



25

years of the extraordinary

Annual Report 2011 | 2012

# TCTA's Vision, Mission & Values

## Vision

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

## Mission

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

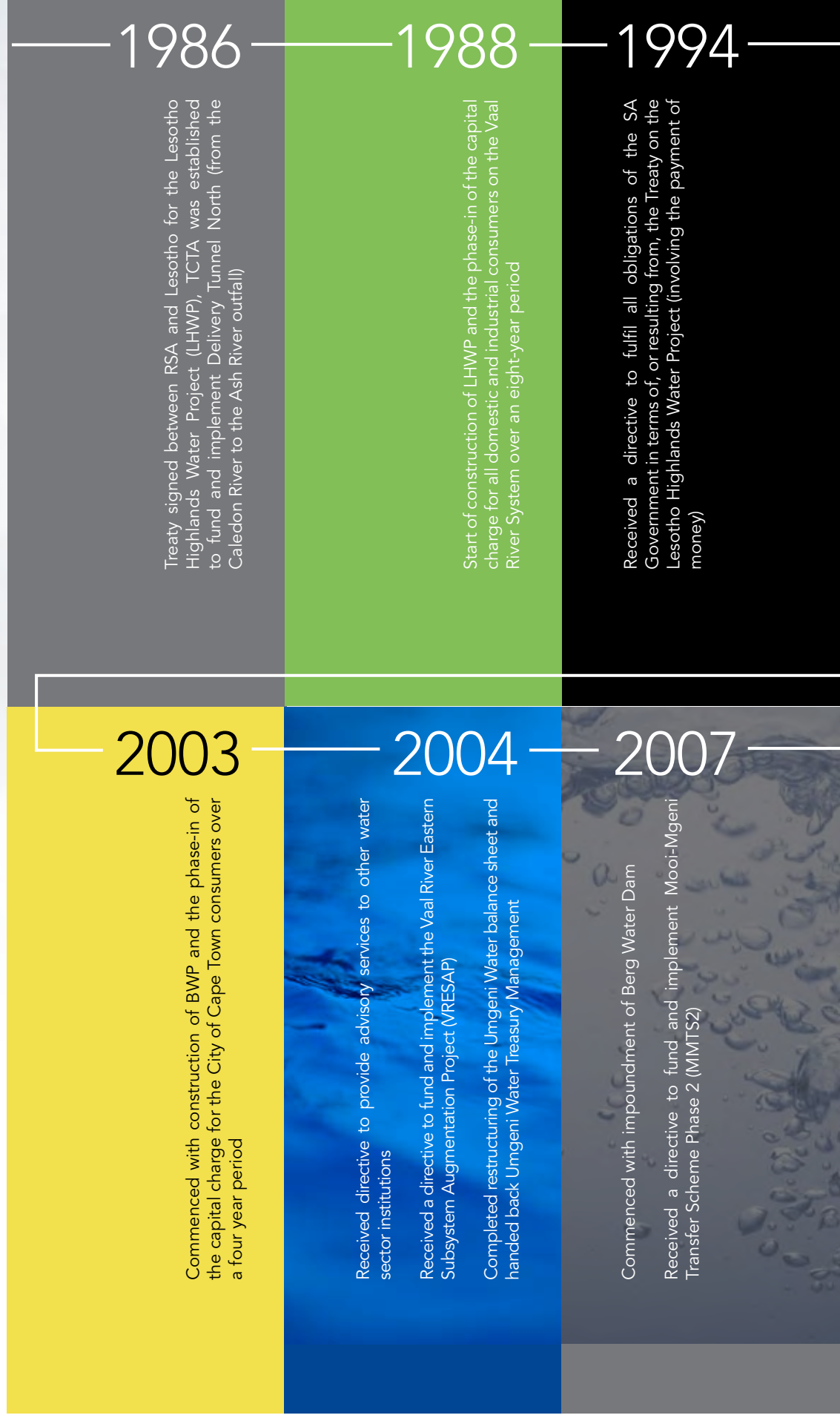
## Values

Excellence, Integrity and Respect for one another, whilst promoting Unity of purpose and the Growth of the collective.

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# TCTA's timeline 1986 - 2012



1996

Delivery Tunnel North completed

1997

Phase 1 LHWP transfer scheme commissioned

2001

Received a directive to assist Umgeni Water to restructure its balance sheet

2002

Received a directive to fund and implement Berg Water Project (BWP)

2008

Received a directive to fund and implement the Olifants River Water Resources Development Project (ORWRDP)

Berg Water Dam filled to capacity and spilled for the first time

Received a directive to fund and implement the Komati Water Scheme Augmentation Project (KWSAP)

2009

Received an instruction to proceed with the engineering design on Mokolo-Crocodile Water Augmentation Project (MCWAP)

Commenced with delivery of water and tariff implementation on the Vaal River Eastern Subsystem Augmentation Project (VRESAP)

2010

Received directive for Mokolo-Crocodile Water Augmentation Project

Provided advisory to Bloemwater

2011

Received directive for Metsi Bophelo Borehole Project

Received directive for Acid Mine Drainage Project

Provided advisory services to Bloemwater, Sediberg Water and uMgungundlovu District Municipality



# Chairman's Report

As Chairman I am humbled to be writing this foreward to the 25<sup>th</sup> Annual Report of TCTA. Looking back on how TCTA has developed and transformed in its twenty five years of existence, from its beginnings in 1986, there is much to be proud of as an organisation.

In all of these years, starting from the Lesotho Highlands Water Scheme in 1986 to the Acid Mine Drainage programme, which commenced this year, TCTA is proud to have played its part in raising funds and implementing projects within the National Water Resource Infrastructure programme of our Government for the benefit of the people of South Africa. Every single formal and informal settlement in Gauteng has benefited from the water from Lesotho, the residents of Khayelitsha in Western Cape have benefitted from the Berg Water Project and every single electricity consumer in South Africa has benefitted from the various schemes that supply water to the power stations.

Looking back, on its foundation in 1986, TCTA had a single purpose, which was to fund, implement, operate and maintain the portion of the Lesotho Highlands Water Scheme in South Africa, which is the outfall tunnel from the border with Lesotho to the Ash River outfall, north of Clarens.

With the advent of democracy in our country in 1994, we saw the transformation of TCTA when the late Minister Kader Asmal issued it with a directive to fulfil the financial obligations of the Government of South Africa to Lesotho where we raised funds and then handed them over to the Lesotho Highlands Development Authority to pay for the construction of the dams and tunnels in Lesotho. Because of our country's democratic business environment, funders were more than happy with this arrangement which enabled TCTA to raise funding at very competitive rates to the financial benefit of the end consumer in South Africa.

In raising this huge quantum of funding for the Lesotho Highlands Water Project, and with the Department of Water Affairs not able to hold reserves to balance fluctuations in water sales vis-a-vis the commitment to honour debt repayments, TCTA took over the management of the cash flow variations, which was implicitly recognised in an agreement with the Department in 2001.

Also in 2001, Minister Ronnie Kasrils put TCTA's Treasury Management skills to good use when he directed us immediately to take over these activities at Umgeni Water, which was in a crisis situation, and to manage them until a satisfactory permanent arrangement could be made. In 2002, the Minister further directed TCTA to implement the Berg Water Project in the Western Cape. This project had been delayed for many years, as the Government had been concentrating on funding basic water and sanitation, but by making the decision to fund it off budget and use the skills of TCTA, it gave assurance of supply to the consumers in the Western Cape.

In early 2004, in recognition of the support given to Umgeni Water in putting its treasury management functions on a sound footing, an open directive was issued by Minister Buyelwa Sonjica to assist other water boards and water management institutions. It is however, only recently that TCTA, as part of its Brave New World initiative, has begun actively marketing itself in this respect and thus creating the new era in public sector partnerships that the Minister envisaged.

In 2004, water resource planning in Water Affairs predicted that in the near future they would need to place restrictions on the supply of water to the coalfields of Mpumalanga, with their associated power and fuel from coal industries. Minister Buyelwa Sonjica turned to TCTA to implement the Vaal River Eastern Subsystem Augmentation Project in the shortest possible time to mitigate this impact. The amount of information on which to base the design was limited and the Environmental Impact Assessment had not been undertaken. However, TCTA overcame all of the problems and through innovative approaches ensured that water was delivered through the system in June 2009 and that there was no curtailment of fuel or power production.

In 2007 and 2008 three new directives were given to TCTA, by Minister Lindiwe Hendricks for the Phase 2 of Mooi-

Mgeni Transfer Scheme, Phase 2 of the Oliphants River Water Resource Development Project and the Komati Water Scheme Augmentation Project. These projects covered a diverse set of stakeholder needs. For example, for the institutional arrangements the Mooi-Mgeni and Oliphants Projects were not finalised to enable the projects to proceed. The Oliphants project had proved particularly difficult as the Department had tried to balance the need to augment the water supply to the people of the Nebo Plateau as well as obtain commitment from the platinum mines in the area, many of which have become marginal operations since the onset of the financial crisis in 2008.

In 2010, Minister Buyelwa Sonjica was again at the helm of the Department of Water Affairs and issued a directive for the Mokolo-Crocodile Water Augmentation Project. This project, although not an emergency, was urgent as water needed to be supplied to Eskom's new Medupi Power station in time for the commissioning of the first boiler units. Although technically a very straightforward project, institutionally it had its challenges as to secure funding, issues around water licences, takeover of existing infrastructure from the mines, and the disputes over the pricing strategy needed to be resolved before finance could be raised.

In 2011, Minister Edna Molewa again acknowledged the diversity of skills in TCTA by giving directives for the rehabilitation and siting of new boreholes in six Provinces; the refurbishment of the original Mooi-Mgeni transfer scheme and to implement measures to prevent the breaching of the Environmental Critical Level by Acid Mine Drainage in two of the three basins in the Witwatersrand Goldfields and preventing decant in the third.

The diversity of TCTA's projects has now grown to cover virtually the entire water sector from straightforward storage and inter-basin transfer schemes, to bulk distribution, treatment and raw water supply. When put together with the advisory services that TCTA provided to other water sector institutions during the financial year, this gives an idea of the future Brave New World that TCTA is trying to achieve in partnering with all water sector institutions, a vision that Minister Sonjica articulated in 2004.

The function of raising funds against each project and managing the cash flow variations from the sale of water can never be undertaken within a Government Department due to the legislative constraints, hence the need for a separate entity such as TCTA. However, although TCTA and the Department are separate of each other, they are not independent of each other. The Department is a parent while TCTA is a child – if I

have to use this metaphor. The Department is dependent on the infrastructure that TCTA provides to sell water and TCTA is dependent on the sale of water by the Department to obtain the revenues to enable it to repay the debt incurred in providing the infrastructure. The Department is in turn dependent on the sale of water by water boards and municipalities. This is indicative of the brave decision our government made to establish these critical institutions. This complete interdependency was recognised in 2004, when government did not see the water sector institutions competing with one another but rather working together in Public Sector Partnerships to achieve an efficient and sustainable water sector.

The objective going forward, for TCTA and all our partners in the sector, is how to achieve an efficient and sustainable water sector given the constraints around the amount of water left in Southern Africa to allocate; the effects of pollution on the water resource and the level of skills, particularly in the more rural areas, required to manage the water resource and distribute it to all.

Learning from the lessons in the transformation of Local Government, the choice is to strengthen and deepen the institutions that have had a consistent track record of delivery over the past 25 years, of which I believe TCTA is one, with the stronger water sector institutions assisting their less capacitated sister institutions.

As I come to the end of my tenure as chairman of TCTA for the past 4 years and have been in the service of the state in the water sector since the late Minister Kader Asmal (through Water Research Commission) to Minister Edna Molewa, I would like to thank my government for entrusting me with such responsibilities. I have served with passion and integrity. Without the support of the various Ministers, DGs and Departmental officials; the TCTA Board members, CEO James Ndlovu, executives and staff; as well as various stakeholders such as funders, clients, and partners in the water sector, this would have been an impossible task.

I wish TCTA a long life in the new water world created to support our infrastructure development programme of our beloved country. Na nkhenza!!



**Snowy Khosa**

Chairman



# CEO's Report

In the past year, as in all the 25 years of TCTA's existence, the organisation has demonstrated, once again, that its integrated approach to water infrastructure project funding, implementation and debt management underpins a sound business value proposition for significantly contributing to the economic growth of South Africa and lifting our people out of poverty. Through its expanded portfolio of eight large infrastructure projects, TCTA continued to explore and deploy innovative solutions to the challenges of water security, and to leverage the requisite public-public and public-private partnerships critical to success.

TCTA was founded on the strategic importance of bulk water provision and, from inception, had a role that crossed borders, having been created to manage the South African interests in the Lesotho Highlands Water Project. The many projects that followed have allowed TCTA to build a national footprint; it now has projects in all provinces except the Northern Cape and Eastern Cape. Progressively, TCTA developed an enviable track record in project delivery: on time, to specification and within budgetary and environmental constraints. In this time, our client base grew to include not just the Department of Water Affairs, but also water boards, large metropolitan municipalities and industrial entities in the energy sector.

In an environment where bulk water infrastructure is increasingly being regarded as user-funded, and not to be financed by the fiscus, TCTA has, over several years, developed the rare capability to manage complex projects across an extended life-cycle: from conceptualization and front-end negotiations and structuring, to financing, implementation and debt redemption. By developing this critical capacity, TCTA has become the de facto transaction advisor to the Department of Water Affairs, for off-budget projects.

As our stakeholder portfolio grew, so did the expectations that TCTA has a larger role to play

within the water sector. The past year, in particular, emphasised the fact that TCTA had become an organization capable of an even more strategic role and, as a state-owned enterprise, should grow to become a locus of economic growth.

While it is indeed a privilege to be at the helm of TCTA at this important milestone of its 25<sup>th</sup> anniversary, and to have the opportunity to reflect on our achievements over the past two and a half decades, it is also a time to ponder: Have we reached the heights that will define TCTA in perpetuity, or are our best years still to come?

The reporting year witnessed the strengthening of our strategic positioning for the TCTA of a more challenging and brighter future; a proactive organization with the enhanced capacity to chart the new project horizons that effectively respond to the expectations of our key stakeholders:

First, we have increasingly recognised our place within the wider community, and we more systematically set out to transform livelihoods and ensure sustainability in our project communities, as well as contributing to building the country's base of critical skills through our internship, learnership and bursary programmes prioritizing disadvantaged youths. This broad-based developmental approach is now ingrained in how



we procure services, how we grow our people, and how we plough back into the communities we touch through our projects.

Second, we have focused improved efforts on operational excellence, targeting our systems and technology platforms, and our management of associated risks. As we expand our project horizons, robust processes and technology will complement our staff to be more productive and efficient, and set the standard for state enterprises.

Third, in advancing our strategy to become a knowledge institution, we are increasingly acknowledged as thought leaders in selected sector areas, as demonstrated by agency requests for advisory services across the water value chain. In fact, we are transforming TCTA into a knowledge-rich, learning organization, where hubs of competency can evolve to tackle the challenges of building a developmental state.

When we reflect on the developments of the past year, it is evident that new, non-traditional challenges have come our way, and may well signal a transition to TCTA assuming responsibility for a more diverse portfolio of interventions. This emerging situation will test our resilience and ability to adapt and learn. In one of these circumstances, long-term business uncertainty within the mining sector compelled us to explore new financing arrangements for the Olifants River Water Resources Development Project, an initiative in progress. In another dimension, the Metsi Bophelo Borehole Project, funded and implemented in close partnership with the Department of Water Affairs, brought us to the fore of the issues of water security in rural areas, and enabled us to successfully facilitate community development in six provinces. And, in yet another case, the directive to implement an initial response to rising mine water in the Witwatersrand challenged us to deploy innovative strategies to manage a multitude of concerns from a wide spectrum of stakeholders across civil society.

I wish to give the assurance to all our partners and stakeholders that, moving forward into the future, TCTA will take on new challenges with due diligence, and develop the capacity to respond comprehensively

to the changing environment. We are on course with all the initiatives entrusted to us, including those aforementioned, and are set to deliver well on all of them.

Indeed, I have every belief that TCTA will scale far greater heights in the years to come. I invite all stakeholders to travel this exciting journey with us, and to give their support where we have taken the lead.

Finally, I would like to thank the management and staff of TCTA for their sustained efforts over the past year, despite the challenging environment. I also want to thank the Directors on our Board for their guidance and leadership, and the deep integrity of their governance. And in particular, I wish to express my gratitude to the outgoing Chairman, Dr Snowy Khoza, for her principled leadership which shall indeed be missed.



**James Ndlovu**

*Chief Executive Officer*

# Company Profile



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## National Water Resource Infrastructure

Due to water demand not being in the same place as South Africa's water resources, numerous transfer schemes between rivers have developed to serve industrial, agricultural, commercial and residential consumers.

As the schemes have grown more widespread and complex they have impacted on each other resulting in the need for a National Water Resource Strategy to determine the amount of water available in each water management area. The amount of water flow in certain catchments has been decreased by inter-basin transfers whilst in other catchments it has been increased. The result is that apart from the Western Cape and small towns which are still reliant on their local water resources, the country has become linked through the National Water Resource Infrastructure.

At the heart of this system lies the Lesotho Highlands Water Project. Water from the dams in Lesotho can be released down the Orange River where it can flow all the way to the Atlantic Ocean or at Gariep Dam be transferred into the Fish River from where it flows south to Grahamstown and Port Elizabeth.

The water can also be transferred into the Vaal River catchment where it flows down to the Vaal Dam. There it joins water from the Vaal River itself and water transferred from the headwaters of the Thukela River near Bergville in KwaZulu-Natal. From the Vaal Dam the water is transferred into the headwaters of the Olifants River. Rand Water also abstracts water at the Vaal Dam and pumps it north to the Witwatersrand and beyond. North of Johannesburg the return flows from the wastewater treatment works enter the Olifants and Crocodile Rivers and then down to the Indian Ocean.

This system links the majority of rivers in South Africa creating interdependency amongst all the consumers.

## The Role of TCTA within the context of National Water Resource Infrastructure

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

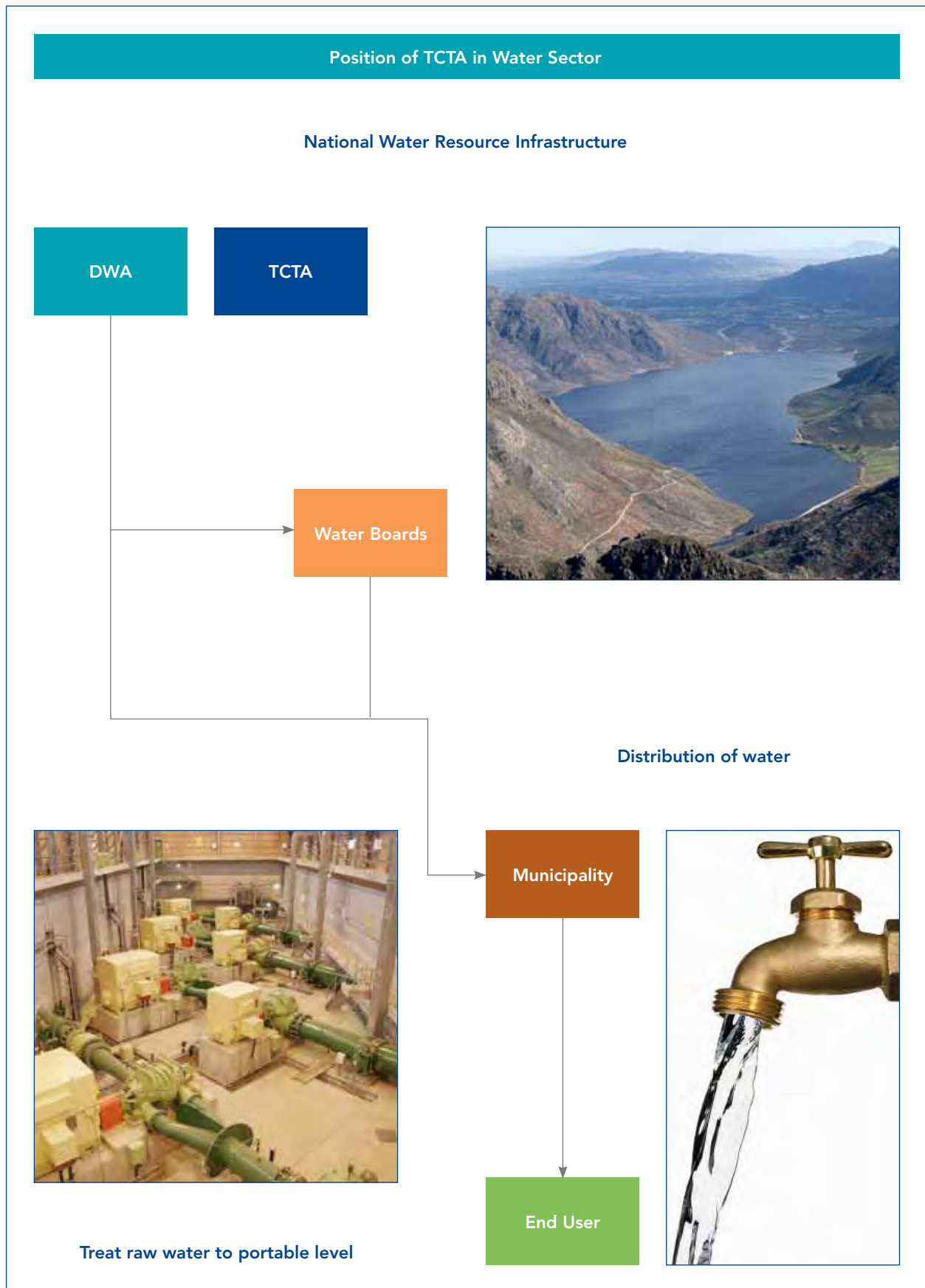
To fulfil this responsibility, the Minister, through the Department of Water Affairs, builds and manages water resource infrastructure to store water and transfers it to where the demand arises.

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

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

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

Since the original mandate, TCTA has received a further 10 directives to implement and/or fund portions of the National Water Resource Infrastructure.



## 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 water transfer component in Lesotho.

On 24 March 2000 the notice of establishment was again amended by Notice 277 in Government Gazette No 21017, to include the 1994 directive and to allow for the Minister, in terms of Section 24 (d) of the notice to issue directives to TCTA in terms of Section 103(2) of the National Water Act (Act 36 of 1998).

In accordance with Section 3 of the notice of establishment the objectives of TCTA are:

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

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

- management services (Project Implementation);
- financial services (Structuring and raising project finance, debt management and tariff setting);
- training; and
- other support services.

The above makes it clear that TCTA cannot undertake any function outside of its mandate without a directive from

the Minister, unlike the Water Boards who are given such opportunity in terms of Section 30 of the Water Services Act (Act 108 of 1997).

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

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

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

- a) Bank account;
- b) Borrowing Authority from DWA / National Treasury, government guarantees and funding arrangements;
- c) General ledgers; and
- d) Where money is borrowed to finance a project, separate Income Agreements with DWA, which are backed up with income agreements between DWA and the off-takers.

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

- a) A tariff structure per project is applied to ensure break-even of revenue with regard to costs over a specified period (key principles applied in determining an appropriate tariff structure for a project includes end user affordability, predictability, and constant in real terms).
- b) No reserves, profit sharing. Any savings or increased cost therefore are transferred to the end consumers.
- c) Actual costs are charged.
- d) TCTA manages the cash-flow risk inherent in the water demand from consumers in the system. The managing of the cash flow risk was transferred to TCTA due to the fact that when LHWP was implemented, DWA was functioning on a cash basis. Although the Water Trading Entity has been established it is not yet in a position to take on management of this risk.

## Mandates and Directives received to date

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

Project	Date	Type of Work				
		Funding	Implementation	Operation & Maintenance	Advisory	Payment Agency
LHWP: Delivery Tunnel North (Treaty obligations)	12 December 1986	√	√	√		
LHWP: To fulfil all the Republic's financial obligations in terms of or resulting from the Treaty (non-Treaty functions)	3 August 1994 (and incorporated into amended Notice of Establishment 24 March 2000)	√				√
Umgeni Water	4 July 2001				√	
Advisory Services to Water Management Institutions, Water Boards and DWA	17 May 2004				√	
Berg Water Project	6 May 2002	√	√		√*	
Vaal River Eastern Subsystem Project	6 October 2004	√	√		√*	
Mooi Mgeni Transfer Scheme – Phase 2	29 November 2007	√	√		√*	
Olifants River Water Resources Development Project	17 June 2008 (directive revised 12 March 2012)		√		√*	
Komati Water Scheme Augmentation Project	29 September 2008	√	√		√*	
Mokolo -Crocodile Water Augmentation Project	19 May 2010	√	√		√*	
Metsi Bophelo Borehole Project	2 March 2011		√			
Acid Mine Drainage	6 April 2011		√			
Refurbishment of Mooi-Mgeni Transfer Scheme Phase 1	29 November 2011		√		√	
Lesotho Highlands Water project: Phase 2	Under discussion	√				√

\* Institutional Arrangements



## Alignment with Government Outcomes

TCTA is part of an integrated water value chain commencing with the Department of Water Affairs and ending with the consumer.

