates of -100bps	(21)	(18)
Change in interest rates of +100bps	21	18
Change in interest rates of -200bps	(42)	(36)
Change in interest rates of +200bps	43	37

The table above excludes the Tariff receivable.

Currently, TCTA does not have any derivatives hedging interest rate risk. Interest rate risk is managed through the achievement of optimal capital structure, and continuous monitoring of short-, medium- and long-term interest rates' exposures.

A change in interest rates will not impact equity (2019: no impact).

BWP

Fixed vs. variable rate loans

The ratio of fixed to floating debt as at 31 March 2020 was 90% (2019: 91%) fixed and 10% (2019: 9%) floating.

Interest -rate exposure on borrowings	Borrowings at fixed rates	Borrowings at variable rates	Fixed-rate borrowings as % of total debt book	Variable-rate borrowings as % of total debt book
	R mil	R mil		
2020				
Borrowings	438	50	90 %	10 %
2019				
Borrowings	525	50	91 %	9 %

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 (2019: +/- 100bps) and +200bps and -200bps (2019: +/- 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

	2020 R mil	2019 R mil
Sensitivity analysis: Impact on surplus / (deficit)		
Financial liabilities		
Change in interest rates of -200bps	1	1
Change in interest rates of +200bps	(1)	(1)
Financial assets		
Change in interest rates of -100bps	(1)	(1)
Change in interest rates of +100bps	1	1
Change in interest rates of -200bps	(2)	(2)
Change in interest rates of +200bps	2	2

The table above excludes the Tariff receivable.

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

A change in interest rates will not impact equity (2019: no impact).

VRESAP

Fixed vs. variable rate loans

The ratio of fixed to floating debt as at 31 March 2020 was 69% (2019: 64%) fixed and 31% (2019: 36%) 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		
2020				
Borrowings	2 143	966	69 %	31 %
2019				
Borrowings	2 321	1 300	64 %	36 %

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2019: +/- 100bps) and +200bps and -200bps (2019: +/- 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.

	2020	2019
	R mil	R mil
Sensitivity analysis: Impact on surplus / (deficit)		
Financial liabilities		
Change in interest rates of -100bps	13	15
Change in interest rates of +100bps	(13)	(15)
Change in interest rates of -200bps	27	30
Change in interest rates of +200bps	(27)	(30)
Financial assets		
Change in interest rates of -100bps	(3)	(2)
Change in interest rates of +100bps	3	2
Change in interest rates of -200bps	(7)	(3)
Change in interest rates of +200bps	7	3

The table above excludes the Tariff receivable.

A change in interest rates will not impact equity (2019: no impact).

MCWAP-1

Fixed vs. variable rate loans

The ratio of fixed to floating debt as at 31 March 2020 was 73% (2019: 72%) fixed and 27% (2019: 28%) 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		
2020				
Borrowings	964	363	73 %	27 %
2019				
Borrowings	991	379	72 %	28 %

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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 (2019: +/- 100bps) and +200bps and -200bps (2019: +/- 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-1's financial instruments held at the reporting date. All other variables are held constant.

	2020 R mil	2019 R mil
Sensitivity analysis: Impact on surplus / (deficit)		
Financial liabilities		
Change in interest rates of -100bps	4	5
Change in interest rates of +100bps	(4)	(5)
Change in interest rates of -200bps	7	10
Change in interest rates of +200bps	(7)	(10)
Financial assets		
Change in interest rates of -100bps	(11)	(5)
Change in interest rates of +100bps	11	5
Change in interest rates of -200bps	(22)	(10)
Change in interest rates of +200bps	22	10

The table above excludes the Tariff receivable.

A change in interest rates will not impact equity (2019: no impact).

MMTS-2

Fixed vs. variable rate loans

The ratio of fixed to floating debt as at 31 March 2020 was 41% (2019: 35%) fixed and 59% (2019: 65%) 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		
2020				
Borrowings	608	888	41 %	59 %
2019				
Borrowings	609	1 151	35 %	65 %

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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 (2019: +/- 100bps) and +200bps and -200bps (2019: +/- 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.

	2020 R mil	2019 R mil
Sensitivity analysis: Impact on surplus / (deficit)		
Financial liabilities		
Change in interest rates of -100bps	11	12
Change in interest rates of +100bps	(11)	(12)
Change in interest rates of -200bps	22	23
Change in interest rates of +200bps	(22)	(23)
Financial assets		
Change in interest rates of -100bps	(3)	(2)
Change in interest rates of +100bps	3	2
Change in interest rates of -200bps	(6)	(4)
Change in interest rates of +200bps	6	5

The table above excludes the Tariff receivable.

A change in interest rates will not impact equity (2019: no impact).

KWSAP

Fixed vs. variable rate loans

There ratio of fixed to floating debt as at 31 March 2020 was 73% (2019: 73%) fixed and 27% (2019: 27%) floating.

	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
Interest -rate exposure on borrowings				
2020				
Borrowings	891	332	73 %	27 %
2019				
Borrowings	920	335	73 %	27 %

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Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2019: +/- 100bps) and +200bps and -200bps (2019: +/- 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.

	2020	2019
	R mil	R mil
Sensitivity analysis: Impact on surplus / (deficit)		
Financial liabilities		
Change in interest rates of -100bps	3	2
Change in interest rates of +100bps	(3)	(2)
Change in interest rates of -200bps	7	3
Change in interest rates of +200bps	(7)	(3)
Financial assets		
Change in interest rates of -100bps	(3)	(1)
Change in interest rates of +100bps	3	1
Change in interest rates of -200bps	(5)	(2)
Change in interest rates of +200bps	5	2

The table above excludes the Tariff receivable.

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

A change in interest rates will not impact equity (2019: no impact).

MMTS-1, UMGENI and KRIEL

These projects do not carry interest rate risk as they are being funded from the fiscus.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

8.2.4. 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
2020			
WSP4	2020/05/28	97	0,15
WSP5	2021/05/28	9 433	1,05
		9 530	1,04
Term paper is issued for a period of less than a year.			
2019			
WSP3	2019/05/28	32	0,15
WSP4	2020/05/28	97	1,05
WSP5	2021/05/28	9 433	1,00
		9 562	1,88

BWP

As at 31 March 2020, BWP had no term paper and no call paper in issue (2019: no term paper and no call paper).

VRESAP

As at 31 March 2020, VRESAP had R50 million term paper and no call paper in issue (2019: R340 million) term paper and no call paper). The maturity dates for the various term paper is R0m (2019: R290 million) within 12 months and R50m (2019:R50 million) within 5 years.

MMTS-2

As at 31 March 2020, MMTS-2 had R86 million term paper and no call paper in issue (2019: R324 million term paper and no call paper). The maturity dates for the various term papers are within 12 months.

KWSAP

As at 31 March 2020 KWSAP had no term paper and no call paper in issue (2019: no term paper and no call paper).

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9. PROPERTY, PLANT AND EQUIPMENT

	2020			2019		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Furniture and fixtures	4	(4)	-	4	(4)	-
Computer equipment	8	(5)	3	4	(3)	1
Networking equipment	8	(8)	-	8	(8)	-
Office equipment	4	(4)	-	4	(4)	-
Motor vehicles	2	(1)	1	1	(1)	-
Video Conferencing	1	(1)	-	1	-	-
Leasehold improvements	21	(20)	1	22	(17)	5
Total	48	(43)	5	44	(38)	6

Reconciliation	Opening balance	Additions	Prior period error	Depreciation	Total
2020					
Computer equipment	1	4	-	(2)	3
Motor vehicles	1	-	-	-	1
Leasehold improvements	5	-	(4)	-	1
	7	4	(4)	(2)	5
2019					
Computer equipment	-	1	-	-	1
Motor vehicles	1	-	-	-	1
Leasehold improvements	5	-	-	-	5
	6	1	-	-	7

10. RIGHT OF USE OF ASSETS

The company has the option to purchase the plant at a nominal amount on completion of the lease term.

Details pertaining to leasing arrangements, where the company is lessee are presented below:

The carrying amounts of right-of-use assets are as follows:

	2020	2019
Net carrying amounts of right-of-use assets	R mil	R mil
Buildings	8	-
	2020	2019
Additions to right-of-use assets	R mil	R mil
Buildings	13	-

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note), as well as depreciation which has been capitalised to the cost of other assets.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

	2020	2019
	R mil	R mil
Depreciation recognised on right-of-use assets		
Buildings	4	-

Other disclosures

At 31 March 2020, the company is committed to R- (2019: R -) for short-term leases. This differs from the portfolio of leases for which an expense was recognised in the current financial period, because of a 12 month lease agreement for 10 photocopier machines which was entered into in the last month of the financial period.

	2020	2019
	R mil	R mil
Income from subleasing		
Income from subleasing right-of-use assets	12	-

Lease liability

The maturity analysis of lease liabilities is as follows:

	2020	2019
	R mil	R mil
Lease liability		
Non-current liabilities	4	-
Current liabilities	5	-
Balance at year end	9	-

Comparative information for lease liabilities under IAS 17

The information presented for lease liabilities for the comparative period has been prepared on the basis of IAS 17, and therefore only represents the liability as at that date for finance leases and not for operating leases. In addition to the information presented in the table above, IAS 17 required an entity to present a reconciliation of the present value of lease payments for finance leases. This information is presented in the table which follows:

11. INTANGIBLE ASSETS

	2020			2019		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	38	(38)	-	38	(33)	5

Reconciliation of intangible assets	Opening balance	Amortisation	Total
2020			
Computer software, other	5	(5)	-
2019			
Computer software, other	15	(10)	5

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

12. FINANCIAL INSTRUMENTS

12.1. 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.

12.1.1. Accounting classifications of financial assets

Financial assets as per the Statement of Financial Position at 31 March 2020:

Financial assets	Note	Financial assets at amortised cost R mil	Total carrying amount R mil
Non-current financial assets			
Tariff receivable	12.4	16 154	16 154
Loans and other receivables	15	1 798	1 798
Current financial assets			
Tariff receivable	12.4	807	807
Loans and other receivables	13	372	372
AMD Receivables	15	152	152
Financial market investments			
Fixed term investments and investments on call	12.5	709	709
	12.5	709	709
Cash and cash equivalents			
	19	4 291	4 291
Total financial assets		24 283	24 283
Current/Non-current financial assets			
Non-current		17 952	17 952
Current		6 331	6 331

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Financial assets as per the Statement of Financial Position at 31 March 2019:

Financial assets	Note	Financial assets at amortised cost R mil	Total carrying amount R mil
Non-current financial assets			
Tariff receivable	12.4	18 755	18 755
AMD Receivable	15	1 641	1 641
Current financial assets			
Tariff receivable	12.4	1 360	1 360
Loans and other receivables	13	230	230
AMD Receivable	15	140	140
Financial market investments			
Fixed term investments and investments on call	12.5	482	482
	12.5	482	482
Cash and cash equivalents			
	19	3 049	3 049
Total financial assets		25 657	25 657
Current/Non-current financial assets		25 657	25 657
Non-current		20 396	20 396
Current		5 261	5 261

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

12.1.2. Accounting classifications of financial liabilities

Liabilities per the Statement of Financial Position at 31 March 2020:

Financial liabilities	Note	Financial liabilities measured at amortised cost R mil	Total carrying amount R mil
Non-current financial liabilities			
<i>Local debt</i>			
	12.6.3		
Bonds		9 433	9 433
Other bonds		9 433	9 433
<i>Other borrowings</i>			
	12.6.3		
Other borrowings by TCTA		10 543	10 543
Fixed-rate loans		4 611	4 611
Variable-rate loans		5 627	5 627
CPI rate loans		305	305
Other borrowings (LHDA & VRS)		8	8
Fixed-rate loans		8	8
Current financial liabilities			
	12.6.2		
<i>Local debt</i>			
	12.6.3		
Bonds		97	97
Other bonds		97	97
<i>Other borrowings</i>			
	12.6.2		
Other borrowings by TCTA		800	800
Fixed-rate loans		433	433
Variable-rate loans		355	355
CPI rate loans		12	12
Other borrowings (LHDA & VRS)		7	7
Fixed-rate loans		7	7
Total financial market liabilities measured at amortised cost		20 888	20 888
Lease liability		9	9
Trade and other payables		1 350	1 350
Total financial liabilities		22 247	22 247
Current/Non-current financial liabilities		22 247	22 247
Non-current		19 988	19 988
Current		2 259	2 259

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Liabilities per the Statement of Financial Position at 31 March 2019:

Financial liabilities	Note	Financial liabilities measured at amortised cost R mil	Total carrying amount R mil
Non-current financial liabilities			
<i>Local debt</i>	12.6.3		
Bonds		9 529	9 529
Other bonds		9 529	9 529
<i>Other borrowings</i>	12.6.3		
Other borrowings by TCTA		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)		16	16
Fixed-rate loans		16	16
Current financial liabilities	12.6.2		
<i>Local debt</i>	12.6.3		
Bonds		32	32
CPI-linked bonds		32	32
<i>Other borrowings</i>	12.6.2		
Other borrowings by TCTA		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
Total financial market liabilities measured at amortised cost		22 569	22 569
Trade and other payables		1 145	1 145
Total financial liabilities		23 714	23 714
Current/Non-current financial liabilities		23 714	23 714
Non-current		20 687	20 687
Current		3 027	3 027

12.2. Significance of financial instruments

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

12.2.1. Financial assets

Details on the components of the tariff receivable are in Note 12.4. 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 22.1.

12.2.2. Financial liabilities

The most significant financial liability is the bonds issued by TCTA. Note 12.8 provides detail on the respective redemption dates, the interest rate, the value of the issued bonds. Interest is paid semi-annually to bondholders.

12.3. 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 based on 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 12.3.1.

There have been no transfers between level 1 and level 2 during the year.

12.3.1. 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

	2020	2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relations of unobservable inputs to fair value
Instruments	R mil	R mil				
Other bonds	10 046	10 090	Level 2	Not applicable	Not applicable	Not applicable

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

12.4. Tariff receivables

12.4.1. Totals

Project	2020			2019		
	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	9 991	-	9 991	11 144	860	12 004
BWP	440	91	531	535	37	572
VRESAP	3 522	284	3 806	4 020	225	4 245
MCWAP-1	481	151	632	773	23	796
MMTS-2	729	210	939	1 211	153	1 364
KWSAP	991	71	1 062	1 072	62	1 134
Total	16 154	807	16 961	18 755	1 360	20 115

12.4.2. 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.