It must, therefore, align its activities with all the other partners in the chain to ensure that water is delivered in the most cost effective manner and in doing so align with the Government Outcomes and DWA Priorities. This is achieved in the following manner:

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



# Organisational Deliverables for the Financial Year

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## Introduction

The context in which TCTA operates, and against which performance is measured, is as follows:

- Multi-year and multi billion rand funding where the impact of decisions in one year is often realised several years later;
- Projects implemented under emergency conditions;
- Complicated process in relation to acquisition of land and resettlement of people;
- Environmental issues, which are complex, as projects are often not at a single location;
- Decision making outside of TCTA's control (e.g. signing of Off-take Agreements between DWA and the end users);
- Contentious issues such as Acid Mine Drainage; and
- Directives and mandates reported on individually.

TCTA uses the Balanced Scorecard methodology to measure organisational performance.



### TCTA Balanced Scorecard for 2011/12 was as follows

Strategies	Achievements
<b>Financial Perspective (70%)</b>	
Goal 1.1: Delivering on TCTA directives in an efficient manner in accordance with shareholder and partner expectations	
1.1.1 Raise finance for the construction of infrastructure in the most effective manner	<p>Funding secured timeously for MMTS-2, KWSAP and MCWAP to allow awarding of construction contracts. Final conditions precedent being satisfied on MMTS-2 and MCWAP:</p> <p><b>KWSAP</b></p> <ul style="list-style-type: none"> <li>• All KWSAP facility agreements have been concluded and signed by all parties;</li> <li>• Financial close has been reached on the Nedbank and RMB facilities;</li> <li>• R 282 million has been drawn down on the Nedbank facility part of which was utilised to settle the KWSAP's portion of the Global Bridging Facility;</li> <li>• A drawdown request for R600 million has been made on the RMB (iNDWA) facility and this is expected to be concluded before the end of April 2012;</li> <li>• Financial close on the Absa RCF has been extended to 30 April 2012 to cater for the conclusion of the outstanding CPs on the DBSA facilities;</li> <li>• Most of the CPs have been fulfilled on the DBSA facilities and DBSA executives are applying their minds on those still outstanding;</li> <li>• Obtained credit rating of AA+ long term;</li> <li>• A Commercial Paper Programme has been registered with the Registrar of Banks for R 500 million and R350 million has been issued;</li> </ul> <p><b>MCWAP</b></p> <ul style="list-style-type: none"> <li>• The project was 6 times oversubscribed.</li> <li>• Financial model audit by E&amp;Y and Xabiso completed;</li> <li>• Long term funding portfolio approved by ALCO and Board;</li> <li>• Loan agreements were timeously signed by TCTA and funders</li> <li>• Commercial Paper Programme was drawn down by 80%;</li> <li>• WSA signed by end users and DWA;</li> <li>• IA signed by TCTA and DWA</li> </ul> <p><b>ORWRDP</b></p> <ul style="list-style-type: none"> <li>• TCTA has assisted DWA in securing the funding through MTEF for Phases 2C and 2D</li> <li>• Revised directive received, which reflects new structuring of project.</li> <li>• R411 million received</li> </ul>

Strategies	Achievements
<b>Financial Perspective (70%)</b>	
Goal 1.1: Delivering on TCTA directives in an efficient manner in accordance with shareholder and partner expectations	
1.1.1 Raise finance for the construction of infrastructure in the most effective manner	<p><b>MMTS-2</b></p> <ul style="list-style-type: none"> <li>• A successful sod turning event was held on 16 May 2011 at which all loan agreements and bulk raw water supply agreements were signed</li> <li>• Obtained credit rating of AA+ long term at a back of signing of committed long term funding and the structure</li> <li>• Obtained a sign off on the audit for the financial model audit by E&amp;Y;</li> <li>• All conditions precedent to signing of loan agreements have been fulfilled; First drawdown delayed due to unexpected complications in perfecting security and subsequent need to amend the cession agreement.</li> <li>• First time registration of the issuance of R400 million CPP by this team with the Registrar of Banks on 23 June 2011, which was over-subscribed. This resulted in saving legal costs of registration. Managed to raise R200 million to date.</li> <li>• Repaid the Nedbank R200 million bridging facility on 30 June 2011</li> <li>• Future income secured through tariff approval by stakeholders and ALCO.</li> </ul> <p><b>LHWP-2</b></p> <ul style="list-style-type: none"> <li>• Draft directive concluded and forwarded to DWA for comment;</li> <li>• High level funding strategy for LHWP II approved by ALCO</li> <li>• ALCO approval obtained for LHWP II borrowing and explicit guarantee request from DWA;</li> <li>• Obtained Ministerial approval to have the borrowing request and guarantee submitted to NT GCC meeting;</li> <li>• Alternatives to the Government guarantee are being investigated as per the request from National Treasury; this includes discussions with the World Bank.</li> </ul> <p><b>AMD</b></p> <ul style="list-style-type: none"> <li>• R100 million advance payment received on AMD</li> </ul>
1.1.2 Construct infrastructure on time, within budget, to the appropriate standards and in a sustainable socio/environmental manner	<p><b>BWP</b></p> <ul style="list-style-type: none"> <li>• The Dispute Arbitration Board (DAB) hearing was held on 4 and 5 Nov 2011 and a decision was issued on 9 Dec 2011. An amicable settlement process was initiated, however the parties could not agree on the settlement amount. Both parties have decided to wait for the re-rating exercise to be completed before acting on the next step - which is possibly Arbitration</li> <li>• A comprehensive audit took place towards the end of March 2012 and the report is awaited.</li> </ul> <p><b>VRESAP</b></p> <ul style="list-style-type: none"> <li>• The termination account is finalised. This account will be updated to reflect the final cost at the completion of all outstanding works. TCTA and C-MC are in the process to determine if an agreement can be reached on more than 40 claims and/or disputes lodged by C-MC on whether such issues are more suitable for resolution by way of an Expert Adjudication or Arbitration.</li> </ul>

Strategies	Achievements
<b>Financial Perspective (70%)</b>	
Goal 1.1: Delivering on TCTA directives in an efficient manner in accordance with shareholder and partner expectations	
1.1.2 Construct infrastructure on time, within budget, to the appropriate standards and in a sustainable socio/environmental manner	<p>VRESAP</p> <ul style="list-style-type: none"> <li>• Permanent Abstraction Works being commissioned. .</li> <li>• The Ready for Commissioning (RFC) was achieved on the civil, electrical, security and telecommunications works on 6 Aug 2011 and mechanical works in Oct 2011.</li> <li>• A two weeks trial operation was conducted and the Ready for Operations was successfully completed on 17 Feb 2012.</li> <li>• Drilling and blasting of hard material on the approach channel was completed by the end of March 2012.</li> <li>• TCTA has notified the affected parties on the potential Professional Indemnity and Employers Claims against the engineer and contractors respectively. The draft claims documents were reviewed and commented on by TCTA's insurance broker. Documents are being finalised prior to being submitted to affected parties by May 2012.</li> </ul>
	<p>MMS-2</p> <ul style="list-style-type: none"> <li>• Health &amp; Safety audits conducted monthly and there are no major non-compliance issues. In the last Audit in Feb 2012, TCTA scored 97%.</li> <li>• On-going; the first 6-monthly audit was conducted in Sept 2011 - Score 91%. The second audit was conducted in March 2012 and the results are awaited</li> <li>• Land Acquisition budget approval was obtained from Technical Committee of 9 June 2011</li> <li>• Relocation Action Plan and water rights strategies were approved by Technical Committee on 9 June 2011</li> <li>• Resettlement Policy developed</li> </ul>
	<p>ORWRDP</p> <ul style="list-style-type: none"> <li>• Approval of the Environmental Management Plan (EMP) was obtained from the Department of Environmental Affairs on 12 April 2011.</li> <li>• ECO procurement in progress, EMC no longer necessary as existing one will be used from Phase 2A.</li> <li>• The borrow areas have been identified and an applications is being drafted for listed activities.</li> <li>• Phase 2D Environmental Management Plan was approved by DEA on 22 Sept 2011.</li> <li>• Board TC approved evaluation and award on 8-Dec-11, negotiations concluded 15-Dec-11, MoU concluded Jan12, LoA issued 15 Feb 2012.</li> </ul> <p>The first Valuations and Resolutions obtained Dec-11 and Jan-12, access secured for first 3 Km in Mar-12 ahead of Contractor's programme, access to the next 7 Km planned for end-Apr-12</p> <ul style="list-style-type: none"> <li>• Basic Assessment Report has been submitted to DEA</li> <li>• The Technical Committee at its meeting of Sept 2011 approved the prequalification of prospective tenderers</li> </ul>
	<p>KWASAP</p> <ul style="list-style-type: none"> <li>• The latest progress on the pipeline shows that 33.7 km of the 58.6 km long Duvha Pipeline has been laid. The 12.9 km pipeline to Matla Power Station will commence after the pipeline to the Duvha Power Station is complete.</li> <li>• Monthly Health &amp; Safety audits have been conducted and there were no major findings. In the last audit in March 2012, TCTA scored 87%.</li> <li>• The 6 -monthly audits for KWSAP were conducted with the first audit in Nov 2011 and the score was 78%. The second audit was in March 2012 and the score was 87%.</li> <li>• The Land acquisition budget was approved by the Technical Committee on 9 June 2011. All land has been handed over to the Contractor.</li> </ul>

Strategies	Achievements
<b>Financial Perspective (70%)</b>	
Goal 1.1: Delivering on TCTA directives in an efficient manner in accordance with shareholder and partner expectations	
<p>1.1.2 Construct infrastructure on time, within budget, to the appropriate standards and in a sustainable socio/environmental manner</p>	<p>MCWAP</p> <ul style="list-style-type: none"> <li>• Contractor has commenced with establishment on site and access to land achieved</li> <li>• The Health and Safety Consultant was appointed in Nov 2011.</li> <li>• TCTA has given the right of access to and possession of the Site to the Contractor. The only remaining portion of Site to be handed over relates to a property of the Limpopo Provincial Government, where the required rights and servitudes will be required through an agreement that is being drafted.</li> <li>• The construction contract was awarded to Aveng-Umbutho JV on 19th Aug 2011.</li> </ul> <p>AMD</p> <ul style="list-style-type: none"> <li>• The Ministerial Directive was issued on the 6th April 2011</li> <li>• The professional service provider (PSP) was appointed on 9 May 2001</li> <li>• The due diligence report was completed in mid-July 2011</li> <li>• The construction tender documents were issued to the tenderers by end October 2011.</li> <li>• Implementation works for the immediate intervention are on-going and Train 4 is expected to be commissioned by mid-April and Train 2 by end April 2012</li> <li>• The tender for the construction of the engineering solutions for the three basins closed on the 16 January 2012. Four tenders were received and after clarification were requested from tenders; a report has been completed and submitted to TCTA Bid Adjudication Committee for approval. The BAC has given approval to open the financial and TCTA is busy with the adjudication of the financials. Contract award is planned for end April 2012.</li> </ul> <p>MBBP</p> <ul style="list-style-type: none"> <li>• The rehabilitation and drilling programme is complete in all provinces except Limpopo. Two new provinces were added to the project during the year.</li> </ul> <p>ENVIRONMENTAL</p> <p>A high level of compliance is being achieved and the evidence is confirmed through the six monthly reports from the ECO.</p> <ul style="list-style-type: none"> <li>• For MMTS-2, audit was Sept 2011 - Score 91%,</li> <li>• For KWSAP first audit in Nov 2011 and the score was 78%, second audit in March 2012, score was 87%.</li> </ul>
<p>1.1.3 Manage the debt on the infrastructure projects in a manner that achieves cost effective funding, taking into account current and projected market conditions as well as managing risks</p>	<ul style="list-style-type: none"> <li>• Debt managed within agreed Benchmarks and limits set by Board.</li> <li>• BWP at 88% fixed,</li> <li>• VRESAP improved to 80% fixed,</li> <li>• KWSAP at 100% fixed and</li> <li>• LHWP at 65% fixed</li> <li>• Negotiated the renewal of the BWP credit rating annual review agreement with Fitch Ratings for the next three years ending 30 June 2014. BWP and VRESAP maintained AA+ credit ratings;</li> <li>• Capital structure on all project managed according to the approved guidelines;</li> <li>• Completed verification of compliance with loan covenants and no serious non-compliance issues were noted. No additional costs to the organisation as a result of non-compliance with the covenants or rating down grade.</li> </ul> <ul style="list-style-type: none"> <li>• Obtained approval for annual tariff increase for LHWP, BWP and VRESAP</li> <li>• BWP and VRESAP maintained their AA+ credit ratings</li> </ul>

Strategies	Achievements								
<b>Financial Perspective (70%)</b>									
Goal 1.2 : Developing TCTA's Business offering beyond the financing and implementation of raw bulk water infrastructure projects									
1.2.1 Submission of proposals and initiation of advisory work beyond the traditional client base of DWA Infrastructure Branch	<ul style="list-style-type: none"> <li>• Completion of the tariff calculation for Sedibeng Water for the Vaal Gamagara Scheme.</li> <li>• Completion of the Water Supply Agreement between Bloemwater and Mangaung Municipality.</li> <li>• Loan evaluation for uMgungundlovu District Municipality</li> <li>• Support to the Water Resources Planning Chief Directorate for unlocking challenges on the Mzimvubu River Water Project, Foxwood dam and Zalu Dam projects.</li> </ul>								
Goal 1.3: Support the Government's developmental agenda									
1.3.1 Identify and Implement Corporate Social Responsibility Projects	<ul style="list-style-type: none"> <li>• Transfer of construction houses on LHWP in progress</li> <li>• Steering Committee for BWP Sustainability formed.</li> </ul>								
1.3.2 Support and facilitate the development of emerging contractors and suppliers	<p>Two MNEDBs, Eyethu Translodge &amp; Plant Hire and Boikamo Civils and Building Construction and additional two other EDBs, Matakanye Construction and Mashplan are contracted on MCWAP contract to a value of R 56 m which translates to 9.0 % of the contract value.</p> <p>Jobs created by TCTA's projects (as at 31 March 2012):</p> <table border="0"> <tr> <td>MMTS-2</td> <td>478</td> </tr> <tr> <td>KWSAP</td> <td>282</td> </tr> <tr> <td>MCWAP-1</td> <td>222</td> </tr> <tr> <td>Total</td> <td>982</td> </tr> </table> <ul style="list-style-type: none"> <li>• 4 engineers-in-training and 2 environmental trainees have been seconded to the Engineering Consultant's Offices. The training programmes were developed, mentors assigned and the trainees are assessed on their monthly progress reports.</li> <li>• PMID provided technical support to the implementation of the Metsi Bophelo Borehole Project</li> <li>• PSPs for 5 provinces appointed in Apr 11 &amp; contracts signed.</li> </ul>	MMTS-2	478	KWSAP	282	MCWAP-1	222	Total	982
MMTS-2	478								
KWSAP	282								
MCWAP-1	222								
Total	982								
1.3.3 Maintaining a Level 3 Contributor status	Level 3 contributor maintained								
<b>Stakeholder Perspective (15%)</b>									
Goal 2.1: TCTA is seen as providing leadership in the water sector									
2.1.1 Support and input into DWA and other government initiatives, so that TCTA is seen as an essential and valued partner in the water value chain, through <ul style="list-style-type: none"> <li>• Institutional Realignment National Water Pricing Strategy:</li> </ul>	<ul style="list-style-type: none"> <li>• Desalination Strategy in South Africa;</li> <li>• TCTA spear-headed and was instrumental in obtaining an application for exemption and deferment of implementation by SOE's was approved by the Minister.</li> <li>• Continued support to the CEO and President of SAAWU</li> <li>• Requests to present and participate in discussion panels at Conferences</li> <li>• Attendance at workgroups on Institutional reform &amp; Realignment and National Water Resource Strategy</li> <li>• Member of Steering Committee on Pricing Strategy, Independent Regulator and Financial Sustainability of Water Sector (Evaluation of tender for PSP)</li> <li>• CRO is Chair of DWA Risk Committee</li> <li>• Participation in the Institutional Reform and Realignment Programme and the National Water Resource Strategy</li> </ul>								

Strategies	Achievements
<b>Stakeholder Perspective (15%)</b>	
Goal 2.1: TCTA is seen as providing leadership in the water sector	
2.1.2 Presentations at water sector related national and international conferences which include TCTA's role in the water sector	<ul style="list-style-type: none"> <li>• Presentation at Asset Management Conference: 9 June 2011</li> <li>• KM Practices, Strategies and Practices, Forever Resorts, Centurion, February 2012.</li> <li>• Water and Biodiversity, IODSA Discussion Forum, Sandton, March 2012.</li> <li>• Mine Water Management and Re-Use, Randburg, March 2012</li> <li>• Presentation of paper at the Water and Society Conference held in Las Vegas, USA. Dec 2011</li> </ul>
Goal 2.2: TCTA to become partner of choice for implementation of bulk raw water infrastructure projects	
2.2.1 Ensure customer satisfaction amongst existing clients	TCTA's advice and support has been sought by four different water sector organisations around various aspects of tariffing, loans and institutional arrangements
<b>Internal Business Process (7.5%)</b>	
Goal 3.1: To develop, implement and maintain systems and processes to enable TCTA effectively to and efficiently deliver on its mandate and to maintain the highest standards of Corporate Governance	
3.1.1 Develop, implement and maintain appropriate systems and business processes	<ul style="list-style-type: none"> <li>• Approval given by Board to develop implementation plan for new Business Model</li> <li>• Only one indication of a legal challenge on the procurement of contractor for ORWRDP</li> <li>• Progress on the following ICT upgrades is as follows:               <ul style="list-style-type: none"> <li>- Network Infrastructure Upgrade completed</li> <li>- Desktop Infrastructure Upgrade underway</li> <li>- Business Process Re-engineering project completed</li> <li>- ERP Readiness Assessment completed</li> <li>- Front Arena System Upgrade completed</li> <li>- EDRMS at tender phase</li> <li>- Accpac System Upgrade completed</li> <li>- Front Arena upgrade completed</li> <li>- VIP Upgrade completed</li> <li>- Accpac upgrade completed</li> <li>- File Plan and Records Management Policy approved</li> <li>- Mail Marshal Implemented</li> <li>- Completion of ISO Quality Manual and mandatory procedures completed</li> <li>- Operational ICT Security Policies (11 policies) approved</li> <li>- Strategic ICT Security Policies (9 policies) approved</li> <li>- Updated Electronic Communications Policy approved</li> <li>- Data Backup Policy approved</li> <li>- Social Networking Policy approved</li> <li>- Technology Identification, Evaluation and Selection Policy approved</li> <li>- GRC Technology Assessment Methodology approved</li> <li>- 3 year ICT Strategic Plan approved</li> </ul> </li> </ul>

Strategies	Achievements
<b>Internal Business Process (7.5%)</b>	
Goal 3.1: To develop, implement and maintain systems and processes to enable TCTA effectively to and efficiently deliver on its mandate and to maintain the highest standards of Corporate Governance	
3.1.2 To ensure the implementation of risk governance in line with the risk management policy/framework as approved by the Board through: <ul style="list-style-type: none"> <li>• Reducing risk exposure through the implementation of risk management processes and systems</li> <li>• Enhancing the control environment through the implementation of audit findings as raised by internal and external auditors</li> </ul>	<ul style="list-style-type: none"> <li>• Identification of future business risk when debt repayment is complete and physical assets need to be transferred to Water Trading Entity. Opinion sought and new treatment proposed and accepted.</li> <li>• All findings attended to.</li> <li>• Risk mitigation measures implemented</li> </ul>
<b>Learning &amp; Growth (7.5%)</b>	
Goal 4.1: To build TCTA's Knowledge Management to becoming a learning organisation	
4.1.1 Convene seminars/forums on topical water issues with strategic partners	TCTA convened/co-convened 3 seminars on strategic water themes in the first half of the year: <ul style="list-style-type: none"> <li>• The first seminar was on Desalination and received a participant rating of 4.4 out of 5.</li> <li>• The second seminar was on Water Re-use and received a participant rating of 4.1 out of 5</li> <li>• Seminar with Saint-Gobain on the use of large diameter ductile iron pipes.</li> </ul>
4.1.2 Promote and undertake collaborative research into water security challenges	Proposal developed with Inwent on Human Capacity building with regard to Dams
4.1.3 Research, prepare and submit papers to technical publications	<ul style="list-style-type: none"> <li>• A paper "Mapping out Key Performance Indicators in a state-owned entity" was prepared in July 2011</li> <li>• A technical paper on the Spring Grove Dam was published in the SAICE Magazine, June 2011 edition.</li> <li>• A technical paper on design of hydraulic structure using BWP as a case study was published in July 2011</li> <li>• A technical paper on changes to the SANCOLD Guidelines on Freeboard Design for Dams to be published in July 2011</li> <li>• A paper on Strategic Coaching was delivered at the International Coaching Conference</li> <li>• Leveraging Water Infrastructure for Transformative Socio-economic Development in South Africa, published in WIT Transactions, 2012.</li> </ul>



Strategies	Achievements
<b>Learning &amp; Growth (7.5%)</b>	
Goal 4.2: To build and maintain human capital that is fully empowered to deliver on the vision and mission of the organisation	
4.2.1 Attendance and participation in courses and events that lead to the development of staff	<ul style="list-style-type: none"> <li>• By 30 October 2012 all staff's performance agreements had been re-negotiated and signed accordingly.</li> <li>• The implementation of PDP's is in line with previous year's performance and anticipates that by 31 March 2012, TCTA shall have exceeded target as agreed.</li> </ul>
4.2.2 Participation in events and activities which contribute towards Continual Professional Development	<p>Maintained.</p> <ul style="list-style-type: none"> <li>• 100% registration achieved as at 30 September 2011 for engineering and finance areas.</li> <li>• All other professional registrations encouraged to ensure that staff keeps abreast of developments within their functional areas.</li> </ul>
4.2.3 Ensure retention of skilled staff	Less than 2.0% of staff had resigned as at 31 January 2012. This figure is attributable to sound human capital practices, and line management support to staff with respect to personal growth and development.
Goal 4.3: To develop an organisational culture within TCTA that contributes to an efficient and effective organization	
4.3.1 Implementation of values in accordance with Project Bosele	<ul style="list-style-type: none"> <li>• Two cases (involving Unionised staff) are pending with staff (at the CCMA) level with regards to payment of Annual Incentives. Although there are chances of successful defence of the cases, it is an area of concern that the on-going litigation will take the much needed focus from the task on hand.</li> <li>• Matters of Grievance and disciplinary action are handled promptly. All issues have been addressed.</li> <li>• Staff perception survey conducted divisionally through the GOT Programme. Currently no division has performed below the minimum (3.2) acceptable score.</li> </ul>

## Performance on Mandates and Directives

### Overview

In accordance with TCTA's approved Project Implementation Methodology directives should be received with all the institutional, environmental and planning issues resolved. This is often not the case, an example of this being the directive on Acid Mine Drainage, where critical issues still needed to be resolved whilst construction were expedited

An overview of the status of the projects is as follows

Project	Date Received	Implementation Status as of 31 March 2012	Next Key Milestones	Outstanding Debt	Planned
Lesotho Highlands Water Project Phase 1: Delivery Tunnel North	12 December 1986	Delivering water. In operation and maintenance Debt Management in accordance with approved strategies	Debt Repayment	R18 697 mil	2023
Lesotho Highlands Water Project Phase 1: To fulfil all the Republic's financial obligations in terms of or resulting from the Treaty	3 August 1994 (and incorporated into amended Notice of Establishment 24 March 2000)	Debt Management in accordance with approved strategies			
Advisory Services to Water Management Institutions, Water Boards and DWA	Open ended directive	Provided services to: DWA Bloemwater Sedibeng Water uMgungundlovu Municipality	Completed during 2011 -12	NA	
Berg Water Project: Dam and Supplementary Pumping Scheme	6 May 2002	Construction complete and handed over to DWA for O & M Final account to be settled subject to arbitration	Debt Repayment	R1 223 mil	31 March 2029
Vaal River Eastern Subsystem Project: Pump Station and 131 km pipeline	6 October 2004	System commissioned and delivering water. Defects liability period not commenced on pump stations or pipeline	Handover of Works to DWA Debt Repayment	R3 584 mil	Aug 2012 31 March 2028
Mooi Mgeni Transfer Scheme – Phase 2	29 November 2007	Construction commenced in Feb 2011	Impoundment Debt Repayment	R394 mil	Dec 2012 2034

to prevent the current decant in the Western Basin and avoid breaching the environmental critical levels in the Central and Eastern Basins.

The success of TCTA deliverables is, therefore, dependent on a number of stakeholders who fall outside TCTA's control. In most cases the timelines set internally would not necessarily be synchronised with that of the counterparty. This applies to all the critical steps in the project life cycle.

Project	Date Received	Implementation Status as of 31 March 2012	Next Key Milestones	Outstanding Debt	Planned
Olifants River Water Resources Development Project: Pipeline	17 June 2008 (directive revised 12 March 2012)	Construction commenced in March 2012	Water Delivery	NA	Dec 2013
Komati Water Scheme Augmentation Project: Pump station and Pipeline	29 September 2008	Construction commenced in January 2011	Water Delivery Debt Repayment	R647 mil	Dec 2012 2033
Mokolo-Crocodile Water Augmentation Project: Pump Station and Pipeline	19 May 2010	Construction commenced in Sept 2011	Debottlenecking Water Delivery Debt Repayment	R84 mil	Dec 2012 Sep 2013 2033
Metsi Bophelo Borehole Project: Boreholes in 6 Provinces	2 March 2011	Construction commenced in September 2011 and completed the technical works Eastern Cape, Mpumalanga, KwaZulu-Natal, North West, and Free State in March 2012	Boreholes handed over to Water Service Authorities	NA	June 2012
Acid Mine Drainage: Pump Stations and Treatment Plant	6 April 2012	Tender evaluation complete. Award dependent on available funds  The immediate intervention is under construction and almost complete	Pumping and treatment to prevent breaching of Environmental Critical Level in Central Basin	NA	June 2013
Lesotho Highlands Water Project Phase 2: Funding	Awaiting directive	Funding strategy still under discussion and awaiting Government approval	Raising of funding	NA	Under negotiation with LHDA/LHWC

## Detailed Activities

### Lesotho Highlands Water Project: Phase 1

#### Delivery Tunnel North

The project comprises of a 22 km long, 5.3 metre diameter tunnel, capable of delivering 40 m<sup>3</sup>/s, from the South African border to the Ash River outfall, north of Clarens in the Free State. The tunnel, along with the infrastructure in Lesotho, forms part of the Vaal River System supplying the economic heart of South Africa.

Since the commencement of water deliveries from the Lesotho Highlands Water Project in 1997, TCTA, through the Head of Operations, has efficiently operated and maintained the tunnel. The Head of Operations and Maintenance regularly engages with his Lesotho Highlands Development Authority counterpart and is supporting Lesotho Highlands Development Authority with advice and related tunnelling expertise as necessary.

Operational activities are categorized based on the nature of the maintenance, the degree of effort required and the intervals at which these maintenance activities take place. System Operation Checks, Routine and Preventative Maintenance are done by TCTA at intervals, which range from daily to six-monthly, as prescribed in the Operations Maintenance Manual. Planned Maintenance, scheduled at 10 year intervals, requires shutdown of the Delivery Tunnel, interrupting water supplies to South Africa and electricity generation in Lesotho. It therefore requires careful co-ordination between the two countries. The nature of the activities performed is not within the ambit of the engaged staff and requires the engagement of

specialist contractors to perform the required activities within the limited time period available.

Such a planned maintenance was scheduled for February/March 2012 but, at the request of the Lesotho Government was postponed to September/October 2012. During this period the Delivery Tunnel (North & South) will be dewatered and inspected and maintenance and repairs done where required, while maintenance of the Little Caledon Tunnel Bypass, the works downstream of the Ash Outfall and the Outfall itself will be performed during this rare no-flow condition.

#### Fulfilling of Republic's Financial Obligations

The South African Government is responsible for the full water transfer costs incurred by both TCTA and the Lesotho Highlands Development Authority. These costs are included in TCTA's statement of financial position.

During the financial year to 31 March 2012, TCTA continued to restructure the bond portfolio by increasing duration of the liabilities to better match the expected revenues in line with the Asset and Liability Committee approved framework. During the 2011/12 financial year, TCTA switched a total R1 630 million nominal WS04 bonds into the longer dated WSP2 and WSP5 bonds. The total outstanding debt on all facilities amounted to R18 696 million as at 31 March 2012. The project is funded mostly from the capital markets with a total of R18 697 million outstanding as at 31 March 2012. All debt issued in the Lesotho Highlands Water Project carry an explicit Government Guarantee.





## Advisory Services

TCTA's diverse expertise is now being recognised across the sector, through requests by other water sector institutions.

A summary is as follows:

- a) Completion of the tariff calculation for Sedibeng Water for the Vaal Gamagara Scheme. The water demand figures, particularly in the municipalities, had not been linked to the cost of water and the presentation of the tariff forced a rethink.
- b) Completion of the Water Supply Agreement between Bloemwater and Mangaung Municipality. Although the agreement has not been signed a systems tariff was implemented.
- c) Assistance to uMgungundlovu District Municipality for loan evaluation. The proposal was accepted by 30 September 2011 and completed by February 2012.

Considering the increasing focus on national water security, and the gradual, yet inevitable, shift towards resilient and sustainable alternative water resource solutions, TCTA foresees that its strategic advisory capacity will grow in relevance, and find broad application within the sector.





## Berg Water Project

The project comprises of the Berg River Dam and a Supplement Scheme close to Franschoek in the Western Cape. The project increases the yield of the Western Cape Water Supply System by 81 Mm<sup>3</sup>/a from 437 Mm<sup>3</sup>/a to 523 Mm<sup>3</sup>/a, an increase of 18%. Construction was completed in 2008 and it is a fully functioning component of the Western Cape Water Supply System.

The total outstanding debt on facilities for the Berg Water Project is currently R1 245 million as at 31 March 2012, which will be repaid in full by 2029. Debt management focuses on seamless repayment of loans in accordance with contracted covenants. The project is funded by

local banks and by local and international Development Finance Institutions.

A dispute on the dam contract between TCTA and the Contractor in respect of acceleration cost amounting to approximately R34 million is unresolved. The decision by the Dispute Adjudication Board issued in December 2011, found partly in favour of TCTA. TCTA is considering proceeding to arbitration in order to conclude the dispute. If the dispute is resolved in TCTA's favour it will result in a lower capital cost for the project to the benefit of the consumers of the City of Cape Town.







## Vaal River Eastern Subsystem Augmentation Project

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

The project was declared operational in June 2009, using the temporary abstraction works, allowing the commencement of the income stream on the project.

Despite challenges as a result of the terminations of one of the main contractors, the project remains on budget. The total outstanding debt for the project reached R3 584 million during the 2011/12 financial year. The project is funded by a combination of Development Finance Institutions funding and local funding institutions. The debt on Vaal River Eastern Subsystem Augmentation Project is expected to peak at R3 800 million and be repaid in 2029.

On the pipeline the Contractor has been busy repairing defects to ensure the cathodic protection meets the contractual specifications. This has to a large extent been resolved and confirmation tests are in progress.

The contract for the Permanent Abstraction Works and the High Lift Pump Station, with C-MC, (a joint venture between Chinese Overseas Engineering Corporation and Mathe Construction) was terminated on 28 May 2010 due to poor performance. The Joint Venture's sub-contractors and DWA (Construction) were then engaged to complete the works.

Steady progress has been made on the completion of the construction of the Permanent Abstraction Works to a point whereby the facility has been successfully commissioned.

Matters relating to the termination of C-MC's contract are expected to go to arbitration. A hearing is not expected before October 2013.

The engineering consultant on VRESAP is Vaal Pipeline Consultants. The contractors include Mpumalanga Pipeline Contractors, Sulzer, Actom, Hiprom, DWA (Construction) and Group Five – Subtech JV.





## Mooi-Mgeni Transfer Scheme: Phase 2

The project comprises the construction of the 42m high Spring Grove Dam, with a storage capacity of 142 Mm<sup>3</sup>, on the Mooi River next to Rosetta in KwaZulu-Natal, and a water transfer system (pump station and pipelines) into the Mgeni River catchment. The project will increase the yield of the Mooi-Mgeni System from 334 Mm<sup>3</sup>/a to 394 Mm<sup>3</sup>/a.

In May 2011 the signing of the Financing Agreements with all the Lenders and the back to back agreements with Umgeni Water and its off-takers (eThekweni Metropolitan Municipality, uMgungundlovu District Municipality and Msunduzi Local Municipality) was achieved. This allowed for the issuance of R400 million in commercial paper for this project to meet immediate funding requirements for construction and the repayment of the R200 million Nedbank bridging facility. Also the project received an AA+ credit rating from Fitch.

The total outstanding debt on facilities increased to R394 million during the 2011/12 financial year. The bulk of the project is funded by international Development Finance Institutions, with a local Development Finance Institution providing revolving credit as part of the funding.

### Spring Grove Dam

In May 2011 the sod turning for the dam took place and currently construction is in full swing. The activities over the past financial year were prioritised towards achieving the dam impoundment by the end of December 2012, which is one of the project key milestone dates. This date

coincides with the 2012/13 rainy season and is critical for water storage. If this date is missed, it could put the Mgeni Water Supply System under strain if drought occurs.

The main delay, which impacted on the construction programme, was the approval of the Traffic Environmental Management Plan and a restriction of aggregate delivery trucks to 30 per day. This restriction was caused by the public outcry as there are concerns about the number of trucks (not related to the project) using the R103 to bypass the Mooi River Toll Plaza.

TCTA applied for the restriction to be relaxed and the limit has been increased from February 2012 to 60 trucks per day. TCTA has engaged with the contractor to re-programme the activities to mitigate the delays experienced. TCTA is cautiously optimistic that the impoundment date of end 2012 will be met.

### Water Transfer Scheme

The augmentation of the Water Transfer Scheme could not progress in parallel with the dam due to the appeals on the Environmental Authorisation being upheld by the Minister of Justice and Constitutional Development. This necessitated that a new Environmental Impact Assessment be undertaken. TCTA has taken a lead in assisting DWA to obtain a new Record of Decision. The continued operation of MMTS-1 will ensure assurance of supply for the Mgeni System.

BKS has been appointed as the engineering consultant for Mooi-Mgeni Transfer Scheme Phase 2. Group Five Pandev Springgrove JV is the appointed construction contractor on the project.





## Olifants River Water Resources Development Project: Phase 2

The project comprises of De Hoop Dam, which is currently under construction by DWA (Construction), and a bulk water transfer system consisting of a number of pump stations and pipelines.

The project has been progressing under difficult circumstances due to the unwillingness by the commercial off-takers to commit to 20 year offtake agreements in the current world economic downturn, restricted availability of on-budget funding and the high cost of water.

In light of the funding constraints, water supply agreements not being signed and the reductions in dam yield, the project had to be redefined by DWA with support from TCTA.

DWA has currently secured R2.3 billion from the Medium Term Expenditure Framework and the tender documents have been structured so that sufficient flexibility was allowed to award the contract in full or in parts. This innovation was put to use when TCTA was only allowed to award Phase 2C due to the funding constraint. Phase 2D may be awarded at a later stage without cost penalty should sufficient funding be secured.

The construction contract was awarded in February 2012 thereby supporting the Minister to deliver on her undertaking to the Jane Furse community that water will be delivered to the Nebo Plateau by 2013.

The engineering consultant for Olifants River Water Resources Development Project Phase 2 is Aurecon Ntodana Joint Venture (ANJV). Basil Read has been appointed as the construction contractor for the project.





## Komati Water Scheme Augmentation Project

The project augments the Komati Water Scheme from the Vaal Eastern Sub-system for the sole benefit of Eskom. The project entails the supply of approximately 57 Mm<sup>3</sup>/a of water to Eskom's Duvha and Matla power stations in Mpumalanga.

Loan agreement negotiations with Nedbank, DBSA, RMB and ABSA were concluded and signed by both TCTA and the lenders. A Commercial Paper Programme was registered with the Registrar of Banks. The project has achieved a long-term credit rating of AA+.

The total outstanding debt on facilities amounted to R751 million as at 31 March 2012. Most of the funding is sourced from the local financial markets and a local Development Finance Institution. TCTA expects debt on Komati Water Scheme Augmentation Project to peak at R1 800 million in 2013 and be repaid in 2033.

Komati Water Scheme Augmentation Project is at the peak of its construction phase. The construction activities have been successfully managed, to ensure the ready for trial operation date of December 2012 will be met and the project is well within budget. The project initially experienced some delays in the manufacturing of pipes at the factory due to the metal workers' strike and consequently the late delivery of pipes on site. The implementation programme was proactively managed and the lost time was recovered by adding more resources to the earthworks teams.

The construction of the pipeline and pump station is on track. The progress by end of the financial year shows that 73% of the 58.6 km long Duvha Pipeline has been laid. As per the Contractors programme the construction of the 12.9 km pipeline to Matla Power Station will commence after the Duvha pipeline is complete. A challenge was encountered on the pipeline crossing at the Ogies Road in which the conventional pipe jacking method was unsuccessful. An alternative solution was developed whereby the existing material was stabilised with micropiles before the pipe jacking could proceed.

The pump station and walls to the auxiliary building, and the construction of the three DWA operators houses have progressed according to program over the past financial year. The project is on track to achieve a Ready for Trial operation milestone by December 2012.

BKS is the engineering consultant for Komati Water Scheme Augmentation Project and SSCC Pipeline JV (Steffanutti Stocks, Cerimele Construction Company (Pty) Ltd and Cycad Pipelines) is the construction contractor.







## Mokolo-Crocodile Water Augmentation Project

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

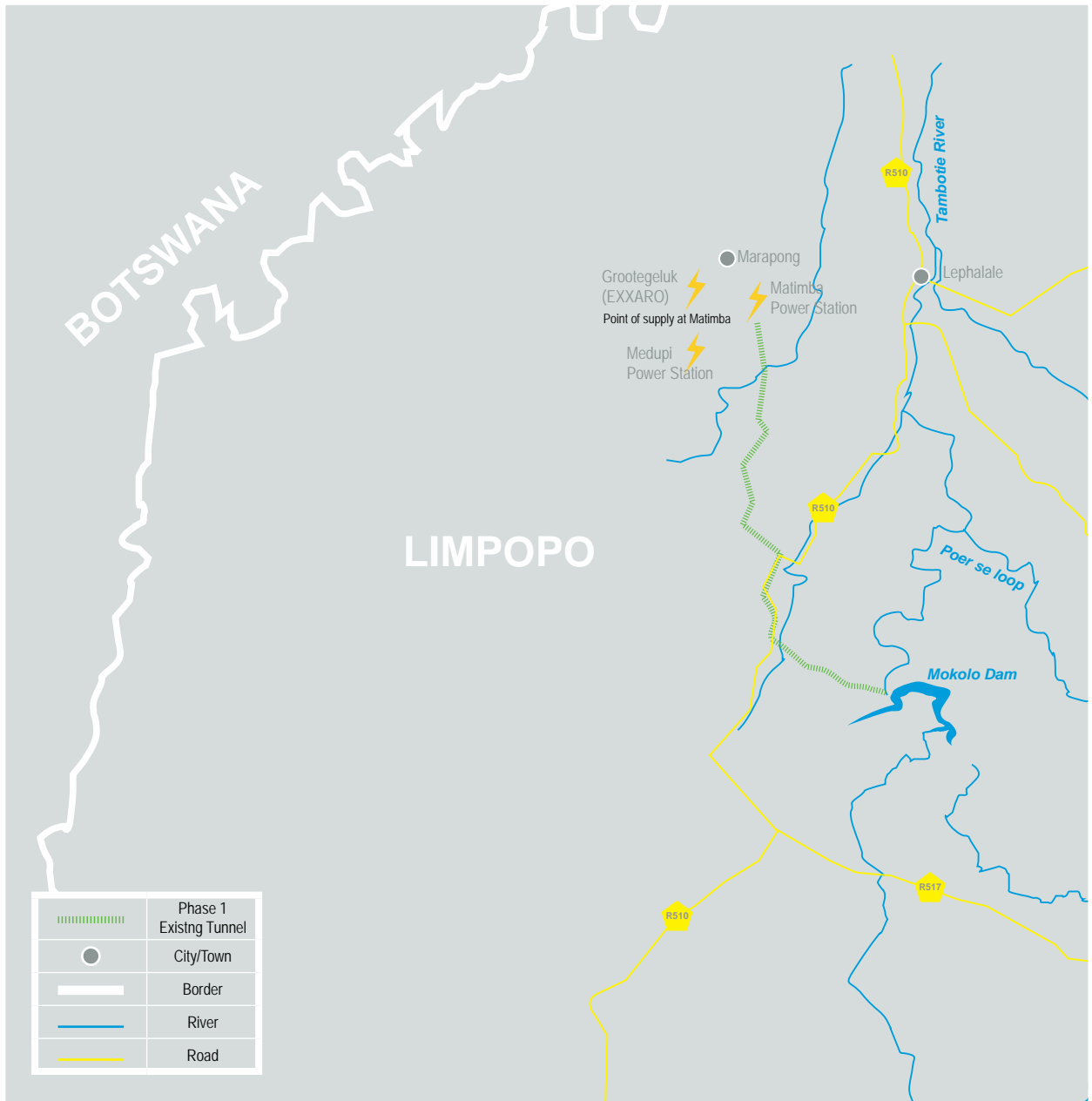
Whilst the long-term funding was sought from the markets DWA provided funding to allow the project to proceed. During the financial year the tender for long term funding closed and was 6 times oversubscribed, indicating continued long-term confidence in TCTA projects.

As at the end of the 2011/12 financial year, the outstanding debt on facilities amounted to R84 million, while the project achieved a credit rating of AA+.

The Contractor mobilised to site on 14 September 2011 and physical activities commenced in November 2011 when TCTA gave the right of access to and possession of the priority parts of the site, which includes the rising main from Mokolo dam to Wolvenfontein balancing dams. The land which was critical to commence with construction was acquired timeously and the project is on track to meet the water delivery milestone of December 2012.

Mokolo Crocodile Consultants (MCC), a Joint Venture between Aurecon, Goba, PD Naidoo and Associates, Vela VKE Consulting Engineers and Worley Parsons is the engineering consultant for Mokolo-Crocodile Water Augmentation Project. Aveng (Africa) Ltd and Umbutho Civil and Electrical cc JV (AUJV) is the construction contractor on the project.





### Metsi Bophelo Borehole Project

The Metsi Bophelo Borehole Project is designed to make safe drinking water accessible to poor rural communities in a sustainable manner, with a broader goal to improve the communities' health and livelihoods. The project comprises rehabilitation of existing dysfunctional boreholes and, where there are no existing boreholes, the project involves the siting, sinking, and equipping of new boreholes. Further, the project involves the design and construction of storage facilities and distribution infrastructure. The project covers six provinces: Eastern Cape, Free State, KwaZulu-Natal, Limpopo, Mpumalanga and North West. The outputs of the project cover an extensive area involving 19 district municipalities and a population in excess of 260 000 people.

In the period under review, TCTA completed the implementation of the project in five of the six provinces. Work has advanced significantly in the only remaining province, Limpopo, and is envisaged to be completed early in the new financial year.

Unlike TCTA's traditional projects, the borehole project was co-funded by both TCTA and the Department of Water Affairs. DWA made R36 million available towards the technical elements of the project, encompassing engineering design, construction and project management. On its part, TCTA, through the Corporate Social Responsibility fund of the organization, provided support to post-completion training for the operators and key stakeholders in and around each project area.





## Acid Mine Drainage

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

The project comprises:

- Installation of the pumps to extract the water from the mine void to on-site treatment plants;
- Construction of an on-site Acid Mine Drainage treatment plant in each basin with the option of refurbishing and upgrading the existing ones owned by the mines;
- Installation of the infrastructure to convey the treated water to nearby water courses; and
- To help DWA with a model on the operation of the pump stations and treatment works.

The project is highly complex as it requires gaining access to mining land and infrastructure, reaching agreements with mines on the co-disposal of sludge in licenced tailings facilities, complying with all environmental legislation and dealing with the many vested interests.

Accelerated procurement strategies were devised to ensure that a Professional Service Provider was appointed within a month from receiving the directive on 6 April 2011, followed by an accelerated due diligence review and identification of a viable technical solution within a period of six weeks from award of the contract.

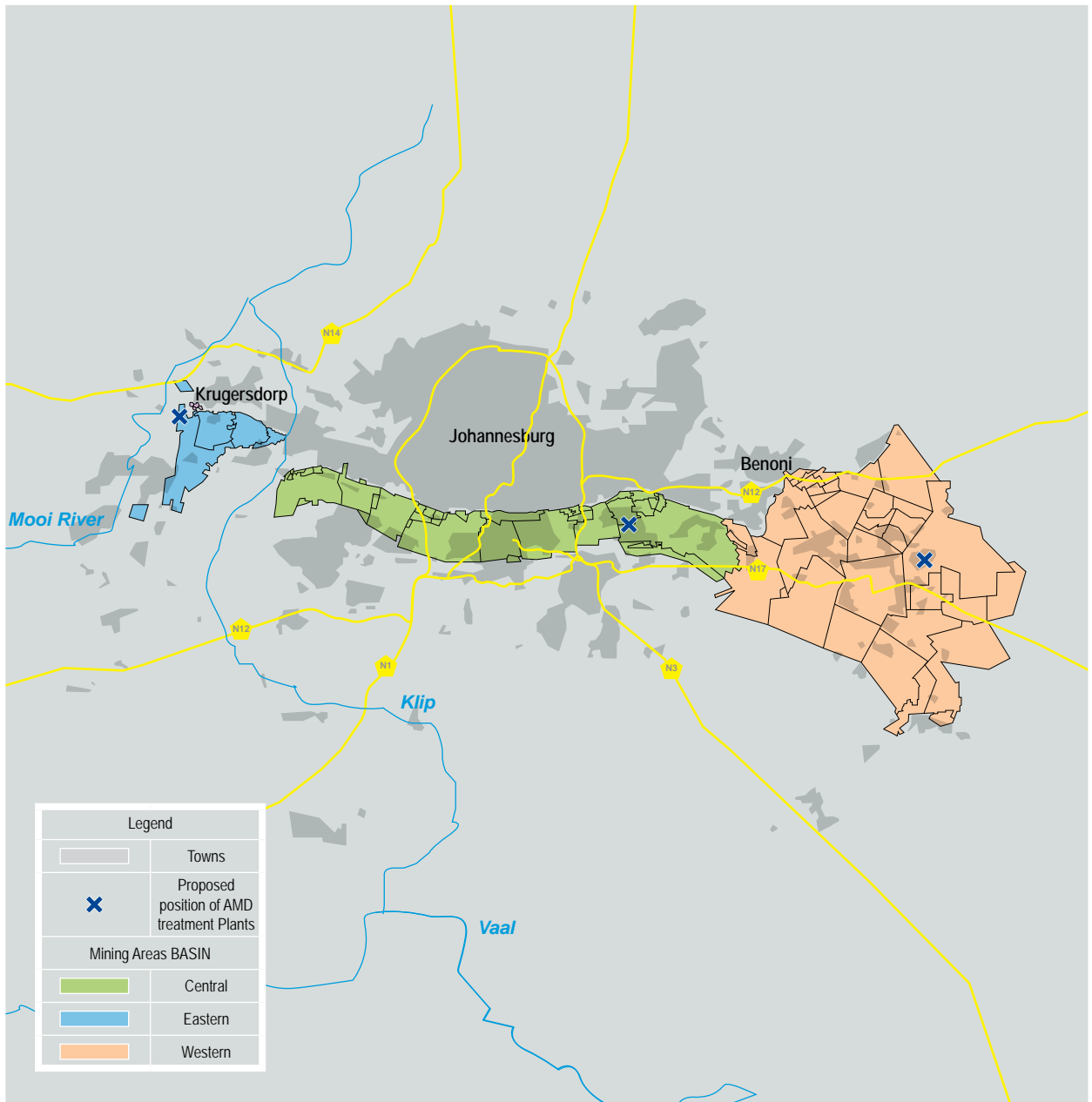
Acceleration of the start of construction activities also called for innovative procurement strategies which allowed for advance procurement of long-lead items, sole sourcing and a carefully configured closed procurement of the construction contractor. Construction started in November 2011 on the refurbishing the Rand Uranium plant in the Western Basin (the immediate intervention) and commissioning was due to commence in April 2012. Notwithstanding the need to accelerate procurement activities the strategies did not compromise on TCTA's transformation objectives.

The involvement of the mining sector required innovative solutions to obtaining access to land and securing contributions from the mining sector. Numerous agreements are being negotiated to ensure access to land, formalise conditions to the donation of equipment, notably the pumps for the Central Basin and engaging Rand Uranium to build and operate the immediate intervention for the Western Basin.

A major challenge remains obtaining sufficient funding for the project. To overcome this constraint, the tender documents for the construction of the short-term intervention were structured to allow flexibility in the award of construction works should the funding constraints continue. The award of the construction contract for the short-term intervention is scheduled for August 2012.

BKS in association with Golder Associates was appointed as the engineering consultant on Acid Mine Drainage. The appointment of the construction contractor will be finalized in the new financial year.