2020	Opening Balance 1 April 2019	Construction revenue earned	Other income	Tariffs or transfers received from DWS	Interest income earned on the tariff receivable	Net VAT on debtors	Prior period correction	Closing Balance 31 March 2020
Project	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil
VRS	12 004	1 289	1 340	(6 105)	1 462	(2)	3	9 991
BWP	572	-	6	(72)	28	(3)	-	531
VRESAP	4 245	(12)	8	(716)	274	7	-	3 806
MCWAP-1	796	-	8	(280)	108	-	-	632
MMTS-2	1 364	1	15	(579)	138	-	-	939
KWSAP	1 134	-	5	(157)	78	2	-	1 062
Total	20 115	1 278	1 382	(7 909)	2 088	4	3	16 961

2019	Opening Balance 1 April 2018	Construction revenue earned	Other income	Tariffs or transfers received from DWS	Interest income earned on the tariff receivable	Net VAT on debtors	Closing Balance 31 March 2019
Project	R mil	R mil	R mil	R mil	R mil	R mil	R mil
VRS	14 706	594	1 244	(6 586)	2 182	(136)	12 004
BWP	639	-	5	(102)	30	-	572
VRESAP ⁽¹⁾	4 622	-	8	(667)	296	(14)	4 245
MCWAP-1 ⁽²⁾	1 002	(6)	7	(324)	123	(6)	796
MMTS-2	1 506	2	21	(299)	143	(9)	1 364
KWSAP ⁽³⁾	1 212	1	7	(202)	121	(5)	1 134
Total	23 687	591	1 292	(8 180)	2 895	(170)	20 115

(1) VRESAP - Included in the interest income earned on the tariff receivable is the prior period adjustment of R2 mil.

(2) MCWAP-1 - Included in the interest income earned on the tariff receivable is the prior period adjustment of R-12 mil.

(3) KWSAP - Included in the interest income earned on the tariff receivable is the prior period adjustment of R11 mil.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

12.4.3. 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 R1.9bn (2019: R2.3bn). 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	
2020						
VRS	1 100	618	-	-	-	1 718
BWP	29	-	-	-	-	29
VRESAP	48	56	-	-	-	104
MMTS-2	59	-	-	-	-	59
KWSAP	14	15	-	-	-	29
Total	1 250	689	-	-	-	1 939
2019						
VRS	1 121	811	-	-	219	2 151
BWP	17	-	-	-	-	17
VRESAP	55	-	-	-	-	55
MCWAP-1	21	-	-	-	3	24
MMTS-2	19	-	-	-	-	19
Total	1 233	811	-	-	222	2 266

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.

12.5. Financial assets: current versus non-current

Financial market investments	2020		2019	
	Current R mil	Non-current R mil	Current R mil	Non-current R mil
VRS	615	-	432	-
MMTS-2	49	-	50	-
MCWAP-1	45	-	-	-
Balance on the Statement of Financial Position	709	-	482	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

12.5.1. Balances per project

The following are the total current and non-current financial assets disclosed on the Statement of Financial Position:

Project	2020		2019	
	Current R mil	Non-current R mil	Current R mil	Non-current R mil
VRS	3 806	11 789	3 110	12 785
BWP	136	440	158	535
VRESAP	353	3 522	449	4 020
MCWAP-1	873	481	615	773
MMTS-2	737	729	521	1 211
ORWRDP	63	-	59	-
KWSAP	227	991	212	1 072
UMGENI	17	-	17	-
KRIEL	6	-	6	-
TCTA-C	6	-	14	-
MRWP	12	-	24	-
MCWAP-2	76	-	69	-
BRVAS	15	-	7	-
UMWP	4	-	-	-
Balance on the Statement of Financial Position	6 331	17 952	5 261	20 396

Reconciliation of current and non-current financial assets disclosed on the Statement of Financial Position:

Balances on the statement of position	2020	2019	2020	2019
	Current R mil	R mil	Non-current R mil	R mil
Tariff receivable	807	1 360	16 154	18 755
Loans and other receivables	372	230	-	-
Financial market investments	709	482	-	-
Cash and cash equivalents	4 291	3 049	-	-
AMD receivables	152	140	1 798	1 641
Total financial assets	6 331	5 261	17 952	20 396

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

12.5.2. Current financial assets per project

Current financial assets	2020 R mil	2019 R mil
VRS		
Loans and receivables (amortised cost)	-	860
Loans and other receivables	117	85
Financial market investments	615	432
Cash and cash equivalents	2 922	1 593
AMD receivable	152	140
	3 806	3 110
BWP		
Loans and receivables (amortised cost)	91	37
Loans and other receivables	10	-
Cash and cash equivalents	35	121
	136	158
VRESAP		
Loans and receivables (amortised cost)	284	225
Loans and other receivables	14	-
Cash and cash equivalents	55	224
	353	449
MCWAP-1		
Loans and receivables (amortised cost)	151	23
Loans and other receivables	1	-
Financial market investments	45	-
Cash and cash equivalents	676	592
	873	615
MMS-2		
Loans and receivables (amortised cost)	210	153
Loans and other receivables	42	22
Financial market investments	49	50
Cash and cash equivalents	436	296
	737	521
ORWRDP		
Loans and other receivables	46	-
Cash and cash equivalents	18	59
	63	59
KWSAP		
Loans and receivables (amortised cost)	71	62
Loans and other receivables	13	-
Cash and cash equivalents	143	150
	227	212

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Current financial assets	2020	2019
	R mil	R mil
MCWAP-2		
Loans and other receivables	76	69
UMGENI		
Loans and other receivables	17	17
KRIEL		
Loans and other receivables	6	6
TCTA-C		
Cash and cash equivalents	6	14
MRWP		
Loans and other receivables	12	24
BRVAS		
Loans and other receivables	15	7
UMWP		
Loans and other receivables	4	-
Total current financial assets	6 331	5 261

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

12.5.3. Non-current financial assets per project

Non-current financial assets	2020		Total noncurrent financial assets R mil	2019		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	
VRS						
Tariff receivable	-	9 991	9 991	-	11 144	11 144
AMD receivable	1 798	-	1 798	1 641	-	1 641
	1 798	9 991	11 789	1 641	11 144	12 785
BWP						
Tariff receivable	298	142	440	256	279	535
VRESAP						
Tariff receivable	1 579	1 943	3 522	1 425	2 595	4 020
MCWAP-1						
Tariff receivable	-	481	481	154	619	773
MMS-2						
Tariff receivable	729	-	729	353	858	1 211
KWSAP						
Tariff receivable	296	695	991	318	754	1 062
Total non-current financial assets	4 700	13 252	17 952	4 147	16 249	20 396

12.6. Financial liabilities: current versus non-current

12.6.1. Totals

Project	2020		2019	
	Current R mil	Non-current R mil	Current R mil	Non-current R mil
VRS	1 327	12 945	1 509	13 245
BWP	81	411	156	438
VRESAP	246	2 895	581	3 092
MCWAP-1	60	1 280	69	1 327
MMS-2	289	1 273	471	1 362
ORWRDP	78	-	68	-
KWSAP	45	1 185	43	1 223
UMGENI	13	-	13	-
KRIEL	6	-	6	-
TCTA-C	4	-	13	-
MRWP	12	-	24	-
MCWAP-2A	78	-	67	-
BRVAS	15	-	7	-
UMWP	4	-	-	-
Balance on Statement of Financial Position	2 258	19 989	3 027	20 687

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Reconciliation of current and non-current financial liabilities disclosed on the Statement of Financial Position:

Balances on the statement of position	2020	2019	2020	2019
	Current		Non-current	
	R mil	R mil	R mil	R mil
Borrowings	903	1 882	19 985	20 687
Finance Lease liability	5	-	4	-
Trade and other payables	1 350	1 145	-	-
Total financial liabilities	2 258	3 027	19 989	20 687

12.6.2 Current financial market liabilities

Current financial market liabilities	2020	2019
	R mil	R mil
VRS		
Borrowings	304	743
Lease liabilities	5	-
Trade and other payables	1 018	766
Total per project	1 327	1 509
BWP		
Borrowings	77	137
Trade and other payables	4	19
Total per project	81	156
VRESAP		
Borrowings	213	529
Trade and other payables	33	52
Total per project	246	581
MCWAP-1		
Borrowings	47	43
Trade and other payables	13	26
Total per project	60	69
MMS-2		
Borrowings	224	398
Trade and other payables	65	73
Total per project	289	471
ORWRDP		
Trade and other payables	78	68

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

	2020	2019
	R mil	R mil
Current financial market liabilities		
KWSAP		
Borrowings	38	32
Trade and other payables	7	11
Total per project	45	43
UMGENI		
Trade and other payables	13	13
KRIEL		
Trade and other payables	6	6
TCTA-C		
Trade and other payables	4	13
MRWP		
Trade and other payables	12	24
MCWAP-2		
Trade and other payables	78	67
BRVAS		
Trade and other payables	15	7
UMWP		
Trade and other payables	4	-
Total current financial liabilities	2 258	3 027

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

12.6.3. Non-current financial liabilities

Project	2020		Total non-current financial liabilities R mil	2019		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	
VRS						
Local debt: Bonds	9 433	-	9 433	9 529	-	9 529
Other borrowings	1 054	2 454	3 508	996	2 720	3 716
Finance Lease liability	4	-	4	-	-	-
	10 491	2 454	12 945	10 525	2 720	13 245
BWP						
Borrowings	281	130	411	299	139	438
VRESAP						
Borrowings	1 053	1 842	2 895	986	2 106	3 092
MCWAP-1						
Borrowings	243	1 037	1 280	220	1 107	1 327
MMTS-2						
Borrowings	411	862	1 273	383	979	1 362
KWSAP						
Borrowings	214	971	1 185	191	1 032	1 223
Total	12 693	7 296	19 989	12 604	8 083	20 687

12.7. Interest rates

Project	2020 %	2019 %
VRS		
Loans bear effective interest at rates ranging from	*8.36 to 10.10	*8.5 to 9.2
Project weighted average rate including Bonds and Commercial Paper	8.95	9.28
Project weighted average rate including Capital Market and Commercial Paper	8.95	9.26
Lease liability bears interest of necessary adjustments to weighted averages	9	-

* 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	2020 %	2019 %
BWP	8.28	8.42
VRESAP	9.45	9.73
MMTS-2	9.25	9.37
KWSAP	9.03	9.46
MCWAP	9.17	9.13

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 YEAR ENDED 31 MARCH 2020

12.8. 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
WSP4	Nominal	2020/05/28	9.00 %	1 000	97
WSP5	Nominal	2021/05/28	9.00 %	13 824	9 433

	2020 R mil
Bonds	
Registered bonds	9 633
TCTA Float	(200)
Issued bonds as presented in the Statement of Financial Position	9 433

Value of bonds	2020		2019	
	Fair value R mil	Nominal value R mil	Fair value R mil	Nominal value R mil
Authorised		29 500***		29 500***
Issued	10 046*	9 530**	10 090*	9 561**

* 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 the limit of R45 billion on WS03, R7bn on WS05, R2.1bn on WSP2 and R1bn on WSP3.

12.9. Offsetting financial assets and financial liabilities

TCTA enters into derivative transactions under the International Swaps and Derivatives Association (ISDA) master netting agreements. These agreements generally allow 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 2020.

12.10. Long-term liability maturity profile

The tables below indicate TCTA's exposure to fixed and floating interest rates:

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

12.10.1. Exposure to floating interest rates: liabilities

Project	2020				2019			
	<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	200	1 046	2 454	3 700	700	980	2 720	4 400
BWP	-	-	50	50	50	-	-	50
VRESAP	22	146	798	966	351	139	810	1 300
MCWAP	17	78	269	364	16	73	290	379
MMTS-2	123	208	557	888	347	180	623	1 150
KWSAP	5	43	284	332	3	35	297	335
Total	367	1 521	4 412	6 300	1 467	1 407	4 740	7 614

12.10.2. Exposure to fixed interest rates: Liabilities

Project	2020				2019			
	<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	104	9 441	-	9 545	43	9 545	-	9 588
BWP	77	281	80	438	87	299	139	525
VRESAP	191	908	1 044	2 143	178	847	1 296	2 321
MCWAP	31	164	768	963	27	147	817	991
MMTS-2	101	203	305	609	51	203	355	609
KWSAP	33	171	687	891	29	156	735	920
TCTA-C	-	-	-	-	14	-	-	14
Total	537	11 168	2 884	14 589	429	11 197	3 342	14 968

12.10.3. Exposure to floating interest rates: Assets

Project	2020				2019			
	<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	2 921	-	-	2 921	1 592	-	-	1 592
BWP	35	-	-	35	121	-	-	121
VRESAP	55	-	-	55	224	-	-	224
MCWAP	675	-	-	675	592	-	-	592
MMTS-2	435	-	-	435	295	-	-	295
ORWRDP	18	-	-	18	59	-	-	59
KWSAP	143	-	-	143	150	-	-	150
TCTA-C	5	-	-	5	14	-	-	14
Total	4 287	-	-	4 287	3 047	-	-	3 047

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

The table above excludes the maturity periods for loans and other receivables and cash and equivalents.

12.104. Exposure to fixed interest rates: Assets

Project	2020				2019			
	<1 year R mil	1-5 years R mil	>5 years R mil	Total exposure to fixed interest rates R mil	<1 year R mil	1-5 years R mil	>5 years R mil	Total exposure to fixed interest rates R mil
VRS	615	-	-	615	432	-	-	432
MCWAP	45	-	-	45	-	-	-	-
MMS-2	49	-	-	49	50	-	-	50
	709	-	-	709	482	-	-	482

The table above excludes the maturity periods for loans and other receivables and cash and equivalents.

13. LOANS AND OTHER RECEIVABLES

The total includes amounts due from DWS for projects that are funded from the fiscus. UMGENI is funded by Umgeni Water. Loans and other receivables also include inter-project loan accounts with VRS.

Current	Notes	2020 R mil	2019 R mil
VRS	13.1	117	85
MMS-2	13.1	42	22
ORWRDP		45	-
MCWAP-1		1	-
MCWAP-2		76	69
KRIEL		6	6
BRVAS		15	7
MRWP		12	24
UMGENI		17	17
UMWP		4	-
BWP		10	-
VRESAP		14	-
KWSAP		13	-
Total		372	230

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

13.1. 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 monthly and amounts outstanding are subject to interest charged at the WACC rate of VRS/LHWP at the end of each month.

Project	2020 R mil	2019 R mil
BWP	-	3
VRESAP	-	4
MCWAP-1	-	1
MMTS-2	-	6
ORWRDP	46	32
KWSAP	-	2
KRIEL	2	2
TCTA-C	4	13
MCWAP-2	17	19
BRVAS	14	-
	83	82
Other	34	3
Total VRS loans and other receivables	117	85

13.2. 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, Kriel and MRWP are funded from the fiscus. The customer is the DWS and the credit risk is deemed limited even though DWS is the sole customer.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

13.3. Ageing of loans and receivables

As at 31 March, the ageing analysis of loans and other receivables are as follows:

2020	Total	Neither past due nor impaired	30-60 days	Past due but not impaired	
Project	R mil	R mil	R mil	61-90 days	>90 days
				R mil	R mil
VRS	117	117	-	-	-
BWP	10	10	-	-	-
VRESAP	14	14	-	-	-
MCWAP-1	1	1	-	-	-
MMTS-2	42	42	-	-	-
ORWRDP	46	46	-	-	-
KWSAP	13	13	-	-	-
UMGENI	17	17	-	-	-
KRIEL	6	6	-	-	-
MRWP	12	12	-	-	-
MCWAP-2	76	76	-	-	-
BRVAS	15	15	-	-	-
UMWP	4	3	-	-	-
Balance at end of year	372	372	-	-	-

Balances outstanding are deemed past due when a counterparty has failed to make a payment when contractually due.

2019	Total	Neither past due nor impaired	30-60 days	Past due but not impaired	
Project	R mil	R mil	R mil	61-90 days	>90 days
				R mil	R mil
VRS	85	85	-	-	-
MMTS-2	22	22	-	-	-
UMGENI	17	17	-	-	-
KRIEL	6	6	-	-	-
MRWP	24	24	-	-	-
MCWAP-2	69	69	-	-	-
BRVAS	7	7	-	-	-
Balance at end of year	230	230	-	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

14. PREPAYMENTS

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 expenditures are amortised to the Statement of Comprehensive Income in the periods that the expenses are incurred.

Project	2020 R mil	2019 R mil
VRS	468	214
MMTS-2	1	1
ORWRDP	11	11
Balance at end of year	480	226

Notes:

- (1) The R468 million for VRS comprises R160 million (2019: R46 million) relating to funding paid to Lesotho, not yet utilised by the LHDA; R53 million (2019:R59 million) relating to prepayments made for the Lesotho Community Infrastructure Fund (refer to Note 24) and R203 million (2019: R59 million) relating to advanced payment made by LHDA to their contractors. AMD prepayments on the Central and Eastern basins R50 million (2019: R50 million).
- (2) 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.

15. AMD RECEIVABLE

Two-thirds of the costs incurred on the AMD short-term intervention is recoverable from the fiscus. Before 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 two years.

AMD Receivable	2020 R mil	2019 R mil
Non-current	1 798	1 641
Current	152	140
Balance at end of year	1 950	1 781

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

16. TRADE AND OTHER PAYABLES

Project	Interest payable					Other Creditors R mil	Working Capital Advance R mil	Balance per project R mil
	Trade payables R mil	Amounts due to related parties R mil	Loan Account: LHWP R mil	Loan Account: Umgeni R mil				
2020								
VRS	329	-	-	-	689	-	1 018	
BWP	1	-	-	-	3	-	4	
VRESAP	32	-	-	-	1	-	33	
MCWAP-1	13	-	-	-	-	-	13	
MMTS-2	23	-	-	-	18	24	65	
ORWRDP	-	-	46	-	32	-	78	
KWSAP	1	-	-	-	6	-	7	
KRIEL	-	-	3	-	-	3	6	
UMGENI ⁽¹⁾	-	-	-	-	13	-	13	
MRWP	-	-	12	-	-	-	12	
TCTA-C	-	-	4	-	-	-	4	
MCWAP-2	61	-	17	-	-	1	78	
BRVAS	1	-	13	-	-	-	15	
UMWP	-	4	-	-	-	-	4	
Balance at end of year	461	4	95	-	762	28	1 350	
2019								
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 ⁽¹⁾	-	-	-	-	13	-	13	
MRWP	-	-	24	-	-	-	24	
TCTA-C	-	-	13	-	-	-	13	
MCWAP-2	-	-	67	-	-	-	67	
BRVAS	-	-	7	-	-	-	7	
Balance at end of year	427	1	140	24	548	5	1 145	

(1) The loan account comprises 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 YEAR ENDED 31 MARCH 2020

17. 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 the Unemployment Insurance Fund (UIF).

TCTA manages its projects separately and records the VAT payable or VAT receivable for each project. The net VAT payable is paid over to SARS.

As at year-end, no balances were outstanding for SDL and UIF.

The table below indicates the net amount payable to SARS at the end of March:

17.1. Value Added Tax

	2020	2019
	R mil	R mil
Net non-contractual amount		
Liability	(34)	(186)

The tables below indicate the non-contractual assets and non-contractual liabilities, per project, as disclosed in the Statement of Financial Position:

	2020	2019
	R mil	R mil
Value Added Tax		
Non-contractual assets		
ORWRDP	4	-
MCWAP-2	2	-
Total	6	-
Non-contractual liabilities		
VRS	(18)	(148)
BWP	(1)	(4)
VRESAP	(7)	(14)
MCWAP-1	(3)	(7)
MMTS-2	(9)	(6)
ORWRDP	-	(2)
KWSAP	(2)	(3)
MCWAP-2	-	(2)
Total	(40)	(186)

17.2. Income Tax

TCTA is a not-for-profit organisation established by 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 assists 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

18. PROVISIONS

The following provisions are the current and non-current provisions for the year:

	2020 R mil	2019 R mil
Total provisions		
Current		
Provision for leave pay	12	14
Provision for compensation	22	21
Provision for incentives	-	23
Total current provisions	34	58
Non-Current		
Provision for compensation	384	372

	Opening balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Reconciliation of provisions						
2020						
Provision for leave pay	14	17	(19)	-	-	12
Provision for compensation	393	11	(28)	-	30	406
Provision for incentives	22	14	(14)	(22)	-	-
	429	42	(61)	(22)	30	418

	Opening balance	Additions	Utilised during the year	Change in discount factor	Total
Reconciliation of provisions					
2019					
Provision for leave pay	12	14	(12)	-	14
Provision for compensation	389	-	(21)	25	393
Provision for incentives	10	22	(10)	-	23
	411	36	(43)	25	430

Provision for leave pay

Leave provision is an estimation of the amount that would be payable to all employees were they not to take leave as at the end of the financial year, but were instead to be paid out their leave entitlement in cash or if employees were to leave the employment of TCTA without fully utilising the leave days granted. The provision is raised as the timing of the leave encashment is uncertain.

Provision for compensation:

The provision for compensation payments are paid in cash to the LHDA for subsequent distribution to individuals affected by loss of income as a result of re-appropriation of land in respect of the LHWP project in Lesotho. The provision for future compensation was created due to the Lesotho Highlands Development Authority requiring land in the selected development area. The provision is based on the estimated net present value of payments to all beneficiaries and established local legal entities discounted at 4.5%. The provision is variable based on yearly changes in the Lesotho Consumer Price Index and the additional Local Legal entities formed during the year. The Instream

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Flow Requirements (IFR), ecosystems as well as the social needs of the downstream communities. The LHDA monitors the IFR on a yearly basis and any additional compensation required are included in the Provision for Compensation as identified.

19. 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.

Project	2020			2019		
	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	2 921	2 922	1	1 592	1 593
BWP	-	35	35	-	121	121
VRESAP	-	55	55	-	224	224
MCWAP-1	-	676	676	-	592	592
MMTS-2	1	435	436	-	296	296
ORWRDP	-	18	18	-	59	59
KWSAP	-	143	143	-	150	150
TCTA-C	1	5	6	-	14	14
Balance at end of year	3	4 288	4 291	1	3 048	3 049

TCTA's cash management practice is to maintain a minimum amount of cash on hand.

Cash and bank balances which were less than R500 000 as at the end of 31 March 2020 and March 2019 are reflected as nil.

20. LEASE LIABILITIES

	2020 R mil	2019 R mil
Lease liabilities		
Non-current	4	-
Current	5	-
Total lease liabilities	9	-

The average lease term was 2-3 years and the average effective borrowing rate was 9% (2019: 9%).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

21. CONSTRUCTION REVENUE AND COSTS

Revenue from contracts with customer

Project	2020			2019		
	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	1 289	1 528	2 817	598	1 419	2 017
BWP	-	6	6	-	5	5
VRESAP	(12)	8	(4)	-	8	8
MCWAP-1	-	8	8	(6)	7	1
MMTS-2	2	15	17	2	18	20
ORWRDP	72	12	84	60	-	60
KRIEL	-	-	-	1	-	1
MCWAP-2	73	-	73	16	1	17
MRWP	-	2	2	7	-	7
BRVAS	8	-	8	7	-	7
KWSAP	-	5	5	1	7	8
UMWP	4	-	4	-	-	-
Total	1 436	1 584	3 020	686	1 464	2 150

Disaggregation of revenue from contracts with customer

The company disaggregates revenue from customers as follows:

Construction contracts

Project	Engineering	Environmental	Overheads	Construction	Total Revenue from customer R mil
	R mil	R mil	R mil	R mil	
2020					
VRS	-	-	40	1 249	1 289
VRESAP	-	(12)	-	-	(12)
MMTS-2	1	1	-	-	2
ORWRDP	13	-	-	59	72
MCWAP-2	49	3	21	-	73
UMWP	-	-	-	4	4
BRVAS	-	-	8	-	8
Total	63	(8)	69	1 312	1 436

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Project	Engineering R mil	Environmental R mil	Health & Safety R mil	Overheads R mil	Total Revenue from customer R mil
2019					
VRS	565	3	-	30	598
MCWAP-1	(4)	1	(3)	-	(6)
MCWAP-2	-	-	-	16	16
MMTS-2	1	1	-	-	2
ORWRDP	29	23	1	7	60
KWSAP	-	1	-	-	1
MRWP	-	-	-	7	7
BRVAS	-	-	-	7	7
KRIEL	-	-	-	1	1
Total	591	29	(2)	68	686

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 customer R mil
2020							
VRS	184	20	105	884	271	64	1 528
BWP	-	-	3	-	-	3	6
VRESAP	-	-	5	-	-	3	8
MCWAP-1	-	-	5	-	-	3	8
MMTS-2	-	-	6	-	-	9	15
KWSAP	-	-	3	-	-	2	5
ORWRDP	-	-	-	-	-	12	12
MRWP	-	-	-	-	-	2	2
Total	184	20	127	884	271	98	1 584
2019							
VRS	83	14	125	918	228	51	1 419
BWP	-	-	4	-	-	1	5
VRESAP	-	-	5	-	-	3	8
MCWAP-1	-	-	6	-	-	1	7
MMTS-2	-	-	12	-	-	6	18
KWSAP	-	-	5	-	-	2	7
Total	83	14	157	918	228	64	1 464

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Timing of revenue recognition

Revenue recognised over time

2020	Construction	Other income	Total revenue from customer
Project	R mil	R mil	R mil
VRS	1 289	1 528	2 817
BWP	-	6	6
VRESAP	(12)	8	(4)
MCWAP-1	-	8	8
MMTS-2	2	15	17
ORWRDP	72	12	84
KWSAP	-	5	5
MCWAP-2	73	-	73
MRWP	-	2	2
BRVAS	8	-	8
UMWP	4	-	4
Total	1 436	1 583	3 020

2019	Construction	Other income	Total revenue from customer
Project	R mil	R mil	R mil
VRS	598	1 419	2 017
BWP	-	5	5
VRESAP	-	8	8
MCWAP-1	(6)	7	1
MMTS-2	2	18	20
ORWRDP	60	-	60
KWSAP	1	7	8
MRWP	7	-	7
BRVAS	7	-	7
KRIEL	1	-	1
MCWAP-2	16	-	16
Total	686	1 464	2 150

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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 bulk raw 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. In some instances, they deal with several assets that 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 Water and Sanitation. TCTA's performance obligations per contract can be summarised as follows:

- provide project financing expertise in order to secure funding for the project (only applicable to off-budget projects); and
- implementing the construction of the assets to be delivered to DWS.

Project	< one year R mil	> one year R mil
2020		
VRS	5 849	131 875
BWP	11	104
VRESAP	28	122
MCWAP	17	748
MMTS-2	61	238
KWSAP	10	174
MCWAP-2	256	10 194
BRVAS	36	677
Total	6 268	144 132
2019		
VRS	4 200	140 402
BWP	15	135
VRESAP	14	136
MCWAP	290	14 274
MMTS-2	50	265
KWSAP	15	193
Total	4 584	155 405

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

22. FINANCE INCOME AND COSTS

22.1. Finance income

2020	Interest income for financial assets at amortised cost		Total: Interest income for financial assets at amortised cost	Finance income per project
	Financial instruments	Tariff receivable		
	R mil	R mil	R mil	R mil
VRS	331	1 461	1 792	1 792
BWP	4	27	31	31
VRESAP	13	274	287	287
MCWAP-1	45	108	153	153
MMTS-2	27	138	165	165
KWSAP	11	78	89	89
Finance income	431	2 086	2 517	2 517

2019	Interest income for financial assets at amortised cost			Total: Interest income for financial assets at amortised cost	Finance income per project
	Financial instruments	Tariff receivable	Correction of prior year interest income		
	R mil	R mil		R mil	R mil
VRS	319	2 183	-	2 502	2 502
BWP	7	30	-	37	37
VRESAP	10	298	(2)	306	306
MCWAP-1	36	135	(12)	159	159
MMTS-2	18	143	-	161	161
KWSAP	8	110	11	129	129
Finance income	398	2 899	(3)	3 294	3 294

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

22.2. Finance costs

Finance costs for the year ended are analysed as follows:

Project	Interest expense for borrowings at amortised cost		Total: Interest income for financial assets at amortised cost	Interest on operating lease liability	Commitment fees	Finance cost per project
	Locally issued bonds	Other local debt				
	R mil	R mil	R mil	R mil	R mil	R mil
2020						
VRS	859	343	1 202	1	15	1 218
BWP	-	44	44	-	1	45
VRESAP	-	343	343	-	-	343
MCWAP-1	-	126	126	-	1	127
MMTS-2	-	161	161	-	1	162
KWSAP	-	117	117	-	1	118
Finance costs	859	1 134	1 993	1	19	2 013
2019						
VRS	1 663	333	1 996	-	26	2 022
BWP	-	51	51	-	1	52
VRESAP	-	369	369	-	-	369
MCWAP-1	-	139	139	-	1	140
MMTS-2	-	169	169	-	1	170
KWSAP	-	119	119	-	1	120
MCWAP-2	-	1	1	-	-	1
Finance costs	1 663	1 181	2 844	-	30	2 874

Commitment fees amounting to R19 million (2019: R18 million) have been shown separately from interest expenses and disclosed as a separate category of "commitment fees" within finance costs.

23. ROYALTIES

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 the water delivered to RSA. O&M variable royalties are also indexed to the PPI; and
- 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 delivered to RSA.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

The variable royalties are based on 641 million m³ (2019: 778 million m³) of water delivered adjusted for the increase in the PPI 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 2020. The water volume delivered in this financial year is less than the agreed-upon delivery of 780 million m³. In terms of the treaty, any differences will be adjusted in the following year.

	2020	2019
	R mil	R mil
Royalties paid		
Fixed Royalties	283	270
Variable Royalties	601	648
Royalties	884	918

24. 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 21)

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:

2020	Lease rentals on short-term operating lease	Auditors remuneration - external auditors	Other expenditure	Total operating expenditure
Operating expenditure	R mil	R mil	R mil	R mil
VRS	3	11	29	43
BWP	-	-	3	3
VRESAP	-	-	3	3
MCWAP-1	-	-	3	3
MMTS-2	-	-	7	7
ORWRDP	-	-	12	12
KWSAP	-	-	2	2
MRWP	-	-	2	2
Operating expenses recognised in surplus/ deficit	3	11	61	75

2019	Lease rentals on operating lease	Auditors remuneration - external auditors	Other expenditure	Total operating expenditure
Operating expenditure	R mil	R mil	R mil	R mil
VRS	9	7	8	24
BWP	-	-	1	1
VRESAP	-	-	3	3
MCWAP-1	-	-	1	1
MMTS-2	-	-	4	4
KWSAP	-	-	2	2
Operating expenses recognised in surplus/ deficit	9	7	19	35

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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.