### Mooi-Mgeni Transfer Scheme Phase 1

The project comprises the refurbishment of the existing transfer scheme from Mearns Weir at the confluence of the Mooi and Little Mooi Rivers in KwaZulu-Natal to the Mpofana River in the Mgeni River catchment. The scheme comprises of a 13.3 km, 1 400 mm diameter rising main to a break pressure tank at Nottingham Road and a 8 km, 900 mm diameter gravity main to the outlet structure on the Mpofana River.

The project is being funded by the Department of Water Affairs and is expected to cost in the order of R43 million.

Following the receipt of the directive on the 29 November 2011, TCTA commenced with the preparation of the tender documents for the refurbishment of the pump station and pipeline. The refurbishment is expected to be carried out during the dry season of 2013.

BKS has been appointed as the engineering consultant for Mooi-Mgeni Transfer Scheme Phase 1 through a variation order to their existing contract on Mooi-Mgeni Transfer Scheme Phase 2.







### Lesotho Highlands Water Project: Phase 2

The project comprises the building of a 3<sup>rd</sup> dam (Polihali Dam) in Lesotho to increase the yield of the Vaal River system. Commencement of water delivery is planned for mid-2020.

The Governments of the Republic of South Africa and Lesotho concluded the Phase 2 Agreement in August 2011 and the project is currently in the project preparatory phase.

TCTA will raise the funding for the project but implementation will be undertaken by the Lesotho Highlands Development Authority.

The Minister approved Lesotho Highlands Water

Project: Phase 2 funding strategy/borrowing limit and an explicit guarantee request and submitted this to National Treasury.

In order to minimise the financial burden on the users as a result of additional infrastructure costs, the tariff for Phase 1 was set such that the repayment period was shortened from the initial repayment date of 2028 to 2023. Furthermore, DWA in consultation with the major Vaal River System users and other stakeholders including, National Treasury and the South African Reserve Bank, started phasing in the tariff for Phase 2 from 2011/12 financial year. The equivalent revenue forecast to March 2012 is R72 million. This revenue is expected to be sufficient to cover project preparatory costs during the interim period before funding is in place.







# Sustainability Report

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## Overview

Sustainability has become a wide-ranging term that can be applied to almost every facet of life on earth. Sustainability is the minimum that a company can do to allow it to continue to evolve in the future. Its broad term is used to describe reporting on Economic, Environmental and Social Impacts.

Sustainability reporting is the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organisational performance towards the goal of sustainable development.

The Sustainability Report discloses outcomes and results in the context of TCTA's Commitments, Strategy and Management approach.

In the context of TCTA, where strategy is defined by the Mandate and the Directives received from the Minister, the non-financial external drivers of sustainability are measured by the environmental and social impacts of the projects during construction and the non-financial internal drivers by the development and wellness of staff.

## Environmental Impacts of Projects

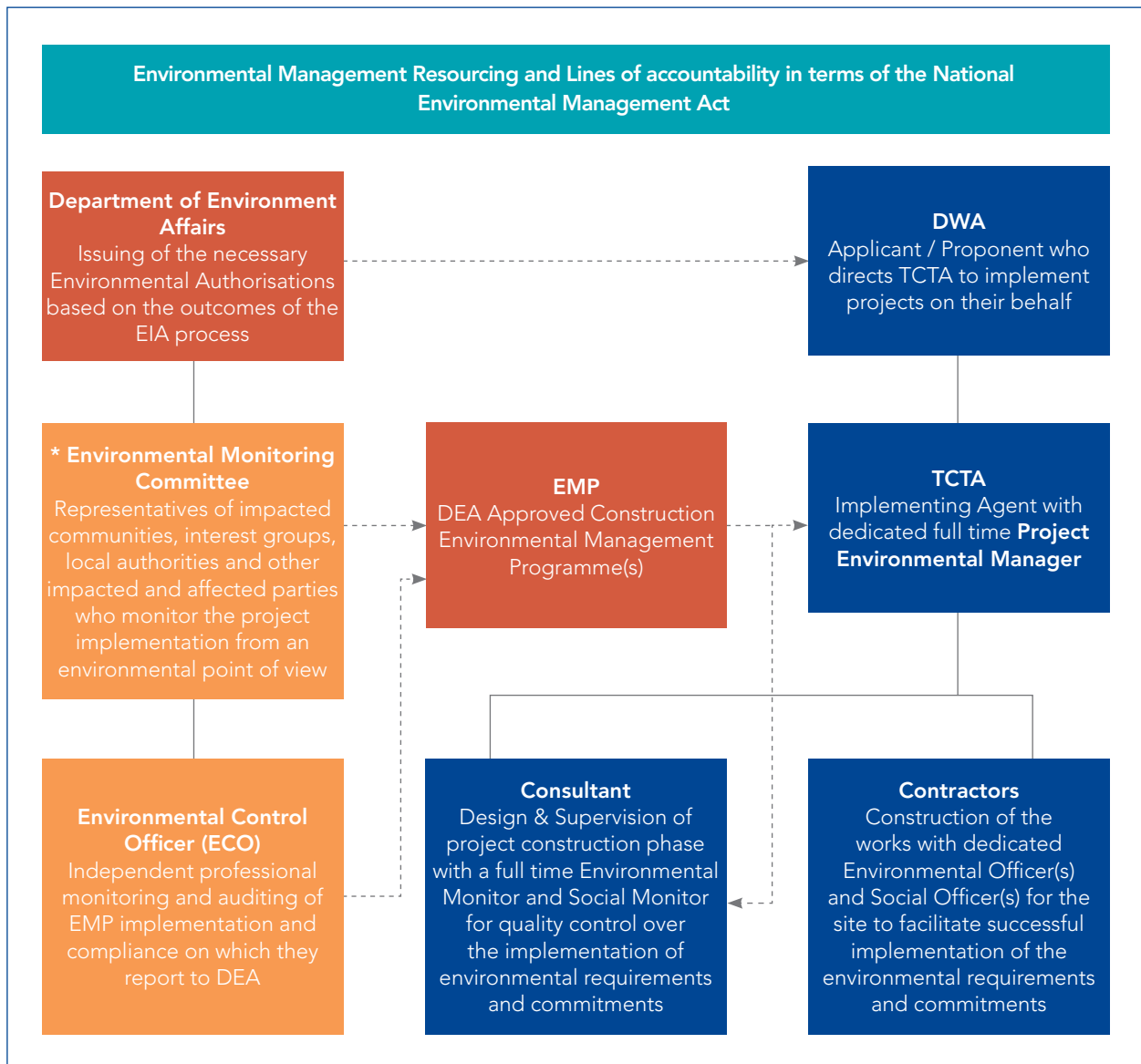
Due to the diversity of natural and social environments in which TCTA implements its projects, a systematic

approach towards achieving excellence has been implemented. In the financial year construction has commenced on three new project sites, the diversity of areas ranging from the wild game farming communities of the Waterberg, to the dairy farms of the KwaZuluNatal Midlands and the coal mining and industrial Highveld coalfields around Kriel.

TCTA implements environmental management beyond the minimum requirements of the project environmental authorisations. In the interest of continuous improvement TCTA commenced the development of an ISO14001 aligned approach to environmental management. The first steps included the incorporation of Environmental Management System building blocks into the new construction contracts to facilitate characterisation and measurement of environmental performance.

The projects' Construction Environmental Management Programmes are objective driven with clear targets and indicators, against which compliance, affectivity and progress can be managed by the dedicated Project Environmental Managers.

The environmental governance model applied by TCTA is designed to provide independent checking and compliance auditing whilst ensuring the availability of resources and mechanisms to identify and rectify challenges, at all levels of project implementation, thus facilitating continual improvement.



*\* Note that in the absence of the EMC being required by the DEA in the Environmental Authorisation no formal committee is established but a comprehensive stakeholder engagement plan is implemented*

The Environmental and Socio-Economic Impacts per project are as follows:

**VRESAP**

The Environmental Monitoring Committee monitoring of the project activities continued and compliance scores from ECO audits remained well over 90%. Rehabilitation targets have been achieved for the majority of the project site but

on-going rehabilitation maintenance has been required in areas where cover was slow to establish. Maize lands have recovered well in some areas but additional mitigation of compaction and stone removal was carried out in some areas. Much of the delays in completion of rehabilitation were as a result of re-works that were required after painting defect repairs of the pipeline.

## MMTS-2

MMTS 2 has a high standard of environmental performance which has been verified through regular inspections and audits by the Environmental Control Officer (ECO). To date the project achieved over 91% environmental compliance.

The ECO findings are presented at the Environmental Management Committee (EMC) monthly meetings. The EMC plays a valuable role in the monitoring of the project performance. Interactions with Land Owners and Interested & Affected parties are undertaken by the Social Monitor who is instrumental in highlighting issues to TCTA and assisting during the resolution process.

The Environmental Panel of Experts conducted regular site visits to provide independent advice to TCTA on environmental aspects arising out of the implementation of MMTS-2.

Significant activities that required much consultation and careful planning include:

- Establishment of biodiversity offset areas for wetland habitat;
- Search & rescue operations for protected plant and animal species;
- Identification of routes to maintain landowner access to their properties after impoundment of the dam; and
- Land acquisition and access to all required properties.

## ORWRDP

The Environmental performance criteria have been integrated into the design specification and tender documents. Environmental performance through regular Environmental Control Officer site inspections and audits has not yet been done as the project is in its early construction phase.

Land acquisition has progressed significantly to date, and should be concluded shortly. Of particular challenge has been acquiring communal land, where expropriation could not be utilized and instead a community resolution process based on IPILRA had to be employed.

The Panel of Experts orientation site visits and follow up inspections have been done in order to provide independent advice to TCTA on environmental aspects arising out of the implementation of the project.

## KWSAP

Construction in wetlands and river crossings has been particularly challenging. A specialist report was required to guide the wetland rehabilitation planning.

A Giant Bullfrog specialist study was done to examine potential bullfrog habitat but no bullfrogs were noted in the construction area.

The Panel of Experts site visits and TCTA site inspections have been done to monitor the implementation of the environmental requirements as expressed in the project specification. Workshops to address challenges have been held in pursuit of continual improvement.

Further, regular ECO site inspections have been held and the findings have been raised with the relevant parties.

KWSAP achieved a 90% compliance with Environmental Management Plans as per the Environmental Control Officer audit which was conducted in September 2011.

Regular interactions with landowners and stakeholders have taken place to ensure a high standard of communication and the limitation of potential conflict. The provision of dedicated social resources added great value.

## MCWAP-1

On 03 December 2011, the Department of Environmental Affairs issued the Environmental Authorisation for this project.

One of the critical aspects on this project is accommodation of game and livestock as the pipeline traverses through several game and livestock farms. Game and stock fences were constructed along the servitude prior to any construction work on site.

The project also required Permits from the Department of Agriculture, Forestry and Fisheries to cut and relocate protected tree species along the construction servitude. All required permits from the Provincial Agencies were received prior to construction commencement on site. TCTA relocated 31 Marula Trees from the servitude and replanted them immediately adjacent to the servitude. This was to

ensure monitoring and evaluation of the survival of the replanted trees. Where other protected tree species could not be replaced due to their difficulty in re-establishment, a total of 138 indigenous trees would be planted in the next reporting period as offset for the 46 trees cut down.

The pipeline also crosses several streams along the alignment. In accordance with the requirements of Section 21 of the National Water Act, Act 36 of 1998, TCTA submitted Water Use Licence Applications to the Department of Water Affairs. An agreement was also reached with the Department of Water Affairs that a specific Method Statement for each stream crossing will be developed and submitted to the Department for consideration.

The project also complies with all the requirements of the Mineral and Petroleum Resources Development Act for all borrow pits and spoil areas. The Memorandum of Understanding signed between the Department of Water Affairs and the Department of Mineral Resources facilitates the management of approval processes for borrow pits and quarries required for the project. An Environmental Management Programme (EMP) is developed for each borrow pit and approvals were received from DMR Limpopo prior to any work on each borrow pit. Similarly to the requirements by the Department of Water Affairs, all approved Method Statements for each borrow pit are submitted to DMR for record purposes.

In the reporting period, the project achieved an average of 98% compliance to the conditions of the Environmental Authorisation and the Approved EMP.

## MBBP

There were no environmental concerns that were identified or encountered during the implementation of the project. The Environmental Authorisations were done by the Department of Water Affairs.

## AMD

The emergency nature of the project poses significant challenge for the obtaining of environmental authorisation in terms of the National Environmental Management Act (NEMA). This matter is receiving urgent attention from DWA and DEA but a full EIA has been initiated in the interim.

This project is somewhat controversial from an environmental point of view. Many Interested and Affected Parties are displeased with the implementation of the immediate and short term phases of the AMD project and wish to see the full treatment of the water to a potable standard to avoid the release of partially treated water into watercourses. This further treatment is outside of the scope of the current TCTA directives.

Environmental challenges facing the project team include the identification and securing of access to appropriate hazardous waste disposal locations for the disposal of the by-products of the operation of the water treatment plants.

## Social Impact of Projects

### Resettlement of Households and Moving of Graves

The implementation of any major piece of public infrastructure, which benefits the country can have severe negative impacts for those who lose their homes and existing livelihoods in the process.

In recognition of this TCTA developed a new policy which deals with the families on an individual basis and will result in the families receiving adequate compensation for their homes and relocation to a place of their choice where they feel they will be able to re-establish a living.

Significant activities that required much consultation and careful planning on projects include:

- Identification and relocation of graves; and
- Resettlement of persons living on affected areas whilst limiting the impacts on their livelihoods.

### Enterprise Development, Preferential Procurement and Employment

TCTA has been relentless in its pursuit of transformation, going as far as enforcing disqualification criteria for service providers that cannot demonstrate achievement on sustainable transformation. On ORWRDP this has



resulted in a legal challenge from Steffanutti- Stocks for not meeting the minimum transformation criteria. TCTA is defending this challenge due to its confidence in the transparency and fairness of its procurement awards. Stringent targets have been provided regarding Social and Economic Development for all construction contracts (including preferential procurement and enterprise development) and these are very closely monitored via monthly on site meetings for all projects. Without this strict vigilance, we could have found ourselves in a position of "fronting". Hence we have gone the extra

mile to ensure that "real" transformation is taking place.

With construction commenced, or about to commence on the implementation of projects it is now possible to see the impact of the projects on the communities in the surrounding areas. The table below summarises the performance on the Socio Economic Objectives on the projects.

The targets are set for the duration of the project, if they are not achieved penalties will be applied.

Project	MMTS-2	ORWRDP-2	KWSAP	MCWAP-1	Totals
<b>Enterprise Development</b>					
Target	R97 mil	R143 mil	R60 mil	R56 mil	R356 mil
Progress as at 31 March 2012	R33 mil	0	R9 mil	0	R42 mil
<b>Preferential Procurement</b>					
<b>Black Owned Enterprises</b>					
Target	R220 mil	R302 mil	R64 mil	R67 mil	R653 mil
Progress as at 31 March 2012	R41 mil	0	R9 mil	R2 mil	R52 mil
<b>Black Women Owned Enterprises</b>					
Target	R140 mil	R155 mil	R26 mil	R13 mil	R334 mil
Progress as at 31 March 2012	R14 mil	0	R5 mil	0	R18 mil
<b>Black Owned Local Enterprises</b>					
Target	R140 mil	R79 mil	R16 mil	R21 mil	R257 mil
Progress as at 31 March 2012	R14 mil	0	R3 mil	0	R17 mil
<b>Black Women Owned Local Enterprises</b>					
Target	R77 mil	R79 mil	N/A	R2 mil	R158 mil
Progress as at 31 March 2012	R27 mil	0	N/A	0	R27 mil
<b>Employment (Progress as at 31 March 2012)</b>					
Unskilled local	173	0	218	111	502
Semi-skilled Black People	263	0	14	59	336
Other (Skilled & Staff)	42	0	50	52	144
Total	478	0	282	222	982
<b>Training And Skills Development</b>					
Target Expenditure	R1.276 mil	R12.471 mil	R0.321 mil	R1.920 mil	R15.989 mil
Progress	R0.318 mil	0	R0.97 mil	0	R0.415 mil

Notes:

- 1) ORWRDP-2: Contract was awarded in February 2012
- 2) MCWAP-1: Construction activities started in January 2012

Two opportunities were created through Finance and Treasury in the field of transformation

- 1) TCTA concluded over 50% of all Money Market term deals with the following BBBEE Brokers.

Quartile Capital  
Verso Money Brokers  
Bond Street Securities  
Basis Points Capital

TCTA further increased the number of BEE Brokers eligible for trading by adding the following firms:

Vunani Capital  
Regiments Securities  
PIF Asset Management

- 2) Xabiso Chartered Accountants was provided an opportunity to audit the MCWAP-1 model on its own in order to up-skill them.

## Human Capital Development

### Introduction

TCTA's primary mission was to create an environment within which the organisation could evolve into a culture of high performance and to create a workplace where employees are engaged and fulfilled in their work. TCTA's objectives was to:

- Strategically resource and develop the organisation to ensure that it is at the forefront of development in the water sector;

- Create opportunities for growth for all employees;
- Develop current and future leaders;
- Continuously engage employees through dialogue;
- Meaningfully reward and recognise the efforts of employees; and
- To ensure that we promote a good quality of work-life.

## Skills Development and Knowledge Management

### Knowledge Management

During the reporting year, TCTA continued to leverage its knowledge assets to innovate solutions to both internal operations and water sector challenges; foster partnerships for promoting best practice in water management; and advance a corporate environment that values learning and the generation of knowledge for business value-add.

### Publications and Partnerships

In the period under review, TCTA continued to contribute to the water management body of knowledge through sector-related research and paper publications, as well as presentations at national and international conferences. In particular, professional articles prepared and published by TCTA specialists focused on the logical design and tracking of key performance indicators and the role of infrastructure in socio-economic development. These contributions profiled TCTA internationally as a knowledgeable institution, and enhanced visibility and potential partnerships.

As part of efforts to reinforce existing partnerships for advancing best practices in the water sector, TCTA and the Water Research Commission have commenced the planning of a collaborative international conference on freshwater governance, scheduled to be held towards the end of 2012. The conference will provide a common platform for



knowledge sharing and dissemination among local, regional and international experts and institutions.

**Advancing a Knowledge Hub**

At the heart of the knowledge agenda for the past year was the heightening of learning and knowledge creation in the organization, with emphasis on the initiation of a TCTA knowledge hub in respect of large-scale seawater desalination and water re-use, with the latter initiative foreseen to evolve substantially in the coming year and within the medium-term. In this vein, the organization successfully hosted two seminars on the themes of ‘current practices in desalination’ and ‘water re-use in South Africa’. Both seminars demonstrated TCTA’s convening power with respect to contemporary water security issues and, especially, positioned the organization as a proactive player in thought leadership around the exploration of alternative water sources for meeting the country’s future requirements. Significantly, the knowledge interventions and their outputs, particularly in the form of a TCTA Discussion Paper on Desalination, also point to new business niches for the organization, moving into the future.

In terms of TCTA’s focus on large infrastructure projects, organizational learning has been specially reinforced through an evaluative study of the front-end phase of the MMTS-2 project and the generation of lessons for future projects.

Closely related is the initiative on the development and sharing of the new ‘Project Evaluation Guidelines’, providing a framework for the more effective and systematic evaluation of TCTA projects, going forward.

**Skills Development**

TCTA remains committed to the development and growth of our employees. All employees completed Personal Development Plans for the period under review identifying specific training needs necessary for the successful execution of their duties. We provided employees with opportunities to attain cross-functional skills through the introduction of developmental contracts.

Organisational training included initiatives to enhance team effectiveness through our Grow Our Teams initiative. One of TCTA’s core competencies is supply chain management. Bid Committee Members and managers received Advanced Bid Committee training in our endeavour to continuously improve our capabilities to adhere to the relevant legislation legislating procurement processes. To improve the standards and quality of work produced, employees also received training on the ISO 9001:2008 QMS Audit training.

The table below illustrates TCTA’s provisional results versus BBBEE targets utilising the Empowerdex online verification tool.

Indicator	Weight	Compliance target	Achievement YTD
Skills Spend as a % of payroll	8	3%	8
Skills Spend on disabled black staff as a % of payroll	4	0.3%	0.18
Learnerships / Category b, c d programmes	8	5%	8
Total Scorecard	20		16.18



The table below illustrates TCTA's performance versus the skills development objectives identified for the period under review.

No	Goal	Achievement YTD (internal reporting – incl. foreigners and secondees)
1	3% Expenditure of payroll on Skills Development	3.12%
2	85% Spent on Black Employees	89.78%
3	54% Spent on Black and White Women	56.32%
4	2% on Disabled Employees	0.99%
5	50% of Training institution to be accredited	61.31%
6	100% Roll Out of PDP's	45.69%
7	10 Academic Papers delivered	10
8	90 Professional Memberships	126

### Youth Development and Internship Programmes

These programmes were initiated in recognition of the lack of skills in the engineering sector, financial sector and other related skills in the country to support the

implementation of projects. TCTA has decided to actively contribute in the building of the skills base and focus on young disadvantaged South Africans, women and men and sponsor them in this regard. During the period under review, the following outcomes reflected in the table below have been achieved:

Nature Of The Initiative	Outcome	Beneficiaries
Internship Programme	<ul style="list-style-type: none"> <li>To prepare the interns for the labour market by equipping them with experiential workplace learning skills to supplement their academic knowledge</li> </ul>	<ul style="list-style-type: none"> <li>1 Intern was placed in the Office of the Chief Operating Officer</li> <li>1 Intern within Risk and Internal Audit</li> <li>1 Intern as a Project Finance Assistant</li> </ul>
Learnership Programme	<ul style="list-style-type: none"> <li>Engineering learnerships</li> <li>Establish Environmental Learnership programme</li> <li>Both leads to professional registration</li> </ul>	<ul style="list-style-type: none"> <li>4 Engineering learners</li> <li>2 Environmental learners</li> </ul>
Bursary Scheme	<ul style="list-style-type: none"> <li>Critical Skills Development</li> </ul>	<ul style="list-style-type: none"> <li>9 Youth from disadvantaged backgrounds</li> </ul>

TCTA has also recruited three engineering interns and two environmental interns who have been seconded to the Engineering Consultants offices for skills transfer.

### Resourcing

TCTA's staff complement, as of 31 March 2012, was 158 employees including permanent, fixed-term contract and one labour broker employee.

TCTA made 15 new appointments, 14 Africans (6 male and 8 female) and 1 white, TCTA remains committed to appointing employees who will enhance our transformation objectives in line with our Organisational Resourcing Plan and our Employment Equity targets.

The table below illustrates TCTA's demographics per occupational level relating to the staff complement as at 31 March 2012. The occupational levels are derived from the Patterson Job Evaluation System, which enables comparisons to be made between different organisations.

TCTA											
Occupational levels	Designated							Non-designated			Total
	Male			Female				White Male	Foreign Nationals		
	A	C	I	A	C	I	W	W	M	F	
Top Management	1	-	-	-	-	-	-	-	-	-	1
Senior Management	4	-	-	4	-	1	1	4	2	-	16
Professionals	24	3	2	12	1	3	6	4	5	1	61
Skilled	10	3	1	31	6	2	6	1	-	-	60
Semi-Skilled	9	-	-	9	-	-	1	-	-	-	19
Temporary Employees	-	-	-	1	-	-	-	-	-	-	1
TOTAL 2011/12	48	6	3	57	7	6	14	9	7	1	158

With regards to Employment Equity, TCTA achieved its targets for the financial year as illustrated in the table below:

Actual vs Target 11/12		
Category	% Target	% Actual
Black	80	80.4
Female	50	53.2
Disabled	2	1.9

TCTA also ensured compliance with the Employment Equity Act and the requirements of the Department of Labour by successfully submitting our Employment Equity Report on the 3 October 2011. The Employment Equity and Skills Development Forum progressively played an active role in establishing fairness and equity in terms of policy and practice. TCTA also experienced challenges in attracting equity candidates, especially black females, within the engineering and project management disciplines.

Affirmative Action measures were considered in the Organisational Resource Plan for 2012/13. TCTA also initiated a number of awareness campaigns in our attempt to reasonably accommodate employees with disabilities and promote the principle of a diverse workforce. TCTA also broadened its search to attract people with disabilities in collaboration with our external resourcing partners.

TCTA had entered into a recognition agreement with the South African State and Allied Workers Union. As of 31 March 2012, 58.8 % of the employees were covered by this agreement.

## Culture and Welfare

### Leadership Development

To ensure that our leaders have the capabilities to lead from the front, TCTA conceptualised and developed an initiative to develop and enhance the leadership competencies from within. This Leadership Development Framework will serve as the backbone of developing leadership competencies within TCTA.

### Project Bosele

TCTA launched its new values during the 2010/11 financial year through Project Bosele. Project Bosele Change teams were formed and co-created a

Change Management Programme to ensure its successful implementation. The change programme included the use of ambassadors, rewards and events to embed the new values.