	2020 R mil	2019 R mil
AMD		
Operations and maintenance	271	228

TCTA operates the AMD Eastern, Western and Central treatment plants on behalf of the DWS. The cost is recovered from DWS.

24.1. Operating leases

24.1.1. Leasing arrangements

The operating lease relates to a lease agreement for the parking bays within the office building. 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.

24.1.2. Payments recognised as an expense

	2020 R mil	2019 R mil
Short-term operating lease payments		
Lease payments	3	9

24.2. Operation and maintenance costs in terms of Protocol VI

Included in VRS operating expenditure is the income and expenses relating to operations and maintenance for the works on South African soil. In terms of Protocol VI to the Treaty, signed on 4 June 1999, these amounts are separately identified and reported on.

24.2.1. VRS

	2020 R mil	2019 R mil
Operating and maintenance		
Revenue	19 814	1 220
Operating costs	(19 814)	(1 220)
Net operating and maintenance costs	-	-

24.3. 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 believes 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Staff costs	2020			2019		
	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	105	16	121	125	32	157
BWP	3	-	3	4	-	4
VRESAP	5	-	5	5	-	5
MCWAP-1	5	-	5	6	-	6
MMS-2	6	-	6	12	-	12
ORWRDP	-	7	7	-	3	3
KWSAP	3	-	3	5	-	5
MCWAP-2	-	15	15	-	12	12
Expensed during the year	128	38	165	157	47	204

The staff costs have been split between construction costs and are disclosed separately upon receipt of the Taking Over Certificates.

25. 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.

	2020 R mil	2019 R mil
Total costs		
VRS	(184)	(83)
Operating costs	(184)	(83)

26. CAPITAL COMMITMENTS 2019

In terms of paragraph 74 (c) of IAS 16, an entity is required to disclose the amount of contractual commitments for the acquisition of property, plant and equipment.

Commitment to be disclosed in this instance should be items which meet the definition of an asset: however, project costs implemented on behalf of DWS should not be disclosed as they do meet the definition of an asset. After completion of the project, the asset is handed over to the department and TCTA does not directly enjoy future economic benefits from them. The standard was historically incorrectly applied with the disclosure of capital commitments. This has been corrected and the commitments are correctly being disclosed in the DWS's financial statements. The prior year disclosure has been amended accordingly.

No commitments have been disclosed.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

27. CONTINGENCIES

27.1. Contingent Liabilities

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 of one or more uncertain future events not wholly within the control of the entity.

The litigation matters have been detailed below:

27.1.1. PHASE 2 OF THE MOOI-MGENI TRANSFER SCHEME ("MMS-2")

When TCTA implemented the MMS-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 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.

The discovery is presently underway.

27.1.2. 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 was set down for hearing for 2 March 2020.

However on the 25 March 2020, the Applicant lodged an application for leave to appeal in the Pretoria High Court. That was dismissed in July 2020 and the applicant has now indicated that she will be applying to the Supreme Court of Appeal for leave to appeal.

27.1.3. LESOTHO HIGHLANDS WATER PROJECT ("LHWP")

One of TCTA's former employees was part of a small group of employees who did not qualify to receive a 13th cheque gratuity in December 2017, following the Union's appeal to the TCTA Board. The Board had approved that only employees who had achieved a performance score of 3.2 in terms of the Performance Incentive Scheme policy would receive a 13th cheque. The background to the Union's request and subsequent approval for the payment of a 13th cheque gratuity to employees is that TCTA did not declare performance incentives for the preceding financial year 2016/2017. The Complainant had not concluded his performance review and had referred an unfair labour practice dispute to the CCMA and the CCMA found in favour of TCTA. The unfair labour practice claim was dismissed.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

The Complainant had applied for the review of the Arbitration Award, to either be set aside or to be reheard in front of a different commissioner. On 28 August 2019, the TCTA filed its answering affidavit in opposition to the review application and on 31 August 2019, the Complainant filed his replying affidavit. The Heads of Argument were filed.

27.1.4. LESOTHO HIGHLANDS WATER PROJECT ("LHWP")

TCTA's legal panel expired in August 2013. TCTA went out on tender to procure another legal panel in March 2018. The process was finalised with the result that only two law firms were appointed to TCTA's legal panel. However, it subsequently transpired that several service providers had validly and timeously notified TCTA of its agreement to the extension of the relevant tender validity periods, but due to oversight on the part of TCTA's officials, such emails were not opened and accordingly the relevant submissions of those tenders were not taken into account. TCTA has requested a legal opinion from Counsel regarding whether it is entitled to revisit the process and take into account such submissions. Counsel's views are that since the tender process is at an end, an award has been made, the process is regarded as being non-competitive and not fair. On this basis, since the process has been finalised, TCTA is required to approach the High Court to set aside its decision to award. TCTA appointed attorneys through an RFQ process to assist it with the setting aside of TCTA's current legal panel. TCTA has signed its Founding Affidavit and was lodged in the Gauteng High Court. The matter was set down for 4 March 2020.

Since one of the respondents is opposing, the matter has been removed from the unopposed roll to be set down in future to the opposed roll.

27.1.5. 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 an 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 an actual financial loss of R1 416 380.79, together with interest and costs thereon.

Third Right -The expropriation of the third right for the Remainder of Portion 1 of the farm Driefontein 87 IR resulted in the trustees 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 an 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 judgement 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 more than 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 a 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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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 was prepared for the use of a firm of attorneys to defend this claim.

The discovery process is completed, and the matter will now be set down for trial. The trial date is now awaited.

27.1.6. Non-Litigation: Compensation (Community infrastructure fund)

Included as part of the provision for compensation is a community infrastructure fund that relates to the 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 calculation of the provision was determined to be R51 million that is recognized as part of the provisions balance of R 280 million above. However; included in the infrastructure fund is "unregistered LLC villages" whereby the communities will only be paid out the provision when the villages have been registered. LHDA has therefore raised a contingent liability of R 10 200 666 for the unregistered communities.

TCTA is therefore also accounting for this contingent liability as the entity responsible for financing the LHDA for costs incurred on behalf of RSA.

27.2. Contingent Asset

The quantity of water delivered by the Kingdom of Lesotho to the Republic of South Africa from the Lesotho Highlands Water Project (LHWP) has been lower than the quantities reflected in Annexure II of the Treaty governing that project from the 2006 calendar onwards due to the agreed rescheduling of Phase II of the Project.

In the event of adjustments to the minimum annual quantities of water specified for each year in Annexure II, Article 12 (6) of the Treaty requires that the net benefit of the Project shall be recomputed taking account of such adjustments. Such recomputation had not yet been agreed to by the Parties to the Treaty, primarily due to this being dependent on negotiations regarding the timing and quantities of water to be delivered from Phase II of Project, which has not been entered into at year end.

Consequently, TCTA has been making Royalty payments against invoices prepared by the Lesotho Highlands Development Authority and certified for payment by the RSA Delegation that reflect a higher net benefit than would have been the case if the net benefit had been recomputed by the Parties in Year 2006 or 2007.

This overpayment is deemed to be a contingent asset for the Republic of South Africa which will be reimbursed through a reduction in the Royalty payments made from the effective date of the recomputed Royalty rates until the end of the Treaty. The effective date must still be agreed between the Parties, which will likely to be a date during the 2021/22 Financial Year.

The amount of the contingent asset is likely to be material. TCTA is however not in a position to make an estimate of the quantum independently of the Parties to the Treaty, any estimate made by TCTA would require agreement on the future water delivery projections including consideration of the implications of differences from 2006 calendar year onwards and other inputs, all of which has been assessed to prejudice seriously the position of the Parties in negotiating the recomputation of the net benefit.

Royalty payments made by TCTA on behalf of RSA are recovered annually through the BOR tariff as charged by DWS.

28. 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

28.1. Trading transactions

TCTA and Landbank are both schedule 2 Major Public Entities in terms of the PFMA and report to National Government.

28.1.1. Landbank

Project	Opening balance 1 April 2019	Investments	Maturities	Closing balance 31 March 2020	Interest income	Interest receivable 31 March 2020
	R mil	R mil	R mil	R mil	R mil	R mil
LHWP Investments	315	270	(489)	97	13	2
Total	315	270	(489)	97	13	2

Project	Opening balance 1 March 2018	Investments	Closing balance 31 March 2019	Interest incurred	Interest receivable 31 March 2019
	R mil	R mil	R mil	R mil	R mil
LHWP	-	315	315	3	3
Total	-	315	315	3	3

28.1.2. DWS

For related party transactions and balances with DWS refer to Note 12.4.

28.1.3. 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 the National Government.

Borrowings per Project	Opening balance 1 April 2019	Drawdowns	Repayments	Closing balance 31 March 2020	Interest incurred for the period	Interest outstanding at 31 March 2020
	R mil	R mil	R mil	R mil	R mil	R mil
BWP	210	-	(30)	180	17	-
VRS - LHDA Loans	27	-	(11)	16	4	-
MMTS	-	150	(100)	50	-	-
Total transactions with DBSA	237	150	(141)	246	21	-

Borrowings per Project	Opening balance 1 April 2018	Drawdowns	Repayments	Closing balance 31 March 2019	Interest incurred for the period	Interest outstanding at 31 March 2019
	R mil	R mil	R mil	R mil	R mil	R mil
BWP	220	-	(10)	210	10	-
VRS - LHDA Loans	34	-	(7)	27	2	-
Total transactions with DBSA	254	-	(17)	237	12	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

28.1.4. ESKOM

The following transactions which are collectively significant have occurred with Eskom:

Project	2020 R mil	2019 R mil
VRS	98	91
ORWRDP	-	3
Total significant transactions with Eskom	98	94

Eskom includes Eskom Holdings Limited and Eskom Holdings SOC Limited. Payments to Eskom relate to electricity as required by the projects.

The VRS transactions include transaction relating to the AMD project amounting to R98 million (2019:R91 million).

28.2. Other transactions

28.2.1. 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 are 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 represent the costs relating to the LHWC paid for by TCTA:

Payments made to related party	2020 R mil	2019 R mil
LHWP		
LHWC Cost:RSA contribution and delegations costs	20	14

28.3. 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	2020 R mil	2019 R mil
Non-executive Directors	7	8
Executive Director	5	4
Executive Management	21	19
Total for the year	33	31

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

28.3.1. Non-executive directors

	2020	2019
Directors' emoluments and related costs	R mil	R mil
Emoluments	7	8

2020					
	ATTENDANCE FEES				
	Board fees	Ad hoc fees	Travel /other expenses	Nomination & Governance Committee	Finance Committee
	R'000	R'000	R'000	R'000	R'000
Z Manase	105	-	-	-	-
J Modise	84	-	-	3	-
S Makhathini	30	-	-	-	-
DR J Ellman	30	-	-	-	26
M Chonco	30	-	-	-	-
G Dumas	1 156	-	9	102	-
Ms M Ramataboe	925	-	9	72	-
S Khondlo	363	18	69	91	72
S Roopa	363	18	9	2	89
N Baloyi	328	18	41	97	102
M Maponya	333	10	64	-	-
G White	324	29	5	54	54
L Dlamini	333	8	5	-	-
Total	4 404	101	211	421	343

TCTA made a payment of R274 129.81 in October 2020 to Mr Chonco as a settlement of the execution of services rendered as CEO of TCTA as well as for ad-hoc work performed for TCTA in his capacity as a non-executive director.

2019					
	ATTENDANCE FEES				
	Board fees	Ad hoc fees	Travel/other expenses	Nominations Committee	Finance & Procurement Committee
	R'000	R'000	R'000	R'000	R'000
Z Manase	1 261	725	13	-	-
J 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
Total	4 085	851	51	319	450

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

ATTENDANCE FEES						Grand total
Audit and Risk Committee	Human Capital Social and Ethics Committee	Board meetings	Technical Committee	Governance & Sustainability Committee		
R'000	R'000	R'000	R'000	R'000	R'000	
-	-	-	-	26	131	
26	-	-	-	18	131	
18	18	-	18	-	84	
18	-	-	18	18	110	
-	-	-	18	-	48	
-	-	-	36	-	1 303	
187	-	-	54	-	1 247	
-	18	9	102	18	761	
148	102	24	-	18	742	
130	-	24	-	-	758	
75	76	24	18	-	600	
-	109	9	-	-	584	
38	77	24	35	-	520	
640	400	114	299	98	7 031	

ATTENDANCE FEES						Grand total
Audit and Risk Committee	Human Capital Social and Ethics Committee	Board meetings	Technical Committee	Governance & Sustainability Committee		
R'000	R'000	R'000	R'000	R'000	R'000	
18	-	552	-	128	2 697	
236	-	-	-	54	1 407	
129	37	136	72	-	798	
165	229	181	-	54	1 244	
18	73	159	102	72	893	
165	-	136	72	89	1 063	
18	73	181	72	-	875	
749	412	1 345	318	397	8 977	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

28.3.2. Executive director

2020	Date appointed or resigned	CTC ⁽¹⁾	Medical Aid	Total
Director		R'000	R'000	R'000
DKP Sechemane (Chief Executive Officer)	2018/11/01	5 007	41	5 048

(1) This amount refers to guaranteed portion of the Executives remuneration.

2019	Date appointed or resigned	CTC ⁽¹⁾	Medical Aid	Total
Director		R'000	R'000	R'000
DKP Sechemane (Chief Executive Officer) ⁽²⁾	2018/10/02	2 133	16	2 149
O Busari (Acting Chief Executive Officer) ⁽³⁾	2018/10/21	2 299	-	2 299
		4 432	16	4 448

(1) This amount refers to the guaranteed portion of the Executives remuneration.

(2) Mr P Sechemane was appointed as the Chief Executive Officer on 22 October 2018.

(3) Professor O Busari acted as the Chief Executive Officer from March 2018 until October 2018

28.3.3. Executive management

The remuneration of directors and key executives is determined by REMCO having regard to the performance of individuals and market trends.