To further promote employee engagement, and to supplement the initiatives related to Project Bosele, a “Happiness Programme” was designed and implemented with the aim of introducing the “Fun” factor into the workplace.

### **Project Imvuselelo**

TCTA’s aim is to reward and recognise our employees fairly and equitably. Project Imvuselelo was implemented on 1 April 2010. This approach to remuneration is that TCTA offer equitable remuneration that rewards actual performance with the intent to create a high performance culture. Lessons have been incorporated in the revision of the programme and in employee engagement for greater understanding of Project Imvuselelo. Senior Management focus groups were conducted which served as exploration sessions to gather different views on the implementation of the revised programme.

To highlight the importance of this project, a Remuneration Advisory Committee was established championed by the CEO. This is to address the wider and more critical issues related to the project. The committee is currently assessing the project’s strategic intent. Task teams were established to work on different areas of the project.

### **Promotion of Health and Wellness**

During this review period TCTA created an environment where employees are able to create a balance between work and home to ensure that our employees have a good quality of work-life.

### **Health Education Initiatives**

TCTA hosted a number of health education initiatives in support of a balanced of work-life for all employees. An event creating awareness on cancer was hosted with females being educated on breast cancer and males on prostate cancer. Both genders received test kits for self-examination purposes. TCTA participated in the sixteen days of activism on non-violence against women and children. Employees also participated in a voluntary health screening event.







# Governance Report



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## Corporate Governance Statement

TCTA is required to comply with the Public Finance Management Act (PFMA), No 1 of 1999 (as amended).

TCTA is committed to sound corporate governance principles, considers the best practice recommendations in the King III report, and applies the principles of King III as applicable to a state-owned enterprise, to achieve good governance practices. The Board regards corporate governance as vitally important to the success of TCTA's business and is unreservedly committed to applying the principles necessary to ensure that good corporate governance is practised in all its business dealings with its shareholder and key stakeholders. In execution of its duties, the TCTA Board is guided by the Notice of Establishment Shareholder Compact, Corporate Plan, Board Charter and Delegations of Authority.

## Accountability and performance reporting

The TCTA Board is the Accounting Authority and reports to the Minister of Water and Environmental Affairs who is the Executive Authority, and has ultimate responsibility for TCTA. The Board outlines and agrees with the Minister on the strategic deliverables and performance outputs in the Shareholder Compact and Corporate Plan. The budget for the year is reported to

the Shareholder and National Treasury on an annual basis, and reports performance on a quarterly basis. Organisational business and financial performance for the year, is reported in an annual report and annual financial statements, and presented to the Shareholder and the Parliamentary Portfolio Committee annually.

## Independence of the Board

The Minister appoints members of the Board, which is comprised of a majority of independent non-executive directors. The term of office for members is four years in line with King III. For purposes of stakeholder representation, the Minister appoints an additional non-executive director representing the National Treasury. The positions of Chairman of the Board and Chief Executive Officer are unrelated, and the Chairman is an impartial non-executive Board member. The Chief Executive Officer is an ex officio member on the Board and Board committees. Where the Chairman of the Board may be potentially conflicted, she gets recused to chair e.g. in terms of King III where she is not allowed to chair the Remunerations Committee, and the Deputy Chairman serves as the Chairman, and where any director or Chairman is or may be conflicted, they declare and are recused from the meeting and decision proceedings. All Board committees are chaired by non-executive directors. The Board, its committees and individual directors may engage an independent counsel and specialist advisers regarding the affairs of TCTA upon the request and discretion of the Board, and at TCTA costs.

## Board Committees

The following Board committees assume responsibility on behalf of the Board:

- Remuneration and Nominations Committee (REMCO)
- Audit and Risk Committee (A&R)
- Assets and Liabilities Committee (ALCO)
- Human Resources and Transformation Committee (HR&TR)
- Information and Communications Technology and Knowledge Management (ICT&KM)
- VRESAP Technical Committee (VRESAP)
- Technical Committee (TC)

The Board is aware that it is ultimately accountable for the affairs and performance of TCTA, and exercises the duty of utmost care to ensure reasonable protection of the assets and records of TCTA. The contributions made by Board committees in no way diminish or absolve the Board and its directors from their duties and responsibilities. Board committees operate within the written Terms of Reference approved by the Board. Committee members are appointed by the Board and, in order to support transparency and full disclosure, the committees are chaired by non-executive Board members who report directly to the Board. The Board Committee chairmen submit quarterly reports to the Board, covering their areas of responsibility and giving the Board an overview of all operations. TCTA directors have full access to Board and committee documentation and engagement with the relevant executive managers. In line with TCTA's Delegation Matrix, the Board delegates its authority to Board committees and the Chief Executive Officer, and performance is reviewed annually. Since the Board is predominantly non-executive, this deployment of authority facilitates and consolidates the diverse operations of the organisation. The Board has, however, reserved the right to ratify or veto decisions that affect organisational operations, thus retaining control of the implementation of procedures that influence significant strategic, financial, organisational and compliance matters. This is done in order to ensure that TCTA maintains effective, efficient and transparent systems of financial and risk management and internal control. Under these circumstances, the Board takes into consideration committee guidance and recommendations.

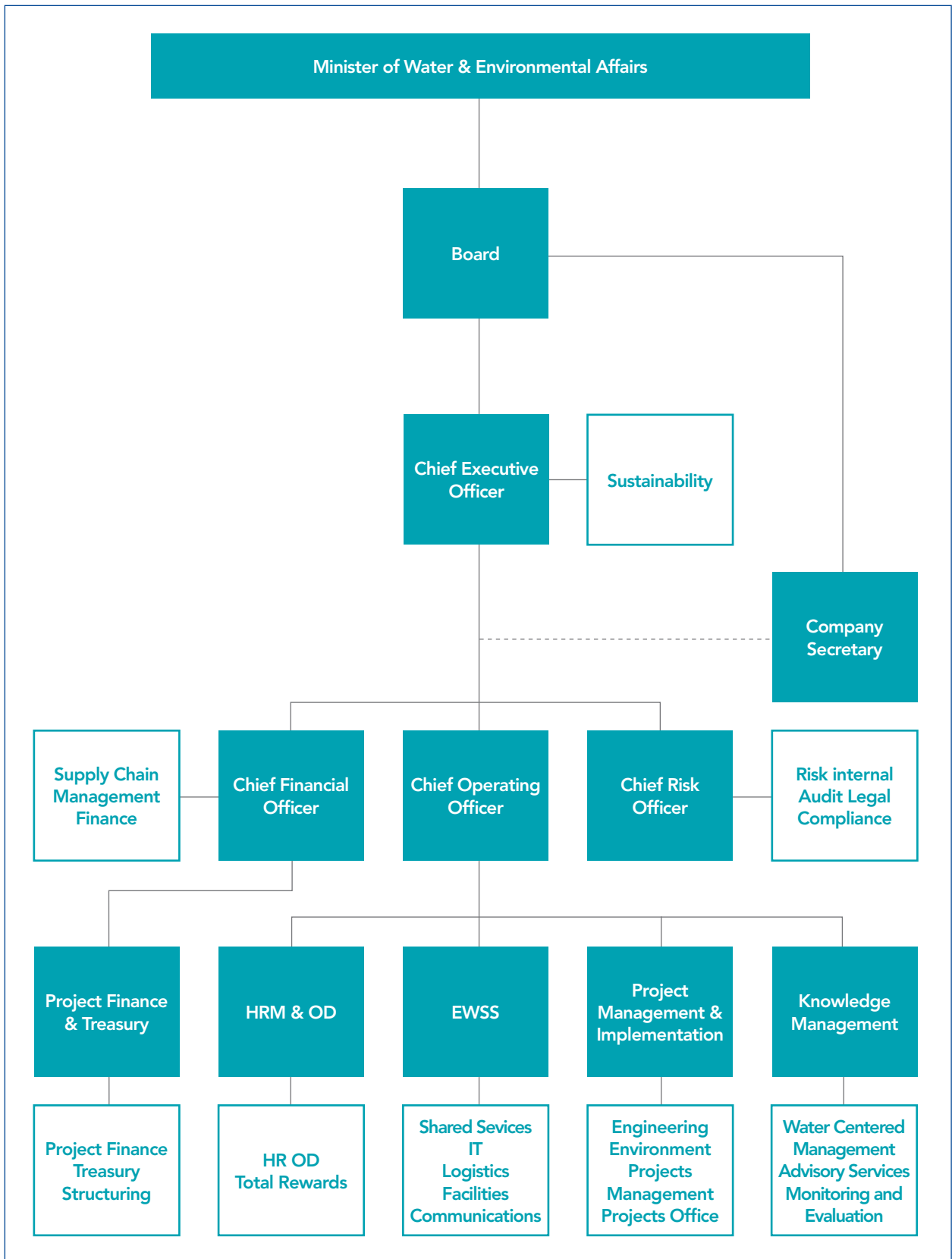
## Remuneration

The directors are remunerated in line with the non-executive directors' remuneration policy framework and procedure as approved by the Minister of Water and Environmental Affairs. This policy ensures that the remuneration of directors is appropriate to the level, skill and expertise required from the directors, and in accordance with current market practices and the guidelines of state-owned entities. Details of directors' remuneration are listed in the notes to the annual financial statements contained in this report. Directors are remunerated by a monthly retainer, Board meeting attendance, committee meeting attendance and any additional tasks (ad hoc) undertaken at the request of the Board.

## Delegation of Authority

The Board has the authority to lead and oversee the business activities of TCTA on behalf of the Shareholder. It is responsible for overall guidance on strategy, corporate plan and related affairs of the organisation. The roles and responsibilities of the Board are defined in the Notice of Establishment, Board Charter Delegation Matrix and Shareholder Compact. In order to provide the oversight for such a unique, complex and diverse organisation such as TCTA, the Board brings strong business judgement, valuable experience and insight in various fields. This including transformation, funding, project structuring, assets and liability management, knowledge management, information and communications technology governance, human resource management, technical project management and implementation, to the stewardship of the organisation. The Board developed a governance structure of Board committees and has delegated some of its authority, by means of a comprehensive Delegation Matrix, to Board committees and the Chief Executive Officer. The delegation of authority assists the decision-making and delivery of strategic objectives without exonerating the Board from its accountability and responsibilities for TCTA.

The structure of the organisation is as follows



## The Role and Composition of the Board

The management of the entity is vested in a unitary Board of Directors (the Board) that encourages interaction among directors and consolidates the decision-

making process on strategy, planning, performance reporting, allocation of resources, business ethics and communication with stakeholders.



**Dr Snowy Khoza**  
Chairman

### QUALIFICATIONS

- PhD (Brandeis Univ: USA – 1996)
- MBA (Univ. Cape Town – 2008)
- MA (SS) (UNISA – 1990)
- BA (Honours) (Univ. Fort Hare – 1986)
- BA (SW) (UNIN - 1981)
- Economics and Public Finance (UNISA – 1999)
- Finance for Executives (INSEAD; France – 2005)
- Utility Regulation and Strategy (Univ. Florida, USA – 2001)
- Global Management Development Programme (Univ. Navarra, Spain – 2000)

### TCTA Board Committees:

- REMCO

### Current Position:

- CEO - Bigen Africa

### Other Directorships:

- National Housing Financing Corporation
- Ka-Manowi Manor CC
- ACENH Distribution Agency of the National Lottery Board

### Date Appointed:

14 February 2008



**Mr Simphiwe Kondlo**  
Deputy Chairman

### QUALIFICATIONS

- MSc Eng. Management (Pretoria Univ. – 2003)
- BSc Agric Eng. (KZN Univ. 1993)
- Dip Project Management (Exec. Education – 1989)
- Dip Civil Eng. (ML Sultan – Durban Institute of Tech. – 1993)
- Cert. Commercial Property Practitioner (Pretoria Univ. 2006)
- Cert. Project Monitoring for Effectiveness (IRC), Netherlands 1997)

### TCTA Board Committees:

- VRESAP Technical (Chairman)
- REMCO (Chairman)
- Board Steering Committee (Chairman)
- Technical Committee

### Current Position:

- CEO - East London Industrial Development Zone (Pty) Limited

### Other Directorships:

- Amathole Economic Development Agency

### Date Appointed:

1 July 2006



**Mr James Ndlovu**  
Chief Executive Officer

### QUALIFICATIONS

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

### TCTA Board Committees:

- None

### Current Position:

- Chief Executive Officer

### Other Directorships:

- None

### Date Appointed:

1 November 2008

The Board comprises 13 members, including the Chief Executive Officer who serves on the Board as an ex officio member. For ease of alignment and general

interface with the organisation, the Board invites Executive Management to its regular quarterly meetings. The composition of the Board is as follows:



**Mr Tyoty James**  
Cosatu Representative

#### CREDENTIALS

- National Union of Mineworkers
  - Shaft Steward 1989-1991
  - Deputy Branch Secretary 1991 – 1994
  - Branch Chairperson 1994 – 1996
  - Deputy regional Chairperson 1996 – 2007
  - Acting and then Regional Chairperson and National Executive Committee Member 2007 – date
- Cosatu
  - Member of Free State/ Northern Cape Provincial Executive Committee
  - Deputy First President – Current
- ANC Councillor 2000 - 2005

#### TCTA Board Committees:

- Board
- COSATU Representative

#### Date Appointed:

1 December 2011



**Mr Thuto Shomang**  
National Treasury Representative

#### QUALIFICATIONS

- BCm (Honours) (JHB Univ.)
- BCom (UNISA)
- Secondary Teachers Diploma – Sebokeng College of Education

#### TCTA Board Committees:

- ALCO
- Audit and Risk
- National Treasury Representative

#### Current Position:

- Chief Director: Liability Management, National Treasury

#### Other Directorships:

- None

#### Date Appointed:

1 March 2010

#### Date Resigned:

31 January 2012



**Mr Monale Ratsoma**  
National Treasury Representative

#### QUALIFICATIONS

- M Comm Economics (JHB Univ. 2010)
- Hons Economics, 1999 (University of the Western Cape)
- BCom, 1998 (University of the Western Cape)

#### TCTA Board Committees:

- ALCO
- Audit and Risk

#### Current Position:

- Chief Director: National Treasury, Asset & Liability Management

#### Date Appointed:

1 February 2012

#### Replacement for Mr Thuto Shomang

## The Role and Composition of the Board



**Mr Lebohang Thotanyana**

**QUALIFICATIONS**

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

**TCTA Board Committees:**

- Audit and Risk (Chairman)
- ALCO
- REMCO

**Current Position:**

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

**Other Directorships:**

- Mafube Investment and subsidiaries
- Petroleum Fund
- Lesotho State Oil Company

**Date Appointed:**

1 July 2006



**Ms Makano Mosidi**

**QUALIFICATIONS**

- Dip Education (UNIN – 1987)
- BCom (UNIN – 1987)

**TCTA Board Committees:**

- ICT & KM
- Technical Committee
- VRESAP

**Current Position:**

- Public Sector Executive: Dimension Data (Pty) Ltd

**Other Directorships:**

- KMM QS (Pty) Ltd
- Bitanium (Pty) Ltd
- Relational Database Consulting Pty Ltd

**Date Appointed:**

27 August 2008



**Mr Gregory White**

**QUALIFICATIONS**

- BA Econ (Univ. Cape Town – 1980)
- B Admin Hons Development Studies (Unisa – 2008)

**TCTA Board Committees:**

- HR and Transformation (Chairman)
- ICT & KM
- REMCO

**Current Position:**

- Freelance Consultant

**Other Directorships:**

- Director of Ithala Development Finance Corporation

**Date Appointed:**

27 August 2008



**Mr Jan-Willem Geenen**

**QUALIFICATIONS**

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

**TCTA Board Committees:**

- ALCO (Chairman)
- Audit and Risk
- REMCO

**Current Position:**

- Head: Treasury, Tax & Risk; Lonmin Plc.

**Other Directorships:**

- None

**Date Appointed:**

27 August 2008



**Ms Doris Dondur**

**QUALIFICATIONS**

- CA (SA - 1991)
- MBA (Univ. Stellenbosch - 1998)
- Hons. In Business Administration (Univ. Stellenbosch - 1996)
- Cert. Theory of Acc. (UNISA- 1990)
- B Compt. Hons (UNISA – 1989)
- B Accounting (Univ. Stellenbosch - 1988)
- Cert. Labour Relations (UNISA – 2005)
- International Executive Development Programme (WITS and London Business School – 2008)
- Executive Development Programme (University of Nevada, Reno – 2009)

**TCTA Board Committees:**

- ALCO
- Audit and Risk
- HR & TR

**Current Position:**

- Freelance Consultant

**Other Directorships:**

- City Power Johannesburg (Pty) Ltd
- Gautrain Management Agency
- SANBS (South African National Blood Services)
- Metropolitan Trading Company Johannesburg (Pty) Ltd
- Suidwes Bpk

**Date Appointed:**

1 September 2010



**Ms Simangele Sekgobela**

**QUALIFICATIONS**

- Msc. Public Policy (Univ. UK - 1999)
- B Com Hons (UNISA – 1996)
- B Com (Univ. Wits – 1990)

**TCTA Board Committees:**

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

**Current Position:**

- Head of Department - Gauteng Dept. Agriculture

**Other Directorships:**

- Mintek Board

**Date Appointed:**

1 September 2010

## The Role and Composition of the Board



**Mr Sipho Sono**

**QUALIFICATIONS**

- Advanced Banking Dip ( UJ. 2004)
- CA (SA), 1995
- Cert. Theory of Accounting (UNISA, 1994)
- Hon. Bachelor of Accounting Science (UNISA, 1993)
- BCom Accounting (Walter Sisulu University)

**TCTA Board Committees:**

- ALCO
- Audit and Risk
- HR & TR

**Current Position:**

- CEO, OPIS Advisory (Pty) Ltd

**Other Directorships:**

- Manufacturing SETA
- Fibre Processing

**Date Appointed:**

1 September 2010



**Mr Musa Furumele**

**QUALIFICATIONS**

- Pr Eng- 1993
- Pr CPM- 2004
- M Eng (Civil) (Penn State) – 1994
- MSc (Eng) (Wits) – 1991
- GDE (Water Eng) (Wits) – 1989
- B Sc (Eng) Civil (Wits) – 1987

**TCTA Board Committees:**

- Technical (Chairman)
- VRESAP Technical
- REMCO

**Current Position:**

- Director: Gandlati Strategic Equity (Pty) Ltd

**Other Directorships:**

- Mineralco (Pty) Ltd
- City Bush Land CC (Member)

**Date Appointed:**

1 September 2010



**Ms Lahlane Mnisi**

**QUALIFICATIONS**

- B Proc (UNIN – 1995)
- LLB (UNIN – 1998)
- Admitted Attorney ( – 2001)

**Current Position:**

- Company Secretary & Executive Manager: Governance

**Other Directorships:**

- None

**Other Board Committee**

**Memberships:**

- None



## Board Meetings

The Corporate Calendar is informed by the Board Annual Programme which is aligned with the Organisational Strategy, Corporate Plan and the Shareholder Compact. Board meetings are held at least once a quarter. In addition to these meetings, whenever circumstances dictate, special meetings are convened. During the year under review, four scheduled Board meetings and four special meetings were convened. EXCO members attended the Board meetings on an ex officio basis. Details of attendance by each Board member are set out in the table below:

Board Member	30 June 2011 Scheduled Meeting	19 Sept 2011 SPECIAL Meeting	Board Strategy Session 13-14 December 2011		9 February 2012 (Special Meeting)	30 March 2012(Special Meeting)
S Khoza (Chairperson)	P	P	P	P	P	P
S Kondlo (Deputy Chairperson)	P	Ⓛ	P	A	P	Ⓛ
L Thotanyana	P	Ⓛ	P	P	P	Ⓛ
J Geenen	P	P	P	P	P	A
G White	Ⓛ	P	P	P	P	P
M Furumele	P	P	P	P	P	P
M Mosidi	P	P	P	P	A	P
D Dondur	P	P	P	P	P	P
S Sono	P	A	A	A	P	P
S Sekgobela	Ⓛ	P	P	P	P	A
T Shomang	P	A	A	A	NM	NM
J Ndlovu	P	P	P	P	P	P
M Ratsoma	NA	NA	NA	NA	P	A
T James	NA	NA	NM	NM	P	A

### Notes:

*P* Present

*NM* No longer a member

Ⓛ Teleconference

*A* Apology

*NA* Not yet appointed

*NR* Not Required

### Remuneration and Nomination Committee (REMCO)

The Committee is responsible for Organisational performance management strategy, review and incentivisation, organisational structure; appointment and remuneration of the CEO and Executive Management, strategic delegations of authority, strategic policies and systems relating to Board, CEO and Executive Management.

Board Member	14 June 2011
S Khoza (Chairperson)	P
S Kondlo (Deputy Chairperson)	†
L Thotanyana	†
J Geenen	P
G White	P
M Furumele	P
S Sekgobela	P
J Ndlovu	P

### Vaal River Eastern Subsystem Augmentation Project Committee (VRESAP)

The Committee is responsible for implementation and monitoring the Shareholder's directive in respect of this project. It provides oversight and monitor adherence to the project charter, project implementation plan; project budget and expenditure, compliance to applicable legislation and policies, the awarding of tenders on contracts; alignment to transformation strategy, management resources and performance.

Committee Member	01 September 2011	08 December 2011
S Kondlo (Chairperson)	P	P
M Mosidi	P	P
M Furumele	P	P
J Ndlovu (CEO)	P	P

### Technical Committee (TECHCOM)

The Committee is responsible for implementation and monitoring the Shareholder's directive in respect of all technical projects except for VRESAP project. It provides oversight and monitor adherence to the each project charter, project implementation plan; project budget and expenditure, compliance to applicable legislation and policies, the awarding of tenders on contracts; alignment to transformation strategy, management resources and performance.

Committee Member	12 April 2011	09 June 2012	01 September 2011	08 December 2011	14 February 2012
M Furumele (Chairperson)	P	P	P	P	P
S Kondlo	P	†	P	P	P
M Mosidi	P	A	A	P	P
S Sekgobela	P	P	P	P	A
J Ndlovu (CEO)	P	P	P	P	P

#### Notes:

P	Present	A	Apology
NM	No longer a member	NA	Not yet appointed
†	Teleconference	NR	Not Required

### Human Resources & Transformation Committee (HR & T)

The Committee is responsible for organisational human capital including the structure, remuneration and performance strategies, all human resource policies and systems, human resource budget. It provides oversight and monitors adherence with applicable human resource and transformation strategies, legislation and policies.

Committee member	17 May 2011	18 August 2011	04 November 2011	16 January 2012 (Strategy Session)	24 January 2012	09 February 2012 (Special Meeting)	05 March 2012 (Special Meeting)	30 March 2012 (Special Meeting)
G White (Chairperson)	P	P	P	P	P	P	P	P
S Sekgobela	†	P	†	P	P	P	A	A
D Dondur	P	P	P	P	P	P	P	P
S Sono	P	P	P	P	P	P	P	P
J Ndlovu (CEO)	P	A	P	P	P	NR	NR	P

### Information, Communication Technology and Knowledge Management Committee (ICT & KM)

The ICT Committee is responsible for governance of ICT infrastructure, systems and software, strategies, policies and frameworks. It ensures alignment of ICT strategies to Organisational strategy, and monitors ICT resources; plans and performance and budget.

The KM Committee is responsible for governance of organisational knowledge and intellectual property, knowledge management strategies, frameworks and ensures adherence to applicable policies and stakeholder expectations. It is also plays an advisory role to the shareholder and key stakeholders.

Committee member	30 May 2011	18 August 2011	04 November 2011	8 December 2011 (Corporate Plan Workshop)	24 January 2012	29 March 2012 (Strategy Session)
S Sekgobela (Chairperson)	A	P	†	P	P	P
M Mosidi	P	P	P	P	†	P
G White	P	P	P	P	P	P
J Ndlovu (CEO)	P	A	P	P	A	P

#### Notes:

P	Present	A	Apology
NM	No longer a member	NA	Not yet appointed
†	Teleconference	NR	Not Required

### Assets and Liability Committee (ALCO)

The Committee is responsible for project funding, debt management, risk management as well as organisational financial management in line with applicable legislation, regulations, policies, strategies as required and agreed to in line with key stakeholder agreements and shareholder directives.

Committee member	25 May 2011	21 June 2011 (Special Meeting)	16 August 2011	19 September 2012	15 November 2011	30 January 2012	20 February 2012 (Strategy Session)
J Geenen (Chairperson)	P	P	P	P	P	A	P
L Thotanyana	Ⓛ	P	P	Ⓛ	P	Ⓛ	P
S Sono	P	P	P	A	P	P	P
D Dondur	A	P	P	P	P	P	P
T Shomang	P	A	A	A	A	NM	NM
J Ndlovu (CEO)	P	P	A	P	P	P	A

#### Notes:

P Present

NM No longer a member

Ⓛ Teleconference

A Apology

NA Not yet appointed

NR Not Required

## Risk Management

The Board has the ultimate responsibility for the management of risk in TCTA according to our approved risk management framework. In ensuring that risk management is embedded at all level of the organisation the Board delegates the responsibility of managing risk to Management who ensures that all the risks affecting their areas of responsibilities are identified and mitigated to accepted level of tolerance. The Chief Risk Officer leads, coordinates, monitors and provides an independent view on the risk exposures regularly. The Board exercises its oversight through the Audit and Risk Committee.