2020 Executive Managers	Position	Date appointed or resigned	CTC ⁽¹⁾	Medical Aid	Sums paid by way of expense ⁽²⁾	Other ⁽³⁾	Total
			R'000	R'000	R'000	R'000	R'000
H Nazeer ⁽⁴⁾	Chief Financial Officer	2007/09/01	1 314	10	25	-	1 349
B Shongwe ⁽⁵⁾	Chief Financial Officer	2020/01/01	741	11	30	-	782
O Busari	Chief Strategy Officer	2009/11/01	3 765	41	5	10	3 821
J Claassens	Executive: Project Management and Implementation	2007/04/01	3 663	41	61	-	3 765
L Radzuma	Chief Risk Officer	2010/07/01	3 058	41	1	-	3 100
N Nkabinde	Executive: Project Finance and Treasury	2015/09/01	2 473	41	7	-	2 521
L Gumede ⁽⁶⁾	Executive: Enterprise Wide Support Services	2016/02/01	1 625	30	-	-	1 655
H Botha	Executive: Human Resources and Organisational Development	2016/02/01	2 376	41	-	-	2 417
W De Witt	Corporate Secretary	2018/10/01	1 857	41	-	-	1 898
Total			20 872	297	129	10	21 308

(1) This amount refers to the guaranteed portion of the Executives remuneration

(2) This amount refers to travel reimbursements

(3) This amount refers to the long service award

(4) Ms H Nazeer resigned as the Chief Financial Officer of TCTA on 01 July 2019

(5) Ms B Shongwe was appointed as the Chief Financial Officer on 01 January 2020

(6) Mr L Gumede stepped down as an executive member on 31 December 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2019 Executive Managers	Position	Date appointed or resigned	CTC ⁽¹⁾	Medical Aid	Sums paid by way of expense ⁽²⁾	Other ⁽³⁾	Total
			R'000	R'000	R'000	R'000	R'000
J Nhlapo	Chief Operations Officer	2007/08/06	269	-	-	-	269
H Nazeer ⁽⁴⁾	Chief Financial Officer	2007/09/01	3 440	37	98	-	3 575
O Busari	Chief Strategy Officer	2009/11/01	1 494	37	-	-	1 531
J Claassens ⁽⁶⁾	Executive: Project Management and Implementation	2007/04/01	3 301	37	60	-	3 398
L Radzuma	Chief Risk Officer	2010/07/01	2 684	37	1	-	2 722
N Nkabinde ⁽⁷⁾	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 ⁽⁸⁾	Corporate Secretary	2018/10/01	951	19	-	-	970
Total Executive Management remuneration			18 798	278	159	10	19 245

(1) This amount refers to the guaranteed portion of the Executives remuneration.

(2) This amount refers to travel reimbursements.

(3) This amount refers to the long service award.

(4) H Nazeer received an incentive of R 292 000 in the current year relating to the prior year

(5) O Busari received an incentive of R 292 000 in the current year relating to the prior year

(6) J Claassens received an incentive of R 292 000 in the current year relating to the prior year

(7) N Nkabinde received an incentive of R 292 000 in the current year relating to the prior year

(8) W De Witt was appointed as the corporate secretary 01 October 2018

29. PRIOR PERIOD ERRORS

29.1. VRS

2019	Previously disclosed	Effect of restatement	As restated
Statement of Financial Position			
Non-Current Assets			
Intangible Assets	4	1	5
Tariff receivable ⁽¹⁾	11 361	(217)	11 144
AMD receivable ⁽¹⁾	415	1 226	1 641
	11 780	1 010	12 790
Current Assets			
Tariff receivable ⁽¹⁾	879	(19)	860
Loans and receivables ⁽⁷⁾	84	1	85
Prepayments ⁽²⁾	267	(53)	214
AMD receivable* ⁽¹⁾	312	(172)	140
	1 542	(243)	1 299

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2019	Previously disclosed	Effect of restatement	As restated
Equity			
Retained Earnings ⁽⁸⁾	56	732	788
Non-Current Liability			
Long-term financial market liability ^{(3) (9)}	13 231	14	13 245
Provisions ⁽⁴⁾	355	17	372
	13 586	31	13 617
Statement of Comprehensive Income			
Finance Income ⁽⁶⁾	2 308	194	2 502
Finance Costs ⁽⁶⁾	(2 054)	32	(2 022)
	254	226	480
2018			
Statement of Financial Position			
Non-Current Assets			
Intangible assets ⁽⁵⁾	14	1	15
Tariff receivable ⁽¹⁾	11 967	(127)	11 840
AMD receivable ⁽¹⁾	569	920	1 489
	12 550	794	13 344
Current Assets			
Tariff receivable ⁽¹⁾	2 920	(53)	2 867
AMD receivable ⁽¹⁾	205	(127)	78
Prepayments ⁽²⁾	115	(53)	62
	3 241	(233)	3 007
Equity			
Retained income ⁽⁸⁾	(198)	505	307
Non-Current Liabilities			
Long-term financial market liability ^{(3) (9)}	9 671	25	9 696
Provisions ⁽⁴⁾	323	45	368
	9 994	70	10 064
Current Liabilities			
Trade and payables ⁽⁷⁾	724	(1)	723
Provisions ⁽⁴⁾	39	4	43
Short-term financial markets liability ⁽¹⁾	8 462	(17)	8 445
	9 225	(14)	9 211

(1) In the current year, management amended the determination of the Tariff Receivable for the VRS and the AMD Receivable following from significant audit findings raised in the previous financial years. It was also noted in the revision of the balance that the interest income has not been recognised. This relates to the recovery of the finance charges which have been incurred in LHWP for AMD costs. The amount is recoverable from DWS.

(2) Furthermore, a correction was processed relating to prior years cost allocation following the receipt of the concluded final cost allocation by the external service provider, thus restating what was reflected as the LHDA prepaid account.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

- (3) Long-term financial market liability - Management had to reverse the unrealised discount on issued bonds and as the requirement in terms of the standards is that these ought to have been recognised in profit or loss on initial recognition.
- (4) Provisions - the compensation provision had to be restated to align its determination with the methodology adopted by the LHDA. Previously TCTA discounted the expected payments with the market related cost of funding. This has been revised to 4.5% as applied by the LHDA.
- (5) Intangible Asset - an error occurred in the amortisation of the intangible assets which necessitated the correction to be processed.
- (6) Finance Income - the interest cost for the costs incurred in AMD must be recovered from the DWS from the social portion of the AMD. This was previously not taken into account. Finance income is also affected by any change in the tariff receivable balance
- (7) Casting amendments
- (8) All corrections affecting finance income and finance cost have had an impact on retained earnings
- (9) The premium on the WSP05 was reversed in order to align treatment with IFRS 7.

29.2. MCWAP-1

2019	Previously disclosed	Effect of restatement	As restated
Statement of Financial Position			
Non-Current Assets			
Tariff receivable ⁽¹⁾	785	(12)	773
Equity			
Retained income ⁽¹⁾	(3)	(11)	(14)
Statement of Comprehensive Income ⁽¹⁾			
Finance income ⁽¹⁾	170	(11)	159

(10) Correction of error in interest income.

29.3. VRESAP

2019	Previously disclosed	Effect of restatement	As restated
Statement of Financial Position			
Non-Current Assets			
Tariff receivable ⁽¹⁾	4 022	(2)	4 020
Equity			
Retained income ⁽¹⁾	784	(2)	782
Statement of Comprehensive Income ⁽¹⁾			
Finance income ⁽¹⁾	309	(3)	306

(1) Correction of error in interest income.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

29.4. KSWAP

2019	Previously disclosed	Effect of restatement	As restated
Statement of Financial Position			
Non-Current Assets			
Tariff receivable ⁽¹⁾	1 062	10	1 072
Equity			
Retained income ⁽¹⁾	4	11	15
Statement of Comprehensive Income ⁽¹⁾			
Finance income ⁽¹⁾	118	11	129

29.5. Cashflow from financing activities

The proceeds and repayments of short-term borrowings under cash flows from financing activities, were previously reflected as a net movement of the opening and closing balances. It now reflects all proceeds and repayments that occurred in the year.

2019	Previously disclosed	Effect of restatement	As restated
Statement of Cashflows			
Tariff receivable ⁽²⁾	230	733	963
AMD receivable ⁽²⁾	(278)	(733)	(1 011)
	(48)	-	(48)

(1) Correction of error in interest income.

(2) In the current year, management amended the determination of the Tariff Receivable for the VRS and the AMD Receivable following from significant audit findings raised in the previous financial years. It was also noted in the revision of the balance that the interest income has not been recognised. This relates to the recovery of the finance charges which have been incurred in LHWP for AMD costs. The amount is recoverable from DWS.

29.6. Casting errors - Segmental Statement of Financial Position as at 31 March 2018 as previously stated

The 2018 balances as reported in the 2018/19 annual report contained some casting errors. Due to the significance of the differences and to allow for accurate comparability of amounts these casting errors have been corrected. The effect of the restatements are depicted in the tables below:

TCTA

2018	Previously disclosed	Effect of restatement	As restated
Statement of Financial Position			
Tariff receivable	3 617	(1)	3 616
Loans and other receivables	259	(1)	258
	3 876	(2)	3 874

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

	Previously disclosed	Effect of restatement	As restated
Equity			
Retained Earnings	640	(2)	638
Current Liabilities			
Non-contractual amounts	75	2	77
Totals			
Total Current Liabilities	10 654	2	10 656
Total Liabilities	28 630	2	28 632
	39 284	4	39 288

VRS

	Previously disclosed	Effect of restatement	As restated
2018			
Total Assets	19 298	(218)	19 080
Total Current Liabilities	9 502	(218)	9 284
Total Liabilities	19 496	(218)	19 278
Total Equity and Liabilities	19 298	(218)	19 080
	67 594	(872)	66 722

29.7. Capital Commitments

In terms of paragraph 74 (c) of IAS 16 an entity is required to disclose the amount of contractual commitments for the acquisition of property, plant and equipment.

Commitment to be disclosed in this instance should be items which meet the definition of an asset, however project costs implemented on behalf of DWS should not be disclosed as they do meet the definition of an asset. After completion of the project, the asset is handed over to the department's and TCTA does not directly enjoy future economic benefits from them. The standard was historically incorrectly applied with the disclosure of capital commitments. This has been corrected and the commitments are correctly being disclosed in the DWS's financial statements. The prior year disclosure has been amended accordingly.

No commitments have been disclosed.

Commitment fees as previously stated

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
2019						
MCWAP	7	1	-	-	-	8
ORWRDP	35	26	-	-	-	61
MMTS-2	12	20	1	-	23	56
MCWAP-2A	20	77	62	114	122	395
	74	124	63	114	145	520

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

29.8. Irregular Expenditure

Section 9 of National Treasury Instruction Note 3 which came into effect on the 01 May 2016 prescribes that:

- The Accounting Officer / Accounting Authority must ensure that contracts are not varied by more than 20% or R20 million (including VAT) for construction related goods, works and or services, and 15% or R15 million (including VAT) for all other goods or services of the original contract value (Section 9.1)
- Any deviation in excess of the prescribed thresholds will only be allowed in exceptional cases subject to prior written approval from the relevant treasury (Section 9.2)

On 5 December 2016, National Treasury approved TCTA's request to increase the Original Contract Amount by R93.1 million from R1 474 366 618.07 to R1 567 488 693.72. Furthermore, on 21 January 2020, TCTA further applied for a contract increase from R1 567 488 693.72 to R1 734 084 880, approval of which was granted by the National Treasury on the 01 February 2020.

In 2017/2018 and 2018/2019, TCTA recorded and declared amounts R65 677 681.73 and R23 830 467.52 for Claims, respectively. In the same period, TCTA also recorded and declared amounts R0 and R6 231 157,04 for Variation Orders respectively.

The above-mentioned amounts were erroneously declared irregular expenditure as they failed to take the two-contract revisions approved by National Treasury mentioned above into account.

It has therefore been concluded that Section 9 of the SCM Instruction Note 3 was not transgressed and therefore, expenditures that have been declared irregular are not irregular. These declarations have been reversed in the earliest possible period.

30. GOING CONCERN

The underlying operating model has remained the same as it was in the previous years and continues to assure the long-term solvency of TCTA, as well as the liability to meet all its obligations as they fall due. TCTA's solvency is secured by undertakings by the Department of Water and Sanitation in project implementation or income agreements between TCTA and the Department, or government guarantees granted by the executive authority to project funders, acting in concurrence with the Minister of Finance.

The undertakings in project implementation or income agreements provide that all projects costs incurred by TCTA will be fully funded by the Department of Water and Sanitation through water use charges and/or from other resources of the Department, should payments recovered from the users tariffs be insufficient.

The agreements also provide that the Department will step in and fulfil TCTA's obligations to its funders, should TCTA fail to perform such obligations. That is, should TCTA be in breach of its obligations to funders in terms of funding agreements concluded with such funders, and fail to remedy such breach, DWS will perform such obligations. The undertakings by DWS are made in favour of the funders and the funders may accept the benefits of the undertakings from the Minister of Human Settlements, Water and Sanitation, acting in concurrence with the Minister of Finance, in writing.

The government guarantees are provided in favour of funders of the Vaal River System Augmentation Projects by the Minister of Human Settlements, Water and Sanitation acting in concurrence with the Minister of Finance.

TCTA annually provides the Department with information on the amount of capital charges that the Department should include in water use charges after consultations with water users. This is to enable the Department to fulfil its obligations over the remainder of the debt repayment period. The water charges are adjusted annually to take into account any changes in conditions, assumptions or actual costs and revenue so that under all circumstances sufficient revenue will be generated to repay the debt over the remaining debt repayment period.

On account of mismatches in the timing of expenditure on project costs and debt service, and receipt of revenue, TCTA enters into financing arrangements with funders to meet such expenditures.

Management has considered factors that may affect TCTA's ability to raise funding, DWS' ability to fulfil its financial obligations to TCTA, liquidity management and the adequacy of projected tariffs to repay debt in full over the debt repayment period (debt sustainability, taking into account the ability to adjust tariffs annually to ensure their adequacy to recover all projects costs should conditions and assumptions change).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

The improvement in the DWS tariff receivables has improved liquidity and management is of the view that the projected tariffs are sustainable and adequate to discharge TCTA's financial obligations.

In respect of TCTA's obligations in relation to the Lesotho Highlands Water Project, the Notice of Establishment provides, in clause 25(1)(d), that the funds of TCTA consist of money appropriated by Parliament if its other sources of funds (including proceeds of loans and the 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 borrowing limit authorisations for the Vaal River System, Komati Water Supply Augmentation Project, Vaal River Eastern Subsystem Augmentation Project and Phase 2 of the Mooi-Mgeni Transfer Scheme will expire on 31 March 2021. TCTA has requested the Minister of Human Settlements, Water and Sanitation to extend all the authorisation with the concurrence of the Minister of Finance.

In management's view, an event of default would not affect TCTA as a going concern as all its financial obligations are secured by government undertakings and guarantees.

Management has considered the funding of TCTA's operations following an event of default, to the extent that despite the settlement of debt the Authority is unable to access funding from the market. This would be the case if the residual effects of the event of default in question cannot be cured by the settlement of outstanding debt. Funding of the operations of the Lesotho Highlands Water Project is guaranteed by the provision of clause 25(1)(d) of the Notice of Establishment as described above. In terms of the other projects that are currently under implementation, management believes that their strategic importance would be prioritised for government funding for TCTA to continue their implementation, or if suspended sufficient provision would be made to fund incurred costs. These projects are the Berg River-Voelvllei Augmentation Scheme, Phase 2 of the Mokolo-Crocodile River (West) Water Augmentation Project and Phase 1 of the uMkhomazi Water Project.

The impact of events of default does not change management's assumption of TCTA's going concern status. Management has evaluated the potential impact, taking due regard of the government guarantees that underpin the organisation's financial obligations, including undertakings to step-in and assume TCTA obligations should it fail to perform them.

31. EVENTS AFTER THE REPORTING PERIOD

Non-Adjusting Events

- 31.1** At the end of the financial year, TCTA held R100 million in promissory notes maturing on 27 May 2020 issued by the Land and Agricultural Development Bank of South Africa (Land Bank). On 20 April 2020, the Land Bank issued a SENS announcement informing noteholders that it had defaulted on a payment to one of its Revolving Credit Facilities and was also likely to default on other payments amounting to R738m due to over the period to end April 2020. It further stated that it will be engaging with bondholders and other lenders to defer payment of interest and capital. However, it later appeared that the problem was not limited to the payments which were due as at that time but also affected other payments which were due in the near future which includes promissory note purchased by TCTA. Subsequently, TCTA and Land Bank agreed to defer the repayment of the promissory notes by the three months by replacing the promissory notes with the new notes. The notes may be rolled over for further periods should Land Bank still not be in a position to settle the amount due when the new notes mature.

According to various announcements, Land Bank is seeking a liquidity solution and has been granted the right by National Treasury to draw down on government guarantees. It is expected that this and the mentioned National Treasury support will safeguard the survival of Land Bank and the eventual repayment of debt.

- 31.2** The President of South Africa declared a state of national lockdown from the 26th March 2020. The impact of the lockdown was the deferral of the submission timelines of the financial statements by National Treasury. The annual financial statements which are ordinarily due to the external auditors and National Treasury by 31 May were deferred to 31 July 2020. This has meant that the external audit process will only be concluded by 30 September 2020 as opposed to 31 July 2020.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

32. COMPLIANCE WITH THE PUBLIC FINANCE MANAGEMENT ACT, ACT NO. 1 OF 1999, AND TREASURY REGULATIONS

32.1. 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.

32.1.1. Irregular expenditure

Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of profit and loss in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

1. This Act or
2. The State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act or
3. Any provincial legislation providing for procurement procedures in that provincial government.

National Treasury Instruction Note 2 of 2019/20 which was issued in terms of sections 76(2)(e) to 76(4)(a) of the PFMA requires the following (effective from 17 May 2019): A public entity listed in Schedules 2 to the PFMA applying IFRS, to incur irregular expenditure, the non-compliance must be linked to a financial transaction. Although a transaction may trigger irregular expenditure, the public entity will only record irregular expenditure when transaction is recognized as expenditure in the Statement of Financial Performance in accordance with IFRS. The accounting officer or accounting authority must ensure that only confirmed irregular expenditure is disclosed in the main note to the annual financial statements. Irregular expenditure not confirmed or in the process of determination or investigation must be disclosed in the sub-note to the annual financial statements related to irregular expenditure. All debts incurred from losses emanating from the incurrence of irregular expenditure shall be interest bearing at the uniform interest rate prescribed in terms of section 80(1)(b) of the PFMA and shall be calculated using the simple interest method.

Provision is made for the accounting officer or accounting authority to submit requests to the relevant authority to seek condonation of the irregular expenditure. 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. The requests 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Reconciliation of irregular expenditure	2020 Rand	2019 Rand
Opening balance	663 102 723	667 283 532
Irregular expenditure incorrectly disclosed in the previous financial year.	-	(85 518 800)
Irregular expenditure current year	61 515 258	36 908 990
1. Acid Mine Drainage	42 965 131	-
2. Claims	-	10 496 290
3. Variation Orders	4 658 340	629 547
4. Other	13 891 787	25 783 153
Irregular expenditure from prior years identified and confirmed in the current year	80 373 817	67 496 987
1 Acid Mine Drainage	80 373 817	4 085 618
2. Claims	-	15 877 002
3. Variation Orders	-	8 161 507
4. Other	-	39 372 860
Less: Condoned or written off	-	(23 067 986)
Irregular expenditure awaiting condonement	804 991 798	663 102 723

Section 9 of National Treasury (NT) Instruction Note 3 which came into effect on the 01 May 2016 prescribes that:

- the Accounting Officer / Accounting Authority must ensure that contracts are not varied by more than 20% or R20 million (including VAT) for construction-related goods, works and or services, and 15% or R15 million (including VAT) for all other goods or services of the original contract value (Section 9.1) and
- any deviation above the prescribed thresholds will only be allowed in exceptional cases subject to prior written approval from the relevant treasury (Section 9.2).

On 5 December 2016, NT approved TCTA's request to increase the Original Contract Amount by R93.1 million from R1 474 366 618.07 to R 1 567 488 693.72. Furthermore, On 21 January 2020, TCTA applied for a further contract increase from R1 567 488 693.72 to R1 734 084 880, approval of which was granted by the NT on the 01 February 2020.

In 2017/2018 and 2018/2019, TCTA recorded and declared variation orders and claims amounting to R85 518 800.41 erroneously as irregular expenditure.

The above-mentioned amounts were erroneously declared irregular expenditure as they failed to take the two-contract revisions approved by National Treasury mentioned above to account.

It has therefore been concluded that Section 9 of the SCM Instruction Note 3 was not transgressed and therefore, expenditures that have been declared irregular are not irregular. These declarations have been reversed in the earliest possible period.

2020 IRREGULAR EXPENDITURE CURRENT YEAR

Incident	Actions taken	Recovery, condonation or removal or irregular expenditure	Amount Rand
1. Acid Mine Drainage Operations and Maintenance			
The contract with Operations and maintenance service provider Western Basin was varied by more than 20% without obtaining prior approval from National Treasury. This is in contravention to SCM Instruction Note 3 of 2016/17.	None	Not yet condoned	42 965 131
Total Acid Mine Drainage Operations and Maintenance			42 965 131

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Claims			
Total Claims			-
3. Variation Orders			
The contract with Contractor for Olifants was varied by more than 20% without obtaining prior approval from National Treasury. This is in contravention to SCM Instruction Note 3 of 2016/17.	None	Not yet condoned	4 658 340
Total Variation Orders			4 658 340
4. Other			
Evergreen contract – Service provider for off-site documents storage (Jul – Sep 2019)	None	Not yet condoned	157 257
Irregular appointment of a attorneys firm on a matter between TCTA and former COO (Continuation of the matter of Bill Taxation)	None	Not yet condoned	13 547
Service provider for the professional services for establishing financial sustainability of TCTA Business Model	None	Not yet condoned	1 334 597
Utilisation of a contract after contract expiry. Misunderstanding with respect to the contract expiry date.			
TCTA did not follow a competitive bidding process in the appointment of a sub-contractor - Service provider for the repair and maintenance of the LHWP delivery tunnel North during shutdown.	None	Not yet condoned	10 792 809
Contractor for MMTS-2 - Prior year irregular understated	None	Not yet condoned	510 937
Attorney representing TCTA on a land claim for MMTS-2	None	Not yet condoned	626 692
Attorney representing TCTA at CCMA and Labour Court on a dispute with former Supply Chain Manager - Payments in excess of Approved amounts	None	Not yet condoned	455 948
Total Other			13 891 787
Total Irregular Expenditure for 2020			61 515 258

2019 IRREGULAR EXPENDITURE PRIOR YEAR

1. Acid Mine Drainage Operations and Maintenance

Incident	Actions taken	Recovery, condonation or removal of irregular expenditure	Amount Rand
Total for Acid Mine Drainage	-	-	-

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 take a decision based on further submissions by the client and contractor. Again, should any party be dissatisfied with the outcome, 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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 Instructions Note 3 of 2016/17 effective 1 May 2016.

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		
AMD Central Basin Contract: 008-008 - Group 5 - Vo 47 Contract 008-041 Consultant on MMTS-2 - Vo 66 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
Olifants River Water Development Project: Contract 005-002- Contractor on Olifants: Claim 35.1 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	4 663 329
Olifants River Water Development Project: Contract 005-002- Contractor on Olifants: Claim 36.1 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
Olifants River Water Development Project: Contract 005-002- Contractor on Olifants: Claim 62 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
Olifants River Water Development Project: Contract 005-002- Contractor on Olifants: Claim 38.2 The claim arose from the 27 December 2016 being declared a public holiday.	See Claims Note 2	Not yet condoned	231 688
MMTS-2: Contract 004-041 Consultant on MMTS-2 Interest charged on Consultant on MMTS-2 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 the PFMA Framework on Irregular Expenditure issued in May 2019.	Not yet condoned	93 473
Total Claims			10 526 290

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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 R15 million (including VAT) for all other goods or services of the original contract value.
 - b. Section 9.2: Any deviation over 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 the 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 Order Notes

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		
MMTS-2: Contract 004-041 Consultant on MMTS-2 SA - Various VOs 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	593 417
MMTS-2: Contract 004-005 Variation Order No. 46 Rev1 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
Total Variation Orders			629 647

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 R15 million (including VAT) for all other goods or services of the original contract value.
 - b. Section 9.2: Any deviation above the prescribed thresholds will only be allowed in exceptional cases subject to prior written approval from the relevant treasury"
- 2) TCTA has begun 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 YEAR ENDED 31 MARCH 2020

4. Other

Incident	Actions taken	Recovery, condonation or removal of irregular expenditure	Amount Rand
A: CORPORATE: CONTRACT EXPANDED WITH OUT DUE PROCESS BEING FOLLOWED			
Service provider for traveling services: 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
Service provider for traveling services: Travel Management	See other Note 1	Not yet condoned	79 718
Service provider for traveling services: Travel Management	See other Note 2	Not yet condoned	56 329
B: CORPORATE: DUE PROCESS NOT FOLLOWED IN APPOINTMENT OF SERVICE PROVIDER			
Attorney services for a dispute between TCTA and former COO: Legal Services Appointed on instruction of Board	See other Note 1	Not yet condoned	1 432 816
Attorneys appointed to render legal services TCTA.: Legal Services	See other Note 1	Not yet condoned	798 132
Attorneys appointed to provide legal advice on a matter between TCTA and former COO: Legal Services Appointed on instruction of Board	See other Note 1	Not yet condoned	287 713
Service provider to repair leaking sewerage and toilets.	See other Note 2	Not yet condoned	14 850
Attorneys appointed to provide legal advice on a matter between TCTA and former COO: Legal Services Appointed on the instruction of the Board.	See other Note 1	Not yet condoned	319 109
Service provider for the recruitment of temporary Company Secretary	See other Note 2	Not yet condoned	73 177
C: CORPORATE: OTHER			
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 service provider for the provision of governance assessment tool 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 the 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.			10 733
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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Incident	Actions taken	Recovery, condonation or removal of irregular expenditure	Amount Rand
D: CORPORATE: BID SPLITTING- REPAIR OF BIOMATRIX			
Service provider for the repair of biomatrix	See Other Note 2	Not yet condoned	19 300
Service provider for the repair of biomatrix	See Other Note 2	Not yet condoned	27 054
Chiefton	See Other Note 2	Not yet condoned	15 562
E: CORPORATE: BID SPLITTING- ORACLE SUPPORT			
Service provider for oracle support 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
Service provider for oracle support emergency single-sourcing without National Treasury's approval	See Other Note 2	Not yet condoned	736 800
Service provider for oracle support	See Other Note 2	Not yet condoned	307 000
F: CORPORATE: TAX NON-COMPLIANCE			
Service provider for provision of security services	See Other Note 2	Not yet condoned	375 177
Service provider for building maintenance services	See Other Note 2	Not yet condoned	57 232
Service provider for catering Supply of kitchen utensils.	See Other Note 2	Not yet condoned	120 891
Service provider for supply of voice recorders.	See Other Note 2	Not yet condoned	19 000
Service provider for consulting services for a period of 12 months.	See Other Note 2	Not yet condoned	278 399
G: CORPORATE: EXCEPTIONS WERE APPROVED BY THE RELEVANT AUTHORITY AND AUDITOR-GENERAL IS OF THE OPINION THAT REASONS FOR EXCEPTION ARE UNJUSTIFIABLE			
Service provider for advertisement for the appointment of the new Board of Directors	See Other Note 2	Not yet condoned	352 095
Service provider for live entertainment band for the 2017/2018 annual report launch.	See Other Note 2	Not yet condoned	74 390
Service provider for remuneration benchmark and evaluation tool.	See Other Note 2	Not yet condoned	382 779
Service provider for 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.	See Other Note 2	Not yet condoned	1 073 690
Service provider for provision of Internet and 3G remote connectivity services. *Amount under dispute with supplier R1 184 675.25 not included	See Other Note 2	Not yet condoned	1 977 023
Attorney appointed for provision of legal services: legal services in an ongoing litigation matter	See Other Note 1	Not yet condoned	225 000
H: EVERGREEN CONTRACT			
Service provider for 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
Service provider for archiving solutions	See Other Note 2	Not yet condoned	126 072
Total For Other			25 783 154

Other Notes

TCTA has commenced the condonation process in line with the requirements of the PFMA Framework on Irregular Expenditure issued in May 2020. Determination tests and assessments were completed and submitted to the Board

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

for consideration. A submission to National Treasury to request condonation has been drafted and is awaiting a report on consequences management actions taken against responsible employees.

Condonation process to be initiated in line with the requirements of the PFMA Framework on Irregular Expenditure issued in May 2019.

IRREGULAR EXPENDITURE FROM PRIOR YEARS IDENTIFIED AND CONFIRMED IN THE 2019 YEAR

Incident	Actions taken	Recovery, condonation or removal of irregular expenditure	Amount Rand
1. Acid Mine Drainage Operations and Maintenance			
Due process not followed in the procurement of consumables and spare for the Acid Mine Drainage treatment plants in the Eastern and Central Basins	See Claims Notes 1 and 2	Not yet condoned	4 085 618
Total Acid Mine Drainage Operations and Maintenance			4 085 618
2. Claims			
Olifants River Water Development Project: Contract 005-002-Contractor for Olifants: Claim 38. 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
Olifants River Water Development Project: Contract 005-002-Contractor for Olifants: Claim 36 Delay due to the requirement to screen material from the trench	See Claims Notes 1 and 2	Not yet condoned	14 276 519
Total Claims			15 877 002
3. Variation orders			
Acid Mine Drainage Project- AMD Central Basin: Contract 008-041 Consultant on AMD Central Basin - VO No.65 An additional requirement from DWS for an expert to undertake a comprehensive geohydrological/geochemical investigation as well as a 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
Olifants River Water Resources Development Project: Contract 005-002 - Contractor for Olifants: VO No.43 Additional work for reinstatement of pedestrian steel bridge washed away by floods	See Variation Orders Notes 1 and 2	Not yet condoned	327 615
Olifants River Water Resources Development Project: Contract 005-002 - Contractor for Olifants: VO No.37 The rehabilitation of the soil erosion and Steelpoort and Aquaville Staff Housing areas to achieve long term stabilisation of the disturbed soil	See Variation Orders Notes 1 and 2	Not yet condoned	1 414 697
Olifants River Water Development Project: Contract 005-002-Contractor for Olifants: VO No 36 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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Incident	Actions taken	Recovery, condonation or removal of irregular expenditure	Amount Rand
Olifants River Water Development Project: Contract 005-002-Contractor for Olifants: VO No 38 Pump shaft and Eskom Chambers Modification:	See Variation Orders Notes 1 and 2	Not yet condoned	718 106
Olifants River Water Development Project: Contract 005-002- Contractor for Olifants: VO No 47 Additional work was required at Steelpoort Housing for connecting sewer pipe from Steelpoort Housing to an existing wastewater treatment plant.	See Variation Orders Notes 1 and 2	Not yet condoned	157 179
Olifants River Water Development Project: Contract 005-002-Contractor for Olifants: VO No 44 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
Total Variation Orders			8 161 507
4. Other			
CORPORATE			-
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 the appointment of Attorneys appointed to render legal services for MMTS-2 (Legal Services) and VAT payments made in contravention of the VAT Act.	See Other Note 2	Not yet condoned	10 313 055
Service provider for 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, Service provider for implementation of Oracle: 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 attorneys for legal services on a matter between TCTA and Former SCM Manager (legal services).	See Other Note 1	Not yet condoned	299 713
Service provider for 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 the 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 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 service provider 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 attorneys: Legal Services for a matter under litigation.	See Other Note 2	Not yet condoned	1 594 690

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Incident	Actions taken	Recovery, condonation or removal of irregular expenditure	Amount Rand
Due process not followed in increasing the contract value for 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 attorneys on the instructions of the Board.	See Other Note 1	Not yet condoned	235 405
Due process not followed in the appointment of attorneys to provide legal advice on a matter between TCTA and former COO on the instructions of the Board.	See Other Note 1	Not yet condoned	114 136
Service provider for the off-site documents storage: Irregular evergreen contract since 2005.	See Other Note 2	Not yet condoned	710 317
Total Other			39 372 860
Total Irregular Expenditure from Prior Years Identified and Confirmed in the Current Year			67 496 987

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 consideration.