TCTA's risk management is guided by the Risk Management Policy Framework, and Philosophy which are reviewed on an annual basis and submitted to the Board for approval. The Risk Management Framework is aligned to best practices, including National Treasury guidelines and King III Code of Governance. The Risk Framework requires that TCTA follows a

combined assurance approach which includes risk management, internal audit, legal and compliance. TCTA's risk philosophy seeks sustainability and growth for the business by following a conservative approach in managing risks. Whilst risk taking is an important part of TCTA's business, only opportunities and risks that fall within acceptable levels of tolerance as stipulated in the framework are taken.

During the year under review, TCTA was exposed to different risk categories which were mitigated to an acceptable level of tolerance, in line with the strategies derived from the Risk Management Framework.

### Major risk categories and mitigation measures

#### Strategic risks

TCTA views strategic risks as those risks that prevent the organisation from achieving its business objectives due to business policy decisions, changes in the economic environment, legal and regulatory

changes, stakeholder relations, partial or inadequate implementation of decisions, or a failure to acclimatise to changes in the environment. Strategic risks are managed by conducting an environmental scan, alignment of various strategies, formulation of vision, and the allocation of resources for achieving, implementing, monitoring and measuring of the strategic objectives. These risks are further mitigated by strong governance and reporting structures which ensure delivery against the corporate plan.

### Project implementation risks

Project management and implementation is one of the core businesses of TCTA. There are project risks inherent to, and specifically applicable to each project due to differences in mandates, size and scope. Such risks might result in project delays, increased costs and poor quality which affect the ability to deliver water on time, and thus, affect TCTA's revenue stream. The following are some of the risks associated with the projects:

- Engineering risk: emanates largely from deficiencies or flaws in design which may adversely affect project cost, quality, and time.
- Environmental risk: relates to threat of adverse effects on living organisms and the broad environment, arising out of construction activities.
- Health and safety risk: relates to hazards which have the potential to cause harm, injury and death to people.
- Public relations/Social risk: emanates from probability or chance (perceived or actual) that specific project implementation activities may have the potential to adversely impact on project defined communities in the areas of human life, health and wellbeing, social capital, productive capital and human capital.
- Project management risk: emanates from project management processes, contractor performance, contractual arrangement, nature of industry, skills availability and procurement of service providers and contactors.

Risks related to project implementation are managed through sound project governance and contractual agreements with consultants, providing remedies

for delays and incentive for early completion while ensuring compliance with the legislative requirements applicable to construction of large scale projects.

Risks that cannot be managed internally (e.g. acts of nature and major incidents) are transferred to insurance companies.

### Project Finance

This risk is associated with inability to secure sufficient funding to finance projects or failure to obtain cost effective funding, resulting in negative impacts on project cash flows. This risk emanates from changes in the economic climate and the current financial markets. Some of the strategies in place to mitigate the risk include sound institutional arrangements to secure good credit ratings and strong relationships with Local and International financiers.

### Treasury related risks

TCTA's treasury management activities expose the organisation to financial risks which have implications on the organisation's asset and liability management strategies. In line with the approved Risk Management Framework and Treasury Risk Management policy, the Risk Management Department monitors treasury risks on a daily, weekly and monthly basis, in order to ensure that controls in place are working effectively to reduce financial losses to the organisation. The following section gives an overview of the mitigation measures implemented to minimise the financial risks.

- Liquidity risk: This relates to the risk that TCTA could be unable to secure the right quantity of funds, in the right currency at the right time to meet financial obligations. The risk is managed by, among others, maintaining sufficient committed facilities with domestic banks to act as a liquidity buffer, detailed and regular cash flow forecasting as well as conducting repos and reverse repo transactions.
- Interest rate risk: This relates to the risk of adverse changes in interest rates which may result in increased cost from financial liabilities and/or a reduction in net income from financial assets.

TCTA manages this risk by complying with a determined optimal capital structure of fixed to floating rate debt and effective investment management strategies.

- **Foreign currency risk:** This relates to the risk of financial loss arising from adverse movements in the exchange rate of the rand against foreign currencies to which TCTA is exposed. This risk is mitigated through the use of appropriate hedging strategies.
- **Counterparty risk:** This relates to the risk that counterparty may default on its obligations on redemption or maturity or presentation of paper for settlement. This risk is managed through a rigorous selection of counterparties and setting of limits .

### Operational Risks

This is the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. The risk is managed by a comprehensive internal control environment adopted from the COSO framework which includes the following:

- the reliability and integrity of information;
- policies, procedures and compliance with all relevant legislations and requirements;
- the safeguarding of assets;
- the economical and efficient use of resources; and
- the accomplishment of established objectives and goals for operations and programmes.

### Reputational Risk

This is the risk of potential threat of damage to TCTA's reputation and brand. It arises when a situation, occurrence, business practice or event has the potential to materially influence the public and stockholder's perceived trust and confidence in TCTA. The risk is managed by ongoing engagement with all our stakeholders at appropriate levels.

### Information Technology

This is the risk of threat of failure to protect information and information systems from unauthorised access, disclosure, disruption, modifications or destruction.

It can result from inadequate or inappropriate information technology investment, development and implementation support. The risk is managed by implementation of our three year IT strategic plan and the IT governance risk and compliance framework as well as an approved business continuity plan.

### Risk finance (Insurance)

In order to mitigate against loss associated with damage or loss to property as well as injury to employee / contractor, TCTA has put in place insurance covers to manage this risks.

The process of identifying exposures and insurance covers is on-going. The insurance covers for projects are placed as and when the projects begin.

### Business Continuity Management

The Business continuity management project has been successfully rolled out in terms of the following four phases:

- Training on BCM Awareness;
- Business Impact Assessment Report (BIA);
- Alignment of Disaster Strategy & Plan; and
- Business Continuity Management Strategy.

The organisation is now in the process of implementing the Business Continuity Management Plan.

### Litigation Risks

TCTA has currently received notice, or is engaged in litigation on the 3 following aspects.

#### VRESAP: TCTA/C-MC

Following termination of the contract with C-MC in May 2010, no formal dispute resolution processes have been initiated by C-MC, however discussions between the parties have progressed on the formulation of draft dispute resolution terms with a view to arbitration, as well as the nomination of a prospective arbitration tribunal. The dispute resolution terms will be finalised shortly and will cover the formal exchange of process whereby the parties' various claims and disputes will be properly pleaded and prosecuted. Once this process has been undertaken, a meaningful assessment of the scope and merits of the various disputed claims will be possible.

**AMD: TCTA/LEGAL RESOURCES CENTRE ("LRC")**

TCTA received notification from the LRC, acting on behalf of the Federation for a Sustainable Environment in February 2012, threatening legal action against TCTA, arising out of TCTA's implementation of the Acid Mine Drainage Project, relating to the immediate measures including the proposed treatment of acid mine water, the quality of treated water and the release into watercourses, the treatment of sludge and the deposition into the Wes Wits Pit. TCTA prepared a response in consultation with the Department of Water Affairs and the independent environmental assessment practitioner. Following dispatch of the response to the LRC, no reply has been received as yet. The Legal Department will continue to monitor the matter.

**ORWRDP-2-TCTA / STEFANUTTI STOCKS CYCAD JV ("SSCJV")**

SSCJV brought an application against TCTA for an urgent interdict restraining TCTA from implementing the contract concluded with Basil Read, restraining Basil Read from taking further steps in the implementation thereof and directing TCTA to provide copies of various documents to it. SSCJV's application was argued in the Pretoria High Court on 3 May 2012 and dismissed on 9 May 2012. SSCJV subsequently served its review application on TCTA on 14 May 2012. TCTA's Legal Department, its attorneys and counsel, are reviewing the record of the tender process, have commenced compiling a copy of the record for disclosure to SSCJV and commenced a review of the SSCJV's founding affidavit to prepare TCTA's answering affidavit thereto. The review application is likely to be set down and argued in the 3<sup>rd</sup> quarter of this year.

## Compliance

The compliance function is mandated to identify, assess, advise, monitor and report on the regulatory compliance risk in TCTA. It operates within the General Acceptable Compliance Framework of the Compliance Institute of South Africa. TCTA has a dedicated and independent Compliance Officer who

reports strategic compliance matters to the Chief Risk Officer and the Audit and Risk Committee.

A compliance universe was developed and approved by the Audit and Risk Committee. The universe highlights primary, secondary including other legislation which may be applicable to TCTA.

Some of the key legislation that governs TCTA is the Public Financial Management Act, Treasury Regulations, the Notice of Establishment, Financial Intelligence Centre Act, Securities Services Act, National Environmental Management Act etc. TCTA also has in place loan covenants and directives for the different projects which are monitored regularly.

TCTA fairly complied with the primary legislation such as the Public Finance Management Act, Notice of Establishment, other relevant legislation and its policies / procedures. The loan covenants with the various institutions were also adhered to.

Some instances of fruitless and wasteful expenditure were identified; these arose from deviations with operational procedures. Management have already put in place appropriate processes to deter similar recurrences in the future. Appropriate sanctions have been issued to affected employees. The CEO has condoned these expenditures in accordance with the organisation delegation of authority and treasury regulation dealing with fruitless and wasteful expenditure.

## Internal audit

The primary purpose of Internal Audit is to independently evaluate the control processes, governance and risk management of TCTA. TCTA's Internal Audit function is mandated independently to appraise the appropriateness, adequacy and effectiveness of the organisation's risk management, internal control and governance processes as directed by the authority of Internal Audit Charter approved by the Board. Internal Audit also prescribes

corrective actions and recommends improvements to enhance controls and processes. Audit findings are reported to management and the Board of TCTA through the Audit and Risk Committee.

During the past year, Internal Audit coordinated, combined and integrated the assurance provided by various parties, including line management, internal and external assurance providers, pursuant to the combined assurance model introduced by King III. Furthermore, the external auditors placed reliance on work performed by the Internal Audit department. In addition, the audit of performance information for the past year was conducted thoroughly reviewing organisational and individual performance against the contracted deliverables, in close liaison with external auditors.

Internal Audit completed all internal audit reviews scheduled for the past year, as detailed in the approved risk-based audit plan in accordance with Section 27(2) (10) of the Treasury Regulations of the PFMA. The audit plan was based on an assessment of risk areas identified by Risk Management, Internal Audit and Management, as well as focus areas highlighted by the Audit and Risk Committee. The plan was updated as appropriate to ensure responsiveness to changes in the business. The implementation of Internal Audit recommendations in TCTA gave rise to an enhanced control environment. Nothing came to the attention of the Board to indicate that there were any material breaches in controls during the 2011/12 financial year.

## Company Secretary

All Board members have access to the advice and services of the Company Secretary, who is responsible for ensuring compliance with corporate governance procedures, fiduciary duties and other governance responsibilities within the applicable statutory and regulatory framework and the manner in which such responsibilities should be properly discharged in the interests of the organisation.

The Company Secretary assists in managing the appointment of directors as well as the induction, training and performance evaluation of individual

members and the collective Board and committees. The Company Secretary is also accountable for ensuring that the Board Charter and Committee Terms of Reference are kept up to date.

## Ethics Management

The TCTA Board, management and employees are committed to transparent, sound and ethical business practices as expressed in its Code of Conduct through regular declarations of interests.

## Executive Management

The Executive Management is appointed to execute the day-to-day operations of the organisation, in line with the powers delegated by the Board to the Chief Executive Officer. The Executive Committee assists the Chief Executive Officer in executing these duties. The Executive Committee meets formally bi-weekly, and additional meetings (formal or informal) are scheduled on an ad hoc basis. Decisions are taken in accordance with the Delegation of Authority.



## Executive Managers



**Mr James Ndlovu**

### QUALIFICATIONS

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

### TCTA Board Committees:

- None

### Current Position:

- Chief Executive Officer

### Other Directorships:

- None

### Date Appointed:

1 November 2008



**Ms Jeanette Nhlapo**

### QUALIFICATIONS

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

### Current Position:

- Chief Operating Officer

### Other Directorships:

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

### Other Board Committee

#### Memberships:

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

## Executive Managers



**Ms Halima Nazeer**

**QUALIFICATIONS**

- B Comm (Wits – 1989)
- B Compt Hons (UNISA – 1992)
- CA (SA – 1993)
- Executive Development Programme (Uni. Stellenbosch – 2009)

**Current Position:**

- Chief Financial Officer

**Other Directorships:**

- None

**Other Board Committee Memberships:**

- None



**Mr Leonard Radzuma**

**QUALIFICATIONS**

- MBL (UNISA SBL -2006)
- B. Comm (Accounting) Univ. Venda-1996)

**Current Position:**

- Chief Risk Officer

**Other Directorships:**

- None

**Other Board Committee**

**Memberships:**

- South African Human Rights Commission – Audit Committee Member
- Gauteng Shared Services (Finance Department) - Audit Committee Member



**Ms Lahlane Mnisi**

**QUALIFICATIONS**

- B Proc (UNIN – 1995)
- LLB (UNIN – 1998)
- Admitted Attorney (2001)

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**Current Position:**

- Company Secretary & Executive Manager: Governance

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**Other Directorships:**

- None

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**Other Board Committee Memberships:**

- None



**Ms Carina Bleeker**

**QUALIFICATIONS**

- B.Bibl (Ed) (Univ. JHB – 1993)
- B.Bibl (Hon) (Univ. JHB – 1994)
- M.Bibl (Univ. JHB – 1996)
- Executive Development Programme (UNISA- SBL – 2005)
- Snr Manager Dev. Program (University of Stellenbosch – 2009)

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**Current Position:**

- Executive Manager: Enterprise-Wide Support Services

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**Other Directorships:**

- None

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**Other Board Committee Memberships:**

- None

## Executive Managers



**Prof Ola Busari**

**QUALIFICATIONS**

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

**Current Position:**

- Executive Manager: Knowledge Management

**Other Directorships:**

- None

**Other Board Committee**

**Memberships:**

- None



**Mr Johann Claasens**

**QUALIFICATIONS**

- B Compt (UOFS - 1984)
- B Compt Hons (UNISA - 1986)
- Chartered Accountant (SA - 1988)
- Executive Development Programme (Uni. Stellenbosch – 2009)

**Current Position:**

- Executive Manager: Project Management and Implementation

**Other Directorships:**

- None

**Other Board Committee**

**Memberships:**

- RSA Delegate: Lesotho Highlands Water Commission



**Ms Zodwa Mbele**

**QUALIFICATIONS**

- B Paed (UNIZUL - 1992)
- B Compt (UNISA 1996)
- B Compt Hons (UNISA - 1998)
- CA (SA -2001 )
- Management Advanced Programme (WITS - 2004)
- EDP (University of Stellenbosch - 2009)
- Certificate in International Treasury Management (Association of Corporate Treasurers, UK 2011)

**Current Position:**

- Executive Manager: Project Finance and Treasury

**Other Directorships:**

- Memeza QRX (Pty) Ltd

**Other Board Committee Memberships:**

- None



**Mr Rathata Matabane**

**QUALIFICATIONS**

- BA (UNISA – 1993)
- Grad Diploma- Company Direction (IOD – 2002)
- Post-Grad Diploma- Labour Law (GIMT – 2003)
- Management Advancement Programme (Univ. Wits – 1998)
- Management Dev. Programme (GIBS – 2006)
- Exec. Dev. Programme (USB – 2009)

**Current Position:**

- Executive Manager: Human Resources Management and Organisational Development

**Other Directorships:**

- None

**Other Board Committee Memberships:**

- None



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## Infrastructure and Service Management

During the period under review, TCTA refreshed its core IT network infrastructure thereby achieving an average of 98% infrastructure availability; 3% above a set target of 95%. After the realignment of function as centralisation of the Service Desk, the performance against internal service level agreements improved from 82% in the previous period to 92% in the period under review; 2% above a set target of 90%.

Compliance has improved significantly since 2009 when there were 23 findings by the external auditor. This has progressively reduced over the years; 17 new findings in 2010, then 7 new findings in 2011 and a clean audit in 2012.

During this period TCTA also developed and implemented an Information Security Management System, in line with ISO 27000. A thorough business impact assessment was conducted during this period, on which the new Disaster Recovery Plan is based. The plan will be fully implemented in the new financial year. Residual ICT risks remain at low or moderate levels.

## Governance, Risk and Compliance

A new three year ICT Strategic Plan was developed during the period under review. In collaboration with TCTA's business strategy efforts, the strategy document sets forth a broad technology strategic plan, including a prioritised three-year roadmap of business solutions, information technology governance, and enterprise architecture initiatives to help TCTA meet its business goals related to implementing financial stability measures, workforce efficiency, and revenue generating programmes.

In order to assist the ICT and KM Committee recently in discharging its oversight duties, an IT Governance, Risk and Compliance Framework was developed. The framework is in line with the enterprise-wide risk management framework and compliance universe.

## Business Information Systems

During the period under review, TCTA completed a Business Process Re-engineering project. This led to a better understanding of cross-cutting business processes and information systems requirements. Plans are already underway to automate and integrate the re-engineered business processes. Both the Treasury Management and Financial systems received major upgrades during this period.

A high-speed photograph of water splashing, creating numerous droplets and a dynamic, energetic scene. The water is clear and bright, set against a light blue background. The splashes are concentrated on the left side, with droplets flying outwards and upwards. The overall effect is one of freshness and movement.

# Annual Financial Statements



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# Responsibility of Directors for the Annual Financial Statements





## Responsibility of directors for the annual financial statements

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

The principal accounting policies are prepared in accordance with International Financial Reporting Standards.

The controls throughout TCTA concentrate on focused critical risk areas. These areas are identified by operational management and confirmed by Executive Management. All controls relating to these critical risk areas are closely monitored and are subject to audit.

TCTA is a going concern. The long-term solvency of TCTA is determined by its tariff methodology, income agreements and guarantees (explicit and implicit). TCTA's tariffing methodology seeks to provide a stable planning platform for the future by smoothing the tariff over the period of repayment which is significantly less than the project life and results in end-user affordability. The income agreements allow for a CPI-adjusted increase on an annual basis. Furthermore, additional increases are provided for in the income agreements for any changes in the input assumptions, including changes in water demand and operations costs. TCTA will thus show a deficit, after interest, in the first number of years after completion of an infrastructure project. However, when matched to the income stream, underwritten by government guarantees, both explicit (LHWP) and implicit (BWP, VRESAP, MMTS2 and KWSAP), and the useful life of the projects, it is clear that the debt will be repaid over the planned repayment period and that the organisation is a going concern.

The financial statements were approved by the Board of Directors on 29 June 2012 and are signed on its behalf by the Chairman and Chief Executive Officer.

A handwritten signature in black ink, appearing to be 'SK' with a flourish.

**Dr Snowy Khoza**  
Chairman

A handwritten signature in black ink, appearing to be 'JN' with a flourish.

**James Ndlovu**  
Chief Executive Officer

An aerial photograph of a vast blue ocean with white-capped waves. The water is a deep, vibrant blue, and the waves are breaking, creating white foam. The perspective is from a high angle, looking down at the water's surface. The lighting is bright, suggesting a sunny day, and the overall mood is serene and expansive.

# The Audit and Risk Committee's Report

Report of the Audit Committee – as required by Treasury Regulations 27.1.7 and 27.1.10 (b) and (c) issued in terms of sections 51(1)(a)(ii) and 76(4)(d) the Public Finance Management Act 1 of 1999, as amended by Act 29 of 1999.

We are pleased to present our report for the financial year ended 31 March 2012.

## 1. Audit Committee members and attendance

The Committee is responsible for annual financial statements, audit reports, internal controls, risk management strategies, compliance, risk and audit processes and providing assurance to the Board on compliance with applicable legislation, policies, plans, frameworks, systems and processes.

External Auditors, Internal Auditors, Risk Managers and Compliance Officers attend the Audit & Risk Committee meetings. Chief Risk Officer to the Chairman of the Audit & Risk Committee, and External Auditors meets the Committee on ad hoc to discuss matters outside Executive Management.

The audit committee consists of the members listed hereunder. During the financial year under review the audit committee met five times and appropriate feedback was provided to the board on matters that are within the mandate of the audit committee.

Audit committee member's name	Qualification	Constituency	Number of meetings attended
Doris Dondur	CA(SA) MBA	Non-Executive Director	5 out of 5
James Ndlovu	BA MSc	Executive Director	5 out of 5
Monale Ratsoma *	MComm Economics, Hons Economics BCom	Non-Executive Director (National Treasury Rep)	1 out of 3
Thuto Shomang *	BCom Hons BCom	Non-Executive Director (National Treasury Rep)	0 out of 3
Sipho Sono	BA CA(SA) Hons B Accounting Science BComm	Non-Executive Director	5 out of 5
Jan-Willem Geenen	CA(SA)	Non-Executive Director	4 out of 5
Lebohang Thotanyana	CA(L) BCom Hons	Non-Executive Director	5 out of 5

\* Monale Ratsoma became a member on 1 January 2012

\* Thuto Shomang served until 31 December 2011

In addition, the audit committee also had separate in-committee sessions with the Chief Risk Officer and the CEO.

## 2. Audit Committee Responsibility

The TCTA's audit committee wishes to report that it has complied with its responsibilities arising from section 51 (1)(a) as well as the Treasury Regulations 27.1.7 and 27.1.10 (b) and (c) issued in terms of sections 51(1)(a)(ii) and 76(4)(d), and the Public Finance Management Act 1 of 1999, as amended by Act 29 of 1999. The audit committee also wishes to report that it has adopted formal terms of reference as it has regulated, and continues to regulate its work, in compliance with its charter.

The audit committee is able to report that Internal Audit, comprising of TCTA employees and outsourced internal auditors; and External Audit, which is performed by Deloitte & Touche and SizweNtsalubaGobodo Inc, is independent of the TCTA.

The audit committee has discharged all its responsibilities as contained in the audit committee charter adopted by The TCTA Board.

### 3. Effectiveness of internal control

The PFMA 38(1)(a)(i) and 51(1)(a)(i) states that the accounting authority must ensure that the entity has maintained an effective, efficient and transparent system of financial management, risk management and internal control.

Based on the reports provided by the Risk Division and management reports, TCTA's control environment was effective during the period.

Areas of improvement raised by the Risk Division and external auditors were taken note of by management and most issues subsequently resolved. A few issues are still being attended to, to ensure that proposed recommendations are implemented.

There was however an instance where the organization was defrauded of R5 million by a purported supplier, which was subsequently recovered in full.

The Audit and Risk Committee wishes to highlight that an investigation was conducted on alleged irregularities in TCTA perpetrated by one of the executives. An external consulting firm was engaged to perform a forensic investigation and their recommendations are being acted upon.

Overall the committee is satisfied with the current control environment.

### 4. Governance of risk

The PFMA 38(1)(a)(i) and 51(1)(a)(i) states that the accounting authority must ensure that the entity has maintained an effective, efficient and transparent system of financial and risk management and internal control.

The audit and risk committee has the responsibility to ensure that a risk management process is in place at the TCTA and as such can report that, at the meetings held during the year, it was informed that risks are being managed effectively. Over and above the strategic risk assessments carried out in every quarter of the year, with the last review having been carried out in February 2012, operational risks are managed on a continuous basis, treasury risks are managed on a daily basis and project risk workshops are carried out on a quarterly basis. All critical risks are reported to the Audit and Risk Committee.

In respect of risk management and information technology, the Committee:

- reviewed TCTA's policies on risk assessment and risk management, including fraud risks and information technology risks as they pertain to financial reporting and the going-concern assessment, and found them to be sound.

## 5. Statutory Compliance and Legal

In respect of the coordination of assurance activities, the Committee reviewed the plans and work outputs of the Compliance department, the Internal and External auditors and concluded that these were adequate to address all significant risks facing the business.

In addition, the committee also:

- approved the compliance universe and annual programme;
- considered reports provided by management, the Compliance and Internal Audit Departments as well as the external auditors regarding compliance with legal and regulatory requirements.

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

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

The committee wishes to highlight that there is an on-going litigation matter between TCTA and Steffanutti Stock which the Risk Division is managing.

## 6. Internal audit

The audit committee is responsible for ensuring that the TCTA internal audit function is independent, and has the necessary resources, standing, and authority within the TCTA to enable it to discharge its duties. Furthermore, the audit committee oversees cooperation between the internal and external auditors, and serves as a link between the Board and these functions.

In respect of internal control and internal audit, the Committee, amongst others:

- reviewed and approved the annual internal audit charter and audit plan and evaluated the independence, effectiveness and performance of Internal Audit and compliance with its charter;
- considered the reports of Internal Audit and External Audit on TCTA's systems of internal control including financial controls, business risk management and maintenance of effective internal control systems;
- received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof;
- reviewed significant issues raised by the internal and forensic audit processes and the adequacy of corrective action in response to significant internal and forensic audit findings;
- reviewed significant differences in opinion between management and Internal Audit and noted that there were none; and
- assessed the adequacy of the performance of Internal Audit, and specifically assessed the adequacy of the available internal audit resources. During this period, the Internal Audit team comprised of both in-house auditors and outsourced internal auditors.

Based on the above, the Committee's opinion was that there were no material breakdowns in internal control, including financial controls, business risk management and maintaining effective material control systems.

## 7. Whistle blowing

A total of four incidents were reported during the year under review. These were reported either through the KPMG fraud hotline or referred directly to TCTA. The committee was presented with the outcomes of the various investigations conducted and the recommendations emanating from the investigations.

## 8. The quality of budgets submitted in terms of the PFMA

The actual financial performance for the year ended 31 March 2012 was reviewed by the Audit and Risk Committee to assess management's performance against the Board approved budget, which was based on the organization's business plan. The committee concluded that financial performance was within the approved budget.

## 9. Evaluation of financial statements

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

- confirmed the going concern as the basis of preparation of the annual financial statements;
- reviewed compliance with the financial conditions of loan covenants;
- examined and reviewed the annual financial statements, as well as all financial information disclosed to the public prior to submission and approval by the TCTA Board of Directors;
- ensured that the annual financial statements fairly present the financial position of TCTA as at the end of the financial year and the results of operations and cash flows for the financial year and considered the basis on which the organisation was determined to be a going concern;
- considered accounting treatments, significant unusual transactions and accounting judgements. In the year under consideration, a significant change in accounting treatment was implemented. Up until 31 March 2011, TCTA had treated the bulk raw water infrastructure that it constructs as Property Plant and Equipment in terms of IAS 16 Property Plant and Equipment. The Enduring Benefit was treated as an intangible asset in terms of IAS 38 Intangible Assets. Cash-flows received from the Department of Water Affairs in terms of the Income Agreements between DWA and TCTA were treated as revenue (water sales) in terms of IAS 18 Revenue. This treatment resulted in TCTA recognising the bulk raw water infrastructure constructed as a tangible asset to TCTA, and the income received from DWA as being earnings from utilising the tangible asset.

The effective impact of the change in treatment is that all costs incurred will be included in the financial asset comprising DWA expenditure, which will be repaid by DWA through water tariffs or transfers on social projects where the project is funded by DWA. After construction there will be operating expenses and finance costs charged against the income statement, and finance income earned from unwinding the financial assets. There will also be income earned from DWA paying TCTA for the administrative expenses.



The Audit and Risk Committee further:

- considered the appropriateness of the accounting policies adopted and changes thereto;
- reviewed the external auditors' report on the annual financial statements of TCTA;
- considered problems identified and reviewed significant legal matters that could have a material impact on the financial statements; and
- considered the effectiveness of the TCTA's disclosure controls and procedures.

## 10. Conclusion

The audit committee concurs with and accepts the conclusions and audit opinion of Deloitte & Touche and SizweNtsalubaGobodo Inc on the annual financial statements and is of the view that the audited financial statements be accepted.



**Lebohang Thotanyana**

*Chairperson: Audit and Risk Committee*

# Independent Auditors' Report



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

## Report on the Financial Statements

### Introduction

We have audited the financial statements of the Trans-Caledon Tunnel Authority as set out on pages 102 to 259, which comprise the statement of financial position as at 31 March 2012, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

### Directors' responsibility for the financial statements

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

### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Public Audit Act, the General Notice issued in terms thereof and International Standards on Auditing.

Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Trans-Caledon Tunnel Authority as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act of South Africa.

## Report on other Legal and Regulatory Requirements

### Public Audit Act Requirements

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

#### Predetermined objectives

We performed procedures to obtain evidence about the usefulness and reliability of the information in the Balanced Scorecard for 2011/2012 as set out on pages 18 to 25 of the annual report.

The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability.

The usefulness of information in the Balanced Scorecard for 2011/2012 relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives.

The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

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

There were no material findings on the Balanced Scorecard for 2011/2012 concerning the usefulness and reliability of the information.

#### Compliance with laws and regulations

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

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

#### Internal control

We considered internal control relevant to our audit of the financial statements, the High-level Corporate Performance for 2011/2012 report and compliance with laws and regulations.

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

## Other Reports

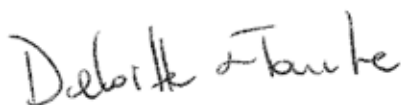
### Agreed-upon procedures engagements

#### National Treasury agreed-upon procedures

As requested by the Trans-Caledon Tunnel Authority, a review engagement will be conducted concerning the Trans-Caledon Tunnel Authority's completion of the National Treasury certificate. The report will be issued at the end of July 2012.

#### Commercial paper agreed-upon procedures

As requested by the Trans-Caledon Tunnel Authority, we conducted review engagements concerning the Trans-Caledon Tunnel Authority's compliance with the Commercial Paper Regulations for the commercial paper issues on the Mooi-Mgeni Transfer Scheme and the Komati Water Scheme Augmentation Project. The reports were issued on 22 June 2011 and 11 July 2011 respectively.



#### Deloitte & Touche

Registered Auditor  
Per: Mgcinisihlalo Jordan  
Partner  
29 June 2012

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Registered Auditors  
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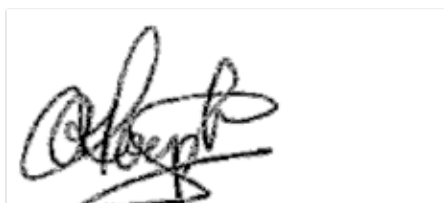
Member of Deloitte Touche Tohmatsu Limited

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

A full list of partners and directors is available on request

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

Member of Deloitte Touche Tohmatsu Limited



#### SizweNtsalubaGobodo Inc

Registered Auditor  
Per: Anoosh Rooplal  
Director  
29 June 2012

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An Independent Member Firm of Morrison International

Nonkululeko Gobodo (Chairman), Victor Sekese (CEO), Natalie Arendse, Rakesh Bhika, Vonani Chauke, Aaron Mthimunye, Donovan Simpson, Mike Terheyden, Hale Qangule, A comprehensive list of all Partners, Directors and Associate Directors is available at the company offices or registered office.

Registration number: M2005/034639/21

Joint Auditors

# Aggregated Statement of Financial Position

For the year ended 31 March 2012

	Notes	Total March 2012 R million	Total restated March 2011 R million	Total restated March 2010 R million
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	7	8	8	6
Tariff receivable	9	26 417	27 163	27 625
Derivative financial instruments	8,8	3	5	5
Loans and other receivables	9	-	4	6
		<b>5 792</b>	<b>6 125</b>	<b>7 096</b>
<b>Current assets</b>				
Tariff receivable	9	3 553	2 661	2 495
Loans and other receivables	9	327	111	304
Derivative financial instruments	8,8	1	4	3
Financial market investments	8,2	1 420	3 144	4 198
Prepaid expenditure	10	450	193	73
Non-contractual amounts	12	41	11	23
Cash and cash equivalents	14	-	1	-
		<b>32 220</b>	<b>33 305</b>	<b>34 738</b>
<b>TOTAL ASSETS</b>				
<b>EQUITY AND LIABILITIES</b>				
<b>Reserves and surplus</b>				
Accumulated surplus		5 575	5 979	6 263
		<b>5 575</b>	<b>5 979</b>	<b>6 263</b>
<b>TOTAL EQUITY</b>				
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Financial market liabilities	8,3	23 484	23 620	22 307
Provisions	13,4	254	331	338
Derivative financial instruments	8,8	1	4	2
		<b>23 739</b>	<b>23 955</b>	<b>22 647</b>
<b>Current liabilities</b>				
Trade and other payables	11	1 640	916	867
Non-contractual amounts	12	82	75	66
Provisions	13,4	40	41	37
Derivative financial instruments	8,8	4	7	80
Financial market liabilities	8,3	1 140	2 332	4 778
		<b>2 906</b>	<b>3 371</b>	<b>5 828</b>
		<b>26 645</b>	<b>27 326</b>	<b>28 475</b>
<b>TOTAL LIABILITIES</b>				
<b>TOTAL EQUITY AND LIABILITIES</b>				
		<b>32 220</b>	<b>33 305</b>	<b>34 738</b>

# Aggregated Statement of Comprehensive Income

For the year ended 31 March 2012

	Notes	Total March 2012 R million	Restated Total March 2011 R million
<b>CONSTRUCTION REVENUE</b>	15	1 790	777
<b>CONSTRUCTION COSTS</b>	15	(1 790)	(777)
<b>OTHER INCOME</b>	16	511	565
<b>OPERATING EXPENSES</b>		(511)	(565)
Legal fees and litigation costs		(1)	-
Depreciation		(5)	(4)
Operating costs for the works in Lesotho		39	(57)
Lesotho Highlands Water Commission (LHWC) costs	20,2	(11)	(11)
Staff costs		(124)	(119)
Directors' emoluments	20,3	(6)	(6)
Royalties paid	18	(615)	(438)
Other operating expenses	19	212	70
<b>OPERATING SURPLUS</b>		-	-
<b>NET FINANCE COSTS</b>		(404)	(284)
Finance income	17,1	2 376	2 807
Finance costs	17,2	(2 780)	(3 091)
<b>DEFICIT FOR THE YEAR</b>		(404)	(284)
<b>OTHER COMPREHENSIVE INCOME</b>		-	-
<b>TOTAL COMPREHENSIVE DEFICIT FOR THE YEAR</b>		(404)	(284)

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

## Aggregated Statement of Changes in Equity

For the year ended 31 March 2012

	Accumulated surplus R million	Total R million
<b>Restated opening balance at 01 April 2010</b>	6 263	6 263
Restated deficit for the year	(284)	(284)
<b>Restated total comprehensive deficit for the year</b>	<b>(284)</b>	<b>(284)</b>
<b>Restated balance at 31 March 2011</b>	<b>5 979</b>	<b>5 979</b>
<b>Restated opening balance at 01 April 2011</b>	5 979	5 979
Net deficit for the year	(404)	(404)
<b>Total comprehensive deficit for the year</b>	<b>(404)</b>	<b>(404)</b>
<b>Balance at 31 March 2012</b>	<b>5 575</b>	<b>5 575</b>



# Aggregated Statement of Cash Flows

For the year ended 31 March 2012

	Notes	Total March 2012 R million	Total March 2011 R million
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from DWA		4 044	3 219
Cash paid to suppliers and employees		(3 868)	(3 143)
Cash generated from project activities	A	176	76
Interest paid	C	(2 039)	(2 269)
<b>Net cash outflow from operating activities</b>		<b>(1 863)</b>	<b>(2 193)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payments to acquire financial assets		(151)	(1 437)
Proceeds on the sale of financial assets		1 867	2 047
Interest received	B	128	741
Capitalised to tariff receivable		1 758	2 340
Addition of other assets		(6)	(6)
<b>Net cash inflow from investing activities</b>		<b>3 596</b>	<b>3 685</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from long-term borrowings		282	1 564
Repayments on long-term borrowings		(806)	(3 305)
Proceeds from short-term borrowings		893	2 063
Repayments on short-term borrowings		(2 103)	(1 813)
<b>Net cash outflow from financing activities</b>		<b>(1 734)</b>	<b>(1 491)</b>
Net (decrease)/ increase in cash and cash equivalents		(1)	1
Cash and cash equivalents at beginning of period		1	-
<b>Cash and cash equivalents at end of period</b>	D	<b>-</b>	<b>1</b>

# Notes to the Aggregated Statement of Cash Flows

For the year ended 31 March 2012

Notes	Total March 2012 R million	Total March 2011 R million
<b>A. CASH GENERATED FROM PROJECT ACTIVITIES</b>		
<b>Net deficit for the year</b>	<b>(404)</b>	<b>(284)</b>
Adjustments for non cash flow items and amounts separately disclosed:		
Depreciation on non-current assets	5	4
Finance cost recognised in profit or loss	2 049	1 961
Net foreign exchange gains	(20)	(83)
Net foreign exchange losses	8	95
Gain on NPV of financial asset	(1 633)	(1 689)
Change in estimate of O & M cost	(98)	(21)
Rental income - RSA account	(3)	(2)
Changes in working capital:		
(Increase)/ decrease in loans and other receivables	(242)	181
Increase in prepaid expenditure	(257)	(120)
Increase in payables and provisions	764	6
Non cash flow item in accounts receivable	(1)	43
Non cash flow item in accounts payable	8	(15)
<b>Cash generated from project activities</b>	<b>176</b>	<b>76</b>
<b>B. INTEREST RECEIVED</b>		
Amount due at beginning of the year	13	458
Income during the year adjusted for non-cash items	121	296
Amount received	251	602
Profit on switch auction	-	(11)
Loan premium amortised	(127)	(180)
Internal transfer to funding portfolio	-	(110)
Interest on RSA account	(3)	(5)
Amount due at the end of the year	(6)	(13)
<b>Interest received</b>	<b>128</b>	<b>741</b>

## Notes to the Aggregated Statement of Cash Flows

For the year ended 31 March 2012

Notes	Total March 2012 R million	Total March 2011 R million
<b>C. INTEREST PAID</b>		
Amount not paid at beginning of the year	(608)	(553)
Expensed during the year adjusted for non-cash items	(2 004)	(2 324)
Amount expensed	(2 709)	(2 898)
Less: Loan discount amortised	1	19
Foreign loan payments	1	(8)
Internal transfer to redemption portfolio	-	110
Loss on switch auction	72	77
Capital adjustment to inflation-linked liability	214	172
Concessionary portion - on EIB loan	2	3
Interest on compensation	182	-
Interest capitalised	225	224
Cash flow in interest provision reflected under cash flow from financing activities	8	(23)
Amount not paid at the end of the year	573	608
<b>Interest paid</b>	<b>(2 039)</b>	<b>(2 269)</b>
<b>D. CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		
Cash and cash equivalents consist of cash on hand and balances with banks.	-	1

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 1 General Information

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

## 2 Adoption of new and revised standards and interpretations

### 2.1 Early adoption of standards, amendments and interpretations

Standard / Interpretation	Impact
IFRS 1 – First-time Adoption of IFRS (amended)	The amendment, effective 1 January 2013, addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRSs. The adoption of this amendment has no impact on TCTA's financial statements as TCTA has already adopted IFRS.
IFRS 1 – First-time Adoption of IFRS (amended)	The amendment clarifies that an entity may apply IFRS 1 more than once under certain circumstances. An entity that previously applied IFRS but then stopped is permitted but not required to apply IFRS 1 when it recommences applying IFRS. Management would need to disclose reasons for stopping and resuming preparation in terms of IFRS. This amendment is early adopted as TCTA has already adopted IFRS and is still preparing its financial statements in terms thereof.
IFRS 1 – First-time Adoption of IFRS (amended)	The amendment clarifies that an entity can choose to adopt IAS 23 Borrowing Costs, either from its date of transition or from an earlier date. From whichever date the entity chooses to adopt IAS 23 Borrowing Costs under previous GAAP are not restated; and IAS 23 applies to borrowing costs on qualifying assets that were under construction at the date of transition, irrespective of whether borrowing costs were capitalised under previous GAAP.  These amendments are adopted and have no impact on TCTA as TCTA no longer has qualifying assets under the borrowing cost standard.
IFRS 7 – Financial Instruments: Disclosure (amended)	The amendments, applicable to periods after 1 July 2011, require additional disclosure on transfers of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendments also require additional disclosures if a disproportionate amount of transfers are undertaken around the end of a reporting period. This amendment has not had an impact on TCTA as there has been no transfers of financial assets in the current financial year.
IFRS 7 – Financial Instruments: Disclosures (amended)	The amendment, effective 1 January 2013, requires entities to disclose gross amounts subject to rights of set-off, amounts set-off in accordance with the accounting standards followed, and the related net credit exposure. This information will help users understand the extent to which an entity has set-off financial instruments in its statement of financial position and the effects of set-off on the entity's rights and obligations. The adoption of this standard has no impact as there are no significant set-off arrangements in TCTA.

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

Standard / Interpretation	Impact
IAS 1 – Presentation of Financial Statements (amended)	<p>New requirements, applicable to periods after 1 July 2012, to group together items within other comprehensive income (OCI) that may be reclassified to the profit and loss section of the income statement in order to facilitate the assessment of their impact on the overall performance of an entity. The amendment requires entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled – such as revaluation gains on property, plant and equipment – will be presented separately from items that may be recycled in the future – such as deferred gains and losses on cash flow hedges. The title used by IAS 1 for the statement of comprehensive income has changed to 'statement of profit or loss and other comprehensive income'.</p> <p>Entities are permitted to use other titles.</p> <p>TCTA adopts this amendment with no change to the title of the statement of comprehensive incomes'.</p>
IAS 12 – Income Taxes (amended)	<p>IAS 12 Income Taxes has been amended, effective 1 January 2012, to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale.</p> <p>This amendment is not applicable to TCTA as TCTA is exempt from income tax.</p>
IAS 19 – Employee Benefits (Revised)	<p>An amended version of IAS 19 Employee Benefits with revised requirements for pensions and other post-employment benefits, termination benefits and other changes is applicable for annual periods beginning on or after 1 January 2013.</p> <p>Some of the key amendments include:</p> <ul style="list-style-type: none"> <li>• Introducing enhanced disclosures about defined benefit plans.</li> <li>• Incorporating other matters submitted to the IFRS Interpretations Committee.</li> <li>• Modifying accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and the affect of the recognition and measurement of termination benefits, and a few more.</li> </ul> <p>TCTA does not have termination and post-employment benefits, therefore the amendment has no impact.</p>
IAS 27 – Consolidated and Separate Financial Statements	<p>The standard now only deals with the requirements for separate financial statements, which have been carried over largely unchanged from IAS 27.</p> <p>Such an amendment is applicable for annual reporting periods beginning on or after 1 January 2013.</p> <p>TCTA does not compile consolidated financial statements and therefore early adoption has had no impact on the TCTA financial statements.</p>

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

Standard / Interpretation	Impact
IAS 32 – Financial Instruments: Presentation (amended)	<p>The amendment, effective 1 January 2013, requires entities to disclose gross amounts subject to rights of set-off, amounts set-off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set-off financial instruments in its statement of financial position and the effects of rights of set-off on the entity's rights and obligations. This amendment has no impact on TCTA as TCTA does not have significant set-off arrangements.</p>
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine	<p>The interpretation, has been issued for the following reasons:</p> <ul style="list-style-type: none"> <li>• Clarify the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognised as an asset, how the asset is initially recognised, and subsequent measurement.</li> <li>• The interpretation requires stripping activity costs which provide improved access to ore are to be recognised as a non-current 'stripping activity asset' when certain criteria are met. The stripping activity asset is depreciated or amortized on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity, using the units of production method unless another method is more appropriate.</li> </ul> <p>The adoption of this interpretation, effective 1 January 2013, will not have an impact on TCTA's financial statements as TCTA is not involved in surface mining.</p>

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 2,3 Standards, amendments and interpretations in issue but not yet adopted

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

## 3 Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

These policies have been consistently applied to all years presented unless otherwise stated in note 4.

### 3,1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 3,2 Basis of preparation

The financial statements have been prepared on the accrual and historical cost convention, except for certain financial instruments which are stated at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The preparation of financial statements in conformity with IFRS, requires the use of certain critical accounting estimates and judgements. It also requires management to exercise its judgment in the process of applying TCTA's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 23.

## 3,3 Property, plant and equipment

Furniture, vehicles, computer and office equipment.

These assets are stated at cost less accumulated depreciation and accumulated impairment. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets as follows:

- Furniture 4 years
- Vehicles 4 years
- Computer hardware, software and office equipment 2 years

Depreciation calculations are adjusted on an annual basis, at the beginning of the financial year, to recognise any changes to estimated remaining useful life and / or changes to the residual value of the asset.

### Useful lives

The useful lives of assets are assessed as follows:

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

### Leasehold improvements

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

### Disposals of property, plant and equipment

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in surplus or deficit. When revalued assets are sold, the amounts included in the revaluation reserves are transferred to accumulated surplus.

### Impairment

IAS 36 Impairment of Assets, is applied to all property, plant and equipment. At each reporting date, TCTA reviews the carrying amounts of its assets to determine whether there is any indication that those assets may be impaired. Impairment losses are recognised when an asset's carrying value exceeds its estimated recoverable amount.

### Fair value less costs to sell:

Where it is not possible to determine the fair value less cost to sell because there is no basis for making a reliable estimate of the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, the value in use is deemed to be its recoverable amount.



# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## Value in use

Value in use is the present value of the future cash flows expected to be derived from an asset/ cash-generating unit. A reversal of an impairment loss for an asset is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount. Any reversal of a revalued asset shall be credited directly to equity.

## 3,4 Foreign currency translation

### Functional and presentation currency

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

### Transactions and balances

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

## 3,5 Financial assets

### The business model for managing financial assets

TCTA considered its business model to determine if it holds the financial assets to collect contractual cash flows or to sell it prior to maturity to realise fair value changes. TCTA holds its financial assets to maturity and thus elected to collect the cash flows from holding the asset. TCTA considers the characteristics of the contractual cash flows of the financial assets.

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

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

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

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

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## Redemption assets

Redemption assets consist of an investment portfolio, aggregated for the redemption of the bonds as and when they mature. TCTA currently makes investments in order to smooth the refinancing of its mega bond issues and to market its shorter-dated paper to the market. There have been fundamental changes in the approach to investing following the credit crisis. Credit evaluation is first categorised relative to two other considerations i.e. liquidity and price. For any counterparty to be considered for investments, TCTA will have to evaluate them from three perspectives:

- 1) The first is externally, where rating of the counterparty is considered, country of origin, their expertise in investments and the track record of the organisation is taken into account.
- 2) The second aspect is the internal generated assessment, which deals with liquidity and credit of the organisation. This is to allow TCTA to set clearly defined limits that ensures spreading of risk and limits exposure to particular assets or industry.
- 3) The last aspect is the product, similar to the first aspect, the product should be rated by a reputable credit rating agency in line with money market products and hence would normally hold assets that are short to medium-term duration. They also must subscribe to industry organisations for similar type instruments with clearly defined benchmark.

Redemption assets are carried at amortised cost.

## Tariff receivable

The tariff receivable are non-derivative financial assets with determinable payments based either on costs to be reimbursed or a tariff determined to enable TCTA to repay the project debt over a twenty-year period. This category is made up of the right to receive cash from the Department of Water Affairs (DWA) with respect to construction work completed on DWA projects or services rendered by TCTA in managing debt on each project. The tariff receivable arises to the extent that TCTA has incurred costs in terms of the directive from the Minister of Water and Environmental Affairs in each project.

The tariff receivable arises as the contra to the construction revenue earned in each project, and is measured at amortised cost using the effective interest method. TCTA revises its estimates of costs and water tariff and adjust the carrying amount of the tariff receivable to reflect actual and revised estimated cash flows. TCTA recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate calculated in accordance with paragraph 92 of IAS 39. The adjustment is recognised in surplus or deficit.

## Derivative instruments

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

## Impairment of financial assets

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

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

*Objective evidence of impairment could include:*

- significant financial difficulty of the issuer or counterparty; or
  - default or delinquency in interest or principal payments; or
  - it becoming probable that the borrower will enter bankruptcy or financial reorganisation.
- For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include TCTA's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

## Derecognition of financial assets

TCTA derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If TCTA neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, TCTA recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If TCTA retains substantially all the risks and rewards of ownership of a transferred financial asset, TCTA continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

## Effective interest method

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

### 3.6 Financial liabilities

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

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

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

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

## Short-term financial market liabilities

### Funding portfolio

The short-term funding portfolio comprises short-term commercial paper classified as "other liabilities" and are held at amortised cost.

### Strategic portfolio

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

Locally registered bonds held-for-trading purposes are carried at fair value, which is determined with reference to exchange rate quoted prices at the close of business on the reporting date. Resultant gains or losses on the subsequent measurement are included in surplus or deficit for the year in which they arise. At present no such instruments are held by TCTA. Refer to note 6 for information relating to the management of interest rate risk.

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

## Other financial liabilities

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

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

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

## Long-term financial market liabilities

### *Funding portfolio*

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

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

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

Local loans are stated at amortised cost and classified as 'other liabilities'. At reporting date, foreign loans are stated at amortised cost and restated at the rates of exchange ruling at that date. Gains or losses are recognised in surplus or deficit.

Long-term commercial paper (more than twelve months to maturity), classified as 'other liabilities', is held at amortised cost.

### *Trade and other payables*

Payables are classified as 'other liabilities' and are stated at amortised cost.