32.1.2. Fruitless and wasteful expenditure

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

Reconciliation of fruitless and wasteful expenditure	2020 Rand	2019 Rand
Opening balance	3 822 801	2 816 512
Fruitless and wasteful expenditure current year	376 547	1 006 289
Total at the end of the financial year	4 199 348	3 822 801

2020 Incident	Action taken	Amount Rand
The LHWP account in overdraft of R52.3 million on 30 April and 1 May 2019 (2 days). One instruction for R52.3 million to Nedgroup was sent after the Money Market fund cut off time.	#Appropriate consequence management process to be initiated.	1 274
An overdraft rate of 8.25%, the interest incurred is R23 642.47 However, R52.3 million was invested in the market at the rate of 7.80%		
Two Invoices received the 1st Quarter of 2017/2018 were addressed to an email of a staff member who resigned in February 2018.	# as above	37 944
Flights cancelled for Executive Manager PF&T for an amount of R3 514.34. The ticket was R4 245.95, a refund of R1 081.61 will be given to TCTA and a R350 admin fee will be charged for processing the refund. The refund takes approximately 7 – 12 weeks.	# as above	3 514
Flights cancelled for CEO for an amount of R829.12. The ticket was R5201.95, a refund of R4 748.61 will be given to TCTA and a R350 admin fee will be charged for processing the refund. The refund takes approximately 7 – 12 weeks.		829
Flights cancelled for Board Chair for an amount of R1 854.34. The ticket was R3 255.95, a refund of R1 651.61 will be given to TCTA and a R250 admin fee will be charged for processing the refund. The refund takes approximately 7 – 12 weeks.	# as above	1 854

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2020 Incident	Action taken	Amount Rand
Workman's Compensation Fund penalties on late submission of returns of earnings 2019. R8 644.51. A submission was not done by 31 May 2019 as required and was done online on 5 July 2019.	# as above	8 645
Liquid Telecoms	# as above	12 326
The LHWP Account was in overdraft of R14.8 million on 30 September 2019. At an overdraft rate of 8.00%, the interest incurred is R3 256.74. However, R15m was invested in the market at a rate of 7.53% and interest of R3 094.52 was earned. Net interest = R162.22 A withdrawal instruction is usually sent to the Money Market fund. The dealer forgot to send the instruction for R15m to Investec and even though the deal was confirmed by the back office, the withdrawal was not done by the bank.	# as above	162
Interest on account Dihlabeng Rates and Taxes on the historic amounts due by TCTA. R 5277.69 The interest relates to municipality rates and taxes for Kgubetswana houses.	# as above	5 278
A CPD withdrawal of R1.1 million on VRESAP was rejected on the system even though the second releaser released the instruction. At an overdraft rate of 8.00%, the interest incurred is R241.10. However, R1.1m was invested in the market at a rate of 7.02% and interest of R211.56 was earned. Net interest = R29.54	# as above	30
In 2015 TCTA paid for Treasury Manager to write the ACT exams but he did not sit for the exams. R58 147.37	# as above	58 147
Three staff members applied for a geotechnical course in September 2019 which was later postponed to December 2019. Payment was made by TCTA to the service provider. The service provider, Khaya Integrated Training Solutions could not be located when the date for attendance came. Efforts for reimbursement of the money had failed with the last attempt by SCM in February 2020 being unsuccessful.	# as above	22 487
Interest on overdue accounts was charged to TCTA by Eskom. "To be quantified by management. R 207 686,96 identified through audit, however City of Ekhuleni also identified by management and not disclosed.	# as above	207 687
Total fruitless and wasteful expenditure		376 187

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2019 Incident	Action taken	Amount Rand
ORWRDP 2C Six Invoices received during the 1st Quarter of 2017/2018 were addressed to an email of a 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 the incorrect approval process in the Oracle ERP system.	# as above	314 755
CORPORATE		-
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 an error in processing	# as above	14 673
VRESAP Debt Management- Current account overdrawn by R25.8mn overnight. Employee overlooked releasing fund withdrawal from investments.	# as above	2 016
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
Expenditure in relation to the purchase of Konica Minolta photocopiers at the end of the lease. The photocopiers were immediately after purchase declared as not economically 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 conditions 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
Total fruitless and wasteful expenditure for the year 2019		1 006 290

ANNEXURE A - SEGMENTAL STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2020

	Note(s)	TCTA-C R mil	VRS R mil	BWP R mil	VRESAP R mil	MCWAP-1 R mil	MMTS-2 R mil
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash receipts on tariff receivable		136	6 933	146	801	322	665
Cash paid to suppliers and employees		(144)	(3 610)	(93)	(125)	(67)	126
Cash generated from project activities	A	(8)	3 323	53	676	255	539
Other finance costs		-	(15)	(1)	-	(1)	(1)
Interest paid	C	-	(1 215)	(55)	(320)	(127)	(163)
Net cash from operating activities		(8)	2 093	(3)	356	127	375
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of property, plant and equipment	8	-	(5)	-	-	-	-
Payments to acquire financial assets		-	(176)	-	-	(44)	-
Proceeds on the sale of financial assets		-	-	-	-	-	2
Interest received	B	-	164	4	13	44	26
Net cash from investing activities		-	(17)	4	13	-	28
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from long-term borrowings		-	-	50	-	-	150
Repayments on long-term borrowings		-	(743)	(137)	(208)	(43)	(188)
Proceeds from short-term borrowings		-	-	-	160	-	243
Repayments on short-term borrowings		-	-	-	(490)	-	(468)
Lease payments		-	(4)	-	-	-	-
Net cash from financing activities		-	(747)	(87)	(538)	(43)	(263)
Total cash movement for the year		(8)	1 329	(86)	(169)	84	140
Cash and cash equivalents at the beginning of the year		14	1 593	121	224	592	296
Total cash and cash equivalents at end of the year	18	6	2 922	35	55	676	436

ANNEXURE A - SEGMENTAL STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2020

ORWRDP	KWSAP	MCWAP-2	MMTS-1	UMGENI	MRWP	BRVAS	KRIEL	UMWP	TOTAL
R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil
28	181	-	-	-	38	-	-	-	9 250
(69)	(48)	-	-	-	(38)	-	-	-	(4 320)
(41)	133	-	-	-	-	-	-	-	4 930
-	(1)	-	-	-	-	-	-	-	(19)
-	(118)	(1)	-	-	-	-	-	-	(1 998)
(41)	14	-	-	-	-	-	-	-	2 913
-	-	-	-	-	-	-	-	-	(5)
-	-	-	-	-	-	-	-	-	(220)
-	-	-	-	-	-	-	-	-	2
-	11	-	-	-	-	-	-	-	262
-	11	-	-	-	-	-	-	-	39
-	-	-	-	-	-	-	-	-	200
-	(32)	-	-	-	-	-	-	-	(1 351)
-	-	-	-	-	-	-	-	-	403
-	-	-	-	-	-	-	-	-	(958)
-	-	-	-	-	-	-	-	-	(4)
-	(32)	-	-	-	-	-	-	-	(1 710)
(41)	(7)	-	-	-	-	-	-	-	1 242
59	150	-	-	-	-	-	-	-	3 049
18	143	-	-	-	-	-	-	-	4 291

ANNEXURE A - SEGMENTAL STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2020

	Note(s)	TCTA-C R mil	VRS R mil	BWP R mil	VRESAP R mil	MCWAP-1 R mil	MMTS-2 R mil
A. CASH (USED IN)/GENERATED FROM PROJECT ACTIVITIES							
Profit for the year		-	574	(14)	(56)	26	3
Adjustments for non-cash flow items:							
Depreciation on non-current assets		-	12	-	-	-	-
Net interest income/(expense)		-	888	41	330	82	135
Interest income on tariff receivable		-	(1 462)	(27)	(274)	(108)	(138)
Construction revenue		-	(1 289)	-	12	-	(2)
Other income		-	(1 528)	(6)	(8)	(8)	(15)
Non-cash flow in operating expenses		-	12	-	-	-	-
Changes in working capital:							
Loans and other receivables		-	(32)	(10)	(14)	(1)	(20)
Prepayments		-	(254)	-	-	-	-
Payables and provisions (excluding interest payable)		(8)	112	(7)	(23)	(17)	(3)
Capitalised to/(removed from) tariff receivable		-	6 288	73	716	281	579
VAT on tariff receivable debtor		-	2	3	(7)	-	-
Non-cash flow in accounts receivable		-	-	-	-	-	-
Total cash (used in)/generated from project activities		(8)	3 323	53	676	255	539
B. INTEREST RECEIVED							
Amount due at beginning of the year		-	4	-	-	-	-
Income during the year adjusted for non-cash items							
Interest accrued		-	171	4	13	45	27
AMD interest		-	(160)	-	-	-	-
Amount due at the end of the year		-	(11)	-	-	(1)	(1)
Interest received		-	164	4	13	44	26

ANNEXURE A - SEGMENTAL STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2020

ORWRDP	KWSAP	MCWAP-2	MMTS-1	UMGENI	MRWP	BRVAS	KRIEL	UMWP	TOTAL
R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil
-	(29)	-	-	-	-	-	-	-	504
-	-	-	-	-	-	-	-	-	12
-	107	-	-	-	-	-	-	-	1 583
-	(78)	-	-	-	-	-	-	-	(2 087)
(72)	-	(73)	-	-	-	(8)	-	(4)	(1 436)
(12)	(5)	-	-	-	(2)	-	-	-	(1 584)
-	-	-	-	-	-	-	-	-	12
(49)	(13)	(9)	-	-	12	(8)	-	(4)	(148)
-	-	-	-	-	-	-	-	-	(254)
8	(4)	(9)	-	-	(12)	8	-	4	67
-	157	-	-	-	-	-	-	-	8 094
-	(2)	73	-	-	-	-	-	-	(4)
84	-	-	-	-	2	8	-	4	171
(41)	133	-	-	-	-	-	-	-	4 930
-	-	-	-	-	-	-	-	-	4
-	11	-	-	-	-	-	-	-	271
-	11	-	-	-	-	-	-	-	431
-	-	-	-	-	-	-	-	-	(160)
-	-	-	-	-	-	-	-	-	(13)
-	11	-	-	-	-	-	-	-	262

ANNEXURE A - SEGMENTAL STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2020

	Note(s)	TCTA-C R mil	VRS R mil	BWP R mil	VRESAP R mil	MCWAP-1 R mil	MMTS-2 R mil
C. INTEREST PAID							
Amount not paid at beginning of the year		-	(342)	(12)	(36)	(13)	(24)
Expensed during the year adjusted for non-cash items		-	(1 202)	(44)	(317)	(126)	(161)
Amount expensed (excluding imputed interest)		-	(1 203)	(44)	(343)	(126)	(161)
Deficit on switch auction		-	-	-	-	-	-
Capital adjustment to inflation-linked liability		-	-	-	17	-	-
Interest on lease liability		-	1	-	-	-	-
Interest capitalised to the principal amount		-	-	-	9	-	-
Amount not paid at the end of the year		-	329	1	33	12	22
Interest paid		-	(1 215)	(55)	(320)	(127)	(163)
D. RECONCILIATION OF FINANCIAL MARKET LIABILITIES TO FINANCING ACTIVITIES AS AT 31 MARCH							
Liabilities at beginning of year		-	13 988	575	3 621	1 370	1 760
Long-term borrowings		-	13 245	438	3 092	1 327	1 362
Short-term borrowings		-	743	137	529	43	398
Cash flow from financing activities		-	(747)	(87)	(538)	(43)	(263)
Non-cash flow items		-	14	-	26	-	-
Capitalised interest		-	-	-	9	-	-
Capital adjustment to inflation-linked liability		-	-	-	17	-	-
Capitalisation of office building lease		-	13	-	-	-	-
Interest on lease liability		-	1	-	-	-	-
Liabilities as at end of year		-	13 254	488	3 108	1 327	1 497
Long-term borrowings		-	12 941	411	2 895	1 280	1 273
Short-term borrowings		-	304	77	213	47	224
Long-term lease liability		-	4	-	-	-	-
Short-term lease liability		-	5	-	-	-	-

ANNEXURE A - SEGMENTAL STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 MARCH 2020

ORWRDP	KWSAP	MCWAP-2	MMTS-1	UMGENI	MRWP	BRVAS	KRIEL	UMWP	TOTAL
R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil
-	(2)	-	-	-	-	-	-	-	(429)
-	(117)	-	-	-	-	-	-	-	(1 967)
-	(117)	-	-	-	-	-	-	-	(1 994)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	17
-	-	-	-	-	-	-	-	-	1
-	-	-	-	-	-	-	-	-	9
-	1	-	-	-	-	-	-	-	398
-	(118)	-	-	-	-	-	-	-	(1 998)
-	1 255	-	-	-	-	-	-	-	22 569
-	1 223	-	-	-	-	-	-	-	20 687
-	32	-	-	-	-	-	-	-	1 882
-	(32)	-	-	-	-	-	-	-	(1 710)
-	-	-	-	-	-	-	-	-	40
-	-	-	-	-	-	-	-	-	9
-	-	-	-	-	-	-	-	-	17
-	-	-	-	-	-	-	-	-	13
-	-	-	-	-	-	-	-	-	1
-	1 223	-	-	-	-	-	-	-	20 897
-	1 185	-	-	-	-	-	-	-	19 985
-	38	-	-	-	-	-	-	-	903
-	-	-	-	-	-	-	-	-	4
-	-	-	-	-	-	-	-	-	5

ANNEXURE A - SEGMENTAL STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 MARCH 2019 (Restated)

	Note(s)	TCTA-C	VRS	BWP	VRESAP	MCWAP-1	MMTS-2
		R mil	R mil	R mil	R mil	R mil	R mil
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash receipts on tariff receivable		86	7 693	204	766	441	343
Cash paid to suppliers and employees		(103)	(2 867)	(104)	(79)	(48)	(47)
Cash generated from project activities	A	(17)	4 826	100	687	393	296
Other finance costs		-	(27)	(1)	-	(1)	(1)
Interest paid	C	-	(1 382)	(40)	(346)	(140)	(170)
Net cash from operating activities		(17)	3 417	59	341	253	125
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of property, plant and equipment	8	-	(1)	-	-	-	-
Payments to acquire financial assets		-	-	-	-	-	-
Proceeds on the sale of financial assets		-	(125)	-	-	-	-
Interest received	B	-	186	7	10	36	18
Net cash from investing activities		-	60	7	10	36	18
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from long-term borrowings		-	6 500	50	-	-	-
Repayments on long-term borrowings		-	(11 217)	(67)	(207)	(171)	(88)
Proceeds from short-term borrowings		-	-	-	536	-	427
Repayments on short-term borrowings		-	(77)	-	(538)	-	(396)
Lease payments		-	-	-	-	-	-
Net cash from financing activities	D	-	(4 794)	(17)	(209)	(171)	(57)
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
Total cash and cash equivalents at end of the year	18	14	1 593	122	224	591	295

ANNEXURE A - SEGMENTAL STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2019 (Restated)

ORWRDP	KWSAP	MCWAP-2	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)	(1)	-	-	-	-	-	(3 335)
60	198	(1)	-	-	-	-	-	6 542
-	(1)	-	-	-	-	-	-	(31)
(2)	(97)	-	-	-	-	-	-	(2 177)
58	100	(1)	-	-	-	-	-	4 336
-	-	-	-	-	-	-	-	(1)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	(125)
-	8	-	-	-	-	-	-	265
-	8	-	-	-	-	-	-	139
-	-	-	-	-	-	-	-	6 550
-	(28)	-	-	-	-	-	-	(11 778)
-	-	-	-	-	-	-	-	963
-	-	-	-	-	-	-	-	(1 011)
-	-	-	-	-	-	-	-	-
-	(28)	-	-	-	-	-	-	(5 276)
58	80	(1)	-	-	-	-	-	(801)
1	70	-	-	-	-	-	-	3 849
59	150	(1)	-	-	-	-	-	3 049

ANNEXURE A - SEGMENTAL STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 MARCH 2019 (Restated)

	Note(s)	TCTA-C	VRS	BWP	VRESAP	MCWAP-1	MMTS-2
		R mil	R mil	R mil	R mil	R mil	R mil
A. CASH (USED IN)/GENERATED FROM PROJECT ACTIVITIES							
Profit for the year		-	480	(15)	(63)	19	(9)
Adjustments for non-cash flow items:							
Depreciation on non current assets		-	11	-	-	-	-
Net interest income (expense)		-	1 703	45	358	104	152
Interest income on tariff receivable		-	(2 183)	(30)	(295)	(123)	(143)
Construction revenue		-	(598)	-	-	6	(2)
Other income		-	(1 419)	(5)	(8)	(7)	(18)
Non-cash flow in operating expenses		-	11	-	-	-	-
Changes in working capital:							
Loans and other receivables		-	(32)	-	-	57	1
Prepayments		-	(152)	-	-	-	-
Payables and provisions (excluding interest payable)	(17)	171	4	12	7	11	
Capitalised to/(removed from) tariff receivable		-	6 699	101	667	324	299
Non-cash flow item in accounts receivable		-	-	-	-	-	-
VAT on tariff receivable debtor		-	135	-	16	6	5
Total cash (used in)/generated from project activities		(17)	4 826	100	687	393	296
B. INTEREST RECEIVED							
Amount due at beginning of the year		-	18	-	-	-	-
Income during the year adjusted for non-cash items							
Interest accrued		-	172	7	10	36	18
AMD interest		-	319	7	10	36	18
		-	(147)	-	-	-	-
Amount due at the end of the year		-	(4)	-	-	-	-
Interest received		-	186	7	10	36	18

ANNEXURE A - SEGMENTAL STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 MARCH 2019 (Restated)

ORWRDP	KWSAP	MCWAP-2	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
-	9	(1)	-	-	-	-	-	420
-	-	-	-	-	-	-	-	11
2	112	1	-	-	-	-	-	2 476
-	(121)	-	-	-	-	-	-	(2 895)
(60)	(1)	(16)	-	-	-	-	(1)	(672)
-	(7)	-	-	-	-	-	-	(1 464)
-	-	-	-	-	-	-	-	11
26	-	(9)	1	17	12	(8)	6	71
-	-	-	-	-	-	-	-	(152)
32	-	9	(1)	(17)	(12)	8	(6)	201
-	202	-	-	-	-	-	-	8 292
60	-	16	-	-	-	-	1	77
-	4	-	-	-	-	-	-	166
60	198	(1)	-	-	-	-	-	6 542
-	-	-	-	-	-	-	-	18
-	8	-	-	-	-	-	-	251
-	8	-	-	-	-	-	-	398
-	-	-	-	-	-	-	-	(147)
-	-	-	-	-	-	-	-	(4)
-	8	-	-	-	-	-	-	265

ANNEXURE A - SEGMENTAL STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 MARCH 2019 (Restated)

	Note(s)	TCTA-C R mil	VRS R mil	BWP R mil	VRESAP R mil	MCWAP-1 R mil	MMTS-2 R mil
C. INTEREST PAID							
Amount not paid at beginning of the year		-	(366)	(1)	(37)	(13)	(25)
Expensed during the year adjusted for non-cash items		-	(1 358)	(51)	(345)	(139)	(169)
Amount expensed		-	(1 996)	(51)	(369)	(139)	(169)
Deficit on switch auction		-	1	-	-	-	-
Capital adjustment to inflation-linked liability		-	641	-	15	-	-
Interest capitalised to the principal amount		-	-	-	9	-	-
Accrued interest on swithed bonds		-	(4)	-	-	-	-
Amount not paid at the end of the year		-	342	12	36	13	24
Interest paid		-	(1 382)	(40)	(346)	(140)	(169)
D. RECONCILIATION OF FINANCIAL MARKET LIABILITIES TO FINANCING ACTIVITIES AS AT 31 MARCH							
Liabilities at beginning of year		-	18 138	592	3 805	1 540	1 817
Long-term borrowings		-	9 693	515	3 286	1 497	1 450
Short-term borrowings		-	8 445	77	519	43	367
Cash flow from financing activities		-	(4 794)	(17)	(209)	(170)	(57)
Non-cash flow items		-	646	-	25	-	-
Capitalised interest		-	-	-	9	-	-
Capital adjustment to inflation-linked liability		-	645	-	16	-	-
Bond discount/premium		-	1	-	-	-	-
Liabilities as at end of year		-	13 988	575	3 621	1 370	1 760
Long-term borrowings		-	13 245	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 (Restated)

ORWRDP	KWSAP	MCWAP-2	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)	-	-	-	-	-	-	(443)
(2)	(98)	-	-	-	-	-	-	(2 162)
(2)	(119)	-	-	-	-	-	-	(2 845)
-	-	-	-	-	-	-	-	1
-	-	-	-	-	-	-	-	656
-	21	-	-	-	-	-	-	30
-	-	-	-	-	-	-	-	(4)
-	2	-	-	-	-	-	-	429
(2)	(97)	-	-	-	-	-	-	(2 176)
-	1 262	-	-	-	-	-	-	27 154
-	1 234	-	-	-	-	-	-	17 675
-	28	-	-	-	-	-	-	9 479
-	(28)	-	-	-	-	-	-	(5 276)
-	21	-	-	-	-	-	-	691
-	21	-	-	-	-	-	-	30
-	-	-	-	-	-	-	-	660
-	-	-	-	-	-	-	-	1
-	1 255	-	-	-	-	-	-	22 569
-	1 223	-	-	-	-	-	-	20 687
-	32	-	-	-	-	-	-	1 882

Once you carry your own water you will learn the value of every drop



QUESTIONS TO PONDER

1. If people valued water, they would realise how much water they were wasting and fix leaks, not wait until there was a drought to force them. How can we change this mindset in South Africa?
2. South Africa of today is not the same as South Africa of 1956. Why are there still the same institutional arrangements in managing the water resource and delivering water and sanitation services?
3. Institutional reform and financial sustainability are interlinked. In many countries institutional reform was driven by regulation or contamination of water supplies with the subsequent need to invest. What will be the event in South Africa, which triggers change?
4. The National Development Plan has a vision for the country's rural areas, for which the driving force will be an expansion of irrigated agriculture. How can this vision be realised if the infrastructure required to support the sector is failing?
5. South Africa is one of the most unequal countries in the world. Failing water and sanitation services in rural areas and informal settlements contribute to that inequality. How does that sector change so that it is an enabler in achieving a reduction in inequality as set out in the National Development Plan?



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 4 and 10.
1.2	Description of key impacts, risks and opportunities	Fully	Refer to page 74.
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 15.
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures	Fully	Refer to page 19.
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 12.
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 2019 to 31 March 2020.
3.2	Date of most recent previous report (if any)	Fully	31 March 2019
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 7: About the Integrated Annual Report.
3.6	Boundary of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	Fully	The report covers the activities of TCTA with regard to the mandate and the directives received from the Minister and associated activities.

3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope)	Fully	There were no specific limitations on the scope or boundary of the report.
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations	Fully	None
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 23.
3.10	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement (e.g. mergers and acquisitions, change of base years or periods, nature of business, measurement methods)	Fully	Refer to page 30.
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 61 to 63.
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 73.
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 61 to 63 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 16.
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 16.
4.17	Key topics and concerns that have been raised through stakeholder engagement	Fully	Refer to page 58.

DMA EC		Disclosure on management approach: Economic	
Aspects	Economic performance	None	
	Market presence	Fully	Refer to pages 14.
	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. Water and electricity use in the head office is reported on page 40.
	Energy	Partially	In line with other major organisations, TCTA does not report on the energy consumed in capital projects. Water and electricity use in the head office is reported on page 40.
	Water	Partially	In line with other major organisations, TCTA does not report on the water consumed in capital projects. Water and electricity use in the head office is reported on page 40.
	Biodiversity	Fully	Water and electricity use in the head office is reported on page 40.
	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 15.
	Compliance	Partially	Refer to page 41 for Health and Safety on site and page 38 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 - 50.
	Labour/management relations	Fully	Refer to page 53.
	Occupational health and safety	Partially	Refer to page 41 (for project sites).
	Training and education	Fully	Refer to page 51.
	Diversity and equal opportunity	Fully	Refer to pages 50.
	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 32 in AFS for compliance.
	Non-discrimination	Fully	Refer to Employment Equity as reflected on pages 50.
	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 48.
	Corruption	Partially	Refer to Note 32 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 profit 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 38.
EN13	Habitats protected or restored	Fully	Refer to Section C: Mitigation of Environmental Impacts on page 38.
EN14	Strategies, current actions and future plans for managing impacts on biodiversity	Fully	Refer to Section C: Mitigation of Environmental Impacts on page 38.
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 39.
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 49.

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 51.
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 48 to 50.
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	NA	No projects under implementation
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

AGSA	Auditor-General of South Africa
AMD	Acid Mine Drainage
AMD-STI	Acid Mine Drainage - Short-term Intervention
ARC	Audit and Risk Committee
ASB	Accounting Standards Board
BER	Bureau for Economic Research
BPS	Basis Point
BRVAS	Berg River Voelvlei Augmentation Scheme
BWP	Berg Water Project
CAE	Chief Audit Executive
CCMA	Commission for Conciliation, Mediation and Arbitration
CGU	Cash Generating Units
CEO	Chief Executive Officer
CF	Carbon Footprinting
CGU	Cash Generating Units
CODM	Chief Operating Decision Maker
COO	Chief Operating Officer
CPI	Consumer price index
CPP	Commercial Paper Programme
CSI	Corporate Social Investment
CUC	Capital Unit Charge
DAB	Dispute Adjudication Board
DBSA	Development Bank of Southern Africa
DEFF	Department of Environment Forestry and Fisheries
DFI	Development Finance Institutions
DWS	Department of Water and Sanitation
EA	Environmental Authorisation
EIA	Environmental Impact Assessment
ECL	Environmental Critical Level
ECO	Environmental Control Officer
EMP	Environmental management programme
EMS	Environmental Management System
ERWAT	Ekurhuleni Water Care Company
EMPr	Environmental Management Programme
ERP	Enterprise Resource Planning
ESI	Eskom selling price of electricity
EUR	Euro
EXCO	Executive Committee
FGD	Flue Gas Desulphurisation
FMPII	Framework for Programme Performance Information
FVTPL	Fair value through surplus or deficit
GDP	Gross Domestic Product
GRAP	Generally Recognised Accounting Standards
GOL	Government of Lesotho
IAS	International Accounting Standards
ICT	Information, Communication and Technology
IT	Information Technology
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IESBA	International Ethics Standards Board for Accountants
IFRS	International Financial Reporting Standards
ISDA	International Swap and Derivatives Association
ISMA	International Securities Market Association
JSE	Johannesburg Stock Exchange
KOL	Kingdom of Lesotho
KWSAP	Komati Water Scheme Augmentation Project
LHDA	Lesotho Highlands Development Authority
LHWC	Lesotho Highlands Water Commission
LHWP	Lesotho Highlands Water Project
MCWAP	Mokolo-Crocodile River (West) Water Augmentation Project
MEC	Member of the Executive Committee
MMTS	Mooi-Mgeni Transfer Scheme
MOA	Memorandum of Agreement
MRWP	uMzumvubu River Water Project
NOE	Notice of Establishment
NT	National Treasury
O & M	Operations and maintenance
OEMPr	Operational Environmental Management Programme
ORWRDP	Olifants River Water Resource Development Project
OVTS	Orange-Vaal Transfer Scheme
PFMA	Public Finance Management Act
PPI	Producer Price Index
PSP	Professional Service Provider
RCR	Recordable Case Rate
RSA	Republic of South Africa
SA	South Africa
SARS	South African Revenue Service
SIP	Strategic Integrated Project
SCM	Supply Chain Management
SDG	Sustainable Development Goal
SDL	Skills Development Levy
SIP	Strategic Integrated Project
SOE	State Owned Enterprise
STI	Short-term Incentive Scheme
TCTA	Trans-Caledon Tunnel Authority
UIF	Unemployment Insurance Fund
uMWP	uMkhomazi Water Project
VAT	Value Added Tax
VRESAP	Vaal River Eastern Subsystem Augmentation Project
VRS	Vaal River System
WACC	Weighted Average Cost of Capital
WTS	Water Transfer Scheme
WS03	Water stock number 3
WS04	Water stock number 4
WS05	Water stock number 5
ZAR	South African Rand

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.

TCTA GENERAL INFORMATION

Registered Name of the Public Entity:	Trans-Caledon Tunnel Authority
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