## Derecognition of financial liabilities

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

## Gains and losses on subsequent measurement

Gains and losses on subsequent measurement are recognised as follows:

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

## Fair value estimation

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

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

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

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the contractual future cash flows at the current market interest rate that is available to TCTA for similar financial instruments.

## 3,7 Offsetting

TCTA reports separately both assets and liabilities, and income and expenses except when offsetting reflects the substance of the project transaction in terms of the implementation agreement or other relevant contract for each project.

## 3,8 Employee benefits

### Leave benefits

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

### Termination benefits

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

## 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.

### Provision for compensation

The provision relates to compensation payments being paid on the LHWP over a fifty-year period. The recipients have the option to receive compensation as a lump sum, annual payments made in cash or a set amount of maize grain. Due to the nature of the maize grain option, TCTA is exposed to fluctuations in the commodity price of maize grain. Management continuously monitors this exposure and will make adjustment in future periods if future market prices indicate that such adjustments are appropriate.

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

## 3,10 Liabilities of the water delivery component of the project in Lesotho

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

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 3,11 Construction contracts

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

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

### Contract costs

Contract costs comprise:

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

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

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

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

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

### Contract revenue

Contract revenue comprises:

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

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

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.

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

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

## 3,12 Operating expenses

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

## 3,13 Other income

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

## 3,14 Operating leases

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

## 3,15 Related party transactions

TCTA has applied the government-related entities exemption in terms of IAS 24: Related Party Disclosures, and has only disclosed significant transactions with entities controlled by the Government of South Africa in note 20.

## 3,16 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 Public Finance Management Act (PFMA), or any regulations made in terms of the PFMA.

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 2012

## 4 Change in Accounting Policy relating to the Construction Assets previously recognised as Property, Plant and Equipment and Intangible Assets

During the year TCTA reviewed the appropriateness of the treatment of large infrastructure projects previously disclosed as Works in RSA (in terms of IAS 16 Property Plant and Equipment) and Enduring Benefit (in terms of IAS 38 Intangible Assets). The financial statements have been prepared on the basis of a retrospective application of a voluntary change in accounting policy relating to expenditure on the large infrastructure projects, as well as the tariff received or receivable from the Department of Water Affairs.

The previous accounting policy was to capitalise all capital expenditure costs, directly attributable operating expenses and qualifying borrowing costs in terms of IAS 16 Property Plant and Equipment. Operating expenses and borrowing costs that were not capitalised were expensed to profit and loss. The tariff received from DWA in order to repay costs incurred in constructing and financing the infrastructure projects were recognised as Revenue, while cost recoveries for the same were treated as deferred income and reflected as a liability in the statement of financial position.

The new accounting policy was adopted on 31 March 2012 and has been applied retrospectively. TCTA is confident that the change in policy will result in the financial statements providing more relevant and reliable information about the effects and substance of the transactions being, to construct and procure funding on behalf of the Department of Water Affairs as directed by the Minister of Water and Environmental Affairs from time to time. The new policy more clearly reflects the underlying transactions and leads to the project financial position unwinding to nil once all obligations have been extinguished by TCTA as intended.

The policy that has been adopted is based on recognising the costs of construction and the related revenue in terms of the percentage of completion method contemplated in IAS 11 Construction Contracts, while the tariffs or recoveries payable to TCTA by DWA are recognised as a financial asset in terms of IFRS 9 Financial Instruments.

Under the percentage of completion method, contract revenue is recognised as revenue in profit or loss in the accounting periods in which the work is performed. Contract costs are recognised as an expense in profit or loss in the accounting periods in which the work to which they relate is performed. Contract costs include all capital, funding and administrative costs incurred by TCTA in relation to each project. The contra for the recognition of revenue will be the initial recognition of a financial asset. Post completion of the infrastructure, all administrative costs would be recognised as incurred as an expense in profit or loss. The recognition of these costs would be offset by an equal recognition of revenue for the delivery of administrative services.

DWA is required to ensure that TCTA is sufficiently funded at all times to enable it to repay its funders and to pay for all project costs incurred. Repayments are through a tariff or recoveries that are receivable from DWA. TCTA therefore has a contractual right to receive cash and is accounting for this arrangement as a financial asset under IFRS 9: Financial Instruments.

Interest is earned on the financial asset using the effective interest method and the carrying amount of the financial asset is adjusted to the present value of revised cash flows.

As a result of the retrospective application of the change in policy described above, and in accordance with IAS 1 Presentation and Disclosure, the accompanying statements of comprehensive income have been restated as follows:

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

Similarly the accompanying statements of comprehensive income have been restated as follows:

## 4,1 As previously stated:

<b>31 March 2011</b>	<b>LHWP <sup>(1)</sup> R million</b>	<b>BWP <sup>(2)</sup> R million</b>	<b>VRESAP <sup>(3)</sup> R million</b>
<b>Revenue</b>	2 708	171	219
<b>Other Income</b>	3	-	-
<b>Expenses</b>	(581)	(16)	(100)
Legal fees and litigation costs	-	-	(1)
Depreciation and amortisation	(29)	(9)	(73)
Operating costs for the work in Lesotho	(57)	-	-
Lesotho Highlands Water Commission (LHWC) costs	(11)	-	-
Staff costs	(119)	-	-
Directors' emoluments	(6)	-	-
Royalties paid	(438)	-	-
Other operating expenses	79	(7)	(26)
<b>Operating surplus/ (deficit)</b>	2 130	155	119
<b>Net Finance Costs</b>	(1 868)	(105)	(311)
Finance income	675	2	6
Finance costs	(2 543)	(107)	(317)
<b>Surplus/ (deficit) for the year</b>	262	50	(192)
<b>Total comprehensive surplus/ (deficit) for the year</b>	262	50	(192)

## Notes to the Annual Financial Statements

For the year ended 31 March 2012

MCWAP <sup>(4)</sup> R million	MMTS-2 <sup>(5)</sup> R million	ORWRDP <sup>(6)</sup> R million	KWSAP <sup>(7)</sup> R million	BOREHOLE <sup>(8)</sup> R million	AMD <sup>(9)</sup> R million	MMTS-1 <sup>(10)</sup> R million	Total R million
-	-	-	-	-	-	-	3 098
-	-	-	-	-	-	-	3
(30)	(19)	(28)	(19)	-	-	-	(793)
-	-	-	-	-	-	-	(1)
-	-	-	-	-	-	-	(111)
-	-	-	-	-	-	-	(57)
-	-	-	-	-	-	-	(11)
-	-	-	-	-	-	-	(119)
-	-	-	-	-	-	-	(6)
-	-	-	-	-	-	-	(438)
(30)	(19)	(28)	(19)	-	-	-	(50)
(30)	(19)	(28)	(19)	-	-	-	2 308
-	-	-	-	-	-	-	(2 284)
-	-	-	-	-	-	-	683
-	-	-	-	-	-	-	(2 967)
(30)	(19)	(28)	(19)	-	-	-	24
(30)	(19)	(28)	(19)	-	-	-	24

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 4,2 As restated

31 March 2011	LHWP <sup>(1)</sup> R million	BWP <sup>(2)</sup> R million	VRESAP <sup>(3)</sup> R million
<b>Construction Revenue</b>	-	5	406
<b>Construction Costs</b>	-	(5)	(406)
<b>Other Income</b>	548	17	-
<b>Operating Expenses</b>	(548)	(17)	-
Legal fees and litigation costs	-	-	-
Depreciation and amortisation	(4)	-	-
Operating costs for the work in Lesotho	(57)	-	-
Lesotho Highlands Water Commission (LHWC) costs	(11)	-	-
Staff costs	(119)	-	-
Directors' emoluments	(6)	-	-
Royalties paid	(438)	-	-
Other operating expenses	87	(17)	-
<b>Operating surplus/ (deficit)</b>	-	-	-
<b>Net Finance Costs</b>	(1 123)	146	578
Finance income	1 862	252	578
Finance costs	(2 985)	(106)	-
<b>Surplus/ (deficit) for the year</b>	(1 123)	146	578
<b>Total comprehensive surplus/ (deficit) for the year</b>	(1 123)	146	578

As a result of the retrospective application of the change in policy described above, and in accordance with IAS 1 Presentation and Disclosure, three statements of Financial Position are presented. Accordingly the Statements of Financial Position as at 31 March 2010 and 2011 included in these financial statements have been restated as follows:

## Notes to the Annual Financial Statements

For the year ended 31 March 2012

MCWAP <sup>(4)</sup> R million	MMTS-2 <sup>(5)</sup> R million	ORWRDP <sup>(6)</sup> R million	KWSAP <sup>(7)</sup> R million	BOREHOLE <sup>(8)</sup> R million	AMD <sup>(9)</sup> R million	MMTS-1 <sup>(10)</sup> R million	Total R million
104	99	68	95	-	-	-	777
(104)	(99)	(68)	(95)	-	-	-	(777)
-	-	-	-	-	-	-	565
-	-	-	-	-	-	-	(565)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(4)
-	-	-	-	-	-	-	(57)
-	-	-	-	-	-	-	(11)
-	-	-	-	-	-	-	(119)
-	-	-	-	-	-	-	(6)
-	-	-	-	-	-	-	(438)
-	-	-	-	-	-	-	70
-	-	-	-	-	-	-	-
18	33	-	64	-	-	-	(284)
18	33	-	64	-	-	-	2 807
-	-	-	-	-	-	-	(3 092)
18	33	-	64	-	-	-	(284)
18	33	-	64	-	-	-	(284)

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 4,3 As previously reported

31 March 2010	LHWP <sup>(1)</sup> R million	BWP <sup>(2)</sup> R million	VRESAP <sup>(3)</sup> R million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2 063	1 225	2 853
Intangible assets	13 123	-	-
Investment properties	14	-	-
<b>Current assets</b>			
Loans and other receivables	838	-	50
Assets classified as held for sale	-	-	-
<b>EQUITY AND LIABILITIES</b>			
<b>Reserves and deficit</b>			
Non-distributable reserves	119	-	-
Cumulative deficit	(3 510)	(111)	(303)
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	612	64	42

## Notes to the Annual Financial Statements

For the year ended 31 March 2012

MCWAP <sup>(4)</sup> R million	MMTS-2 <sup>(5)</sup> R million	ORWRDP <sup>(6)</sup> R million	KWSAP <sup>(7)</sup> R million	BOREHOLE <sup>(8)</sup> R million	AMD <sup>(9)</sup> R million	MMTS-1 <sup>(10)</sup> R million	TOTAL R million
23	26	8	23	-	-	-	6 221
-	-	-	-	-	-	-	13 123
-	-	-	-	-	-	-	14
15	25	76	3	-	-	-	1 007
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	119
(25)	(35)	(38)	(27)	-	-	-	(4 049)
68	27	124	55	-	-	-	992

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 4,4 As restated

31 March 2010	LHWP <sup>(1)</sup> R million	BWP <sup>(2)</sup> R million	VRESAP <sup>(3)</sup> R million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	-	-
Tariff receivable	22 742	1 243	3 494
<b>Current assets</b>			
Tariff receivable	2 153	141	201
Loans and other receivables	156	-	16
<b>EQUITY AND LIABILITIES</b>			
<b>Reserves and deficit</b>			
Cumulative surplus	5 630	103	505
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	612	10	42



## Notes to the Annual Financial Statements

For the year ended 31 March 2012

MCWAP <sup>(4)</sup> R million	MMTS-2 <sup>(5)</sup> R million	ORWRDP <sup>(6)</sup> R million	KWSAP <sup>(7)</sup> R million	BOREHOLE <sup>(8)</sup> R million	AMD <sup>(9)</sup> R million	MMTS-1 <sup>(10)</sup> R million	TOTAL R million
-	-	-	-	-	-	-	6
33	62	-	51	-	-	-	27 625
-	-	-	-	-	-	-	2 495
15	26	88	3	-	-	-	304
22	2	-	1	-	-	-	6 263
31	27	90	55	-	-	-	867

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 4,5 As previously reported

31 March 2011	LHWP <sup>(1)</sup> R million	BWP <sup>(2)</sup> R million	VRESAP <sup>(3)</sup> R million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2 070	1 230	2 849
Intangible assets	13 087	-	-
Investment properties	11	-	-
<b>Current assets</b>			
Loans and other receivables	552	-	68
Assets classified as held for sale	2	-	-
<b>EQUITY AND LIABILITIES</b>			
<b>Reserves and deficit</b>			
Cumulative deficit	(3 248)	(61)	(495)
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	656	28	64

## Notes to the Annual Financial Statements

For the year ended 31 March 2012

MCWAP <sup>(4)</sup> R million	MMTS-2 <sup>(5)</sup> R million	ORWRDP <sup>(6)</sup> R million	KWSAP <sup>(7)</sup> R million	BOREHOLE <sup>(8)</sup> R million	AMD <sup>(9)</sup> R million	MMTS-1 <sup>(10)</sup> R million	Total R million
98	105	47	98	-	-	-	6 497
-	-	-	-	-	-	-	13 087
-	-	-	-	-	-	-	11
53	43	16	-	14	-	-	746
-	-	-	-	-	-	-	2
(54)	(54)	(66)	(47)	-	-	-	(4 025)
198	57	146	36	12	-	-	1 197

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 4,6 As restated

31 March 2011	LHWP <sup>(1)</sup> R million	BWP <sup>(2)</sup> R million	VRESAP <sup>(3)</sup> R million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	-	-
Tariff receivable	21 099	1 329	4 216
<b>Current assets</b>			
Tariff receivable	2 207	193	261
Loans and other receivables	43	-	18
<b>EQUITY AND LIABILITIES</b>			
<b>Reserves and deficit</b>			
Cumulative surplus	4 507	249	1 083
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	655	10	64

## Notes to the Annual Financial Statements

For the year ended 31 March 2012

MCWAP <sup>(4)</sup> R million	MMTS-2 <sup>(5)</sup> R million	ORWRDP <sup>(6)</sup> R million	KWSAP <sup>(7)</sup> R million	BOREHOLE <sup>(8)</sup> R million	AMD <sup>(9)</sup> R million	MMTS-1 <sup>(10)</sup> R million	Total R million
-	-	-	-	-	-	-	8
115	194	-	210	-	-	-	27 163
-	-	-	-	-	-	-	2 661
-	-	36	-	14	-	-	111
40	35	-	65	-	-	-	5 979
67	19	53	36	12	-	-	916

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 5 Segmental Information

### 5.1 Operating segments

IFRS 8: Operating Segments requires operating segments to be identified on the basis of internal reports about components of TCTA that are regularly reviewed by the Chief Operating Decision-maker (CODM) in order to allocate resources to the segments and to assess their performance. The accounting policy for identifying segments is based on internal management reporting information that is regularly reviewed by the CODM. This function is fulfilled by the Chief Executive Officer and EXCO members who review the financial results of TCTA on a monthly basis. Presently the operating segments of TCTA are aligned to the project orientated model of the organisation.

### 5.2 Identification of operating segments

An important criterion for identifying operating segments is that the operating results are regularly reviewed by the entity's CODM to make decisions about resources to be allocated to the segment and assess its performance. IFRS 8: Operating Segments does not define 'regularly' so judgment may be needed to decide if this condition is met. Segments consist of the different projects for which TCTA received directives to implement and fund. TCTA provides various services to its customers such as liability management, treasury management services as well as project implementation. TCTA is required to report and account separately for each project and reports to the CODM, government as well as external stakeholders on the performance and financial position of each project as directed by the Minister of Water and Environmental Affairs.

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

#### Current Projects as at 31 March 2012

Off-Balance Sheet	Project Acronym	Description	Functions
Lesotho Highlands Water Project	LHWP	Delivery Tunnel North	Funding, implimentation, operations and maintenance
Lesotho Highlands Water Project (Phase 2)	LHWP	Phase 2 comprises the water delivery system which includes Polihale Reservoir on the Senqu River, a water conveyance tunnel connecting Polihale Reservoir with Katse Reservoir, access roads to the Project sites, camps, power transmission lines and administration centers, including social and environmental projects and programmes. Phase 2 shall include a pump storage scheme, associated transmission lines and appurtenant works by utilising the existing Katse Reservoir as the lower reservoir and a new upper reservoir in the Kobong Valley.	Funding
Lesotho Highlands Water Project	LHWP	To fulfil the RSA financial obligations in terms of or resulting from the Treaty	Funding and payment of obligations

## Notes to the Annual Financial Statements

For the year ended 31 March 2012

Off-Balance Sheet	Project Acronym	Description	Functions
Berg Water Project	BWP	The Berg River Dam and supplement scheme located in the upper reaches of the Berg River near Franschhoek, Western Cape.	Funding and implementation
Vaal River Eastern Sub-system Augmentation Project	VRESAP	The project involves the installation of a system to convey water 121 km from the Vaal Dam to the Secunda area.	Funding and implementation
Mooi Mgeni Transfer Scheme	MMTS-2	Construction of a new Spring Grove Dam on the Mooi River, Water Transfer System from the dam to the Mpofana River and a fish barrier upstream of the dam.	Funding and implementation
Komati Water Scheme Augmentation Project	KWSAP	This project extend the VRESS system. The project entails water supply to Eskom's Duvha and the new Kusile power stations in Mpumalanga.	Funding and implementation
Mokolo - Crocodile Water Augmentation Project	MCWAP	MCWAP comprises a pump station and a 43 km pipeline. The approximately one metre diameter pipes will deliver 30 million m <sup>3</sup> bulk water per year from the Mokolo Dam.	Funding and implementation

Government Funded Or Partially Funded	Project Acronym	Description	Functions
Olifants River Water Resource Development Project Phase 2	ORWRDP-2	The project encompass the De Hoop Dam constructed by DWA and a bulk distribution system. The phases that TCTA will implement is Phase 2C: Pipeline from De Hoop Dam to Steelpoort Phase 2D: Second pipeline from Steelpoort to Mooihoek Phase 2H: Incorporation of Lebalelo Scheme	Implementation
Metsi Bophelo Borehole Water Supply Project	BOREHOLE	This is a DWA-initiated project aimed to make clean drinking water accessible to poor rural communities by prioritising the rehabilitation of existing dysfunctional boreholes. Where there are no existing boreholes, the project drills and equips new holes and design and constructs storage facilities and distribution infrastructure.	Implementation
Acid Mine Drainage	AMD	This project comprises the installation of pumps to extract water from the Western, Central and Eastern Basins in the Witwatersrand gold fields and its neutralisation before discharge into the river system.	Implementation
Mooi Mgeni Transfer Scheme (Phase 1)	MMTS-1	This project comprises the refurbishment of the existing transfer scheme from Mearns Weir into the Mgeni system.	Implementation

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 5.3 Operating segments: financial results

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

Segmental Statement of Financial Position	Notes	LHWP <sup>(1)</sup>	BWP <sup>(2)</sup>	VRESAP <sup>(3)</sup>
		March 2012 R million	March 2012 R million	March 2012 R million
<b>ASSETS</b>				
<b>Non-current assets</b>		19 917	1 114	4 297
Property, plant and equipment	7	8	-	-
Tariff receivable	9	19 906	1 114	4 297
Derivative financial instruments	8,8	3	-	-
Loans and other receivables	9	-	-	-
<b>Current assets</b>		3 743	244	364
Tariff receivable	9	2 374	195	320
Loans and other receivables	9	95	2	21
Derivative financial instruments	8,8	1	-	-
Financial market investments	8,2	1 206	41	21
Prepaid expenditure	10	67	-	2
Non-contractual amounts	12	-	6	-
Cash and cash equivalents	14	-	-	-
<b>TOTAL ASSETS</b>		<b>23 660</b>	<b>1 358</b>	<b>4 661</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Reserves and surplus</b>		3 866	109	1 027
Accumulated surplus		3 866	109	1 027
<b>TOTAL EQUITY</b>		<b>3 866</b>	<b>109</b>	<b>1 027</b>



# Notes to the Annual Financial Statements

For the year ended 31 March 2012

MCWAP <sup>(4)</sup>	MMTS-2 <sup>(5)</sup>	ORWRDP <sup>(6)</sup>	KWSAP <sup>(7)</sup>	BOREHOLE <sup>(8)</sup>	AMD <sup>(9)</sup>	MMTS-1 <sup>(10)</sup>	Total
March 2012	March 2012	March 2012	March 2012	March 2012	March 2012	March 2012	March 2012
R million	R million	R million	R million	R million	R million	R million	R million
236	501	-	782	-	-	-	26 847
-	-	-	-	-	-	-	8
236	501	-	782	-	-	-	26 836
-	-	-	-	-	-	-	3
-	-	-	-	-	-	-	-
68	144	423	258	22	66	41	5 373
-	82	-	163	-	-	-	3 134
2	-	94	-	8	64	41	327
-	-	-	-	-	-	-	1
-	2	110	26	14	-	-	1 420
66	49	217	49	-	-	-	450
-	11	2	20	-	2	-	41
-	-	-	-	-	-	-	-
304	645	423	1 040	22	66	41	32 220
173	111	-	289	-	-	-	5 575
173	111	-	289	-	-	-	5 575
173	111	-	289	-	-	-	5 575

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 5.3 Operating segments: financial results (continued)

Segmental Statement of Financial Position	Notes	LHWP <sup>(1)</sup>	BWP <sup>(2)</sup>	VRESAP <sup>(3)</sup>
		March 2012 R million	March 2012 R million	March 2012 R million
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>		18 811	1 100	3 527
Financial market liabilities	8,3	18 556	1 100	3 527
Provisions	13,4	254	-	-
Derivative financial instruments	8,8	1	-	-
<b>Current liabilities</b>		983	149	107
Trade and other payables	11	733	26	44
Non-contractual amounts	12	71	-	6
Provisions	13,4	40	-	-
Derivative financial instruments	8,8	4	-	-
Financial market liabilities	8,3	135	123	57
<b>TOTAL LIABILITIES</b>		19 794	1 249	3 634
<b>TOTAL EQUITY AND LIABILITIES</b>		23 660	1 358	4 661

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

(1) LHWP - Lesotho Highlands Water Project

(2) BWP - Berg Water Project

(3) VRESAP - Vaal River Eastern Subsystem Augmentation Project

(4) MCWAP - Mokolo Crocodile River Water Augmentation Project

(5) MMTS-2- Mooi Mgeni Transfer Scheme (Phase 2)

(6) ORWRDP - Olifants River Water Resource Development Project Phase 2

(7) KWSAP - Komati Water Scheme Augmentation Project

(8) BOREHOLE - The Borehole Water Supply Project

(9) AMD - Acid Mine Drainage

(10) MMTS-1- Mooi Mgeni Transfer Scheme (Phase 1)

## Notes to the Annual Financial Statements

For the year ended 31 March 2012

MCWAP <sup>(4)</sup>	MMTS-2 <sup>(5)</sup>	ORWRDP <sup>(6)</sup>	KWSAP <sup>(7)</sup>	BOREHOLE <sup>(8)</sup>	AMD <sup>(9)</sup>	MMTS-1 <sup>(10)</sup>	Total
March 2012	March 2012	March 2012	March 2012	March 2012	March 2012	March 2012	March 2012
R million	R million	R million	R million	R million	R million	R million	R million
-	-	-	301	-	-	-	23 739
-	-	-	301	-	-	-	23 484
-	-	-	-	-	-	-	254
-	-	-	-	-	-	-	1
131	534	423	450	22	66	41	2 906
44	140	422	104	20	66	41	1 640
3	-	-	-	2	-	-	82
-	-	-	-	-	-	-	40
-	-	-	-	-	-	-	4
84	394	1	346	-	-	-	1 140
131	534	423	751	22	66	41	26 645
304	645	423	1 040	22	66	41	32 220

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 5.3 Operating segments: financial results (continued)

<b>Segmental Statement of Financial Position</b>	<b>Notes</b>	<b>LHWP <sup>(1)</sup> March 2011 R million</b>	<b>BWP <sup>(2)</sup> March 2011 R million</b>	<b>VRESAP <sup>(3)</sup> March 2011 R million</b>
<b>ASSETS</b>				
<b>Non-current assets</b>		21 112	1 333	4 216
Property, plant and equipment	7	8	-	-
Tariff receivable	9	21 099	1 329	4 216
Derivative financial instruments	8,8	5	-	-
Loans and other receivables	9	-	4	-
<b>Current assets</b>		5 310	216	332
Tariff receivable	9	2 207	193	261
Loans and other receivables	9	43	-	18
Derivative financial instruments	8,8	4	-	-
Financial market investments	8,2	2 988	22	50
Prepaid expenditure	10	68	-	1
Non-contractual amounts	12	-	1	2
Cash and cash equivalents	14	-	-	-
<b>TOTAL ASSETS</b>		<b>26 422</b>	<b>1 549</b>	<b>4 548</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Reserves and surplus</b>		4 507	249	1 083
Accumulated surplus		4 507	249	1 083
<b>TOTAL EQUITY</b>		<b>4 507</b>	<b>249</b>	<b>1 083</b>

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

MCWAP <sup>(4)</sup>	MMTS-2 <sup>(5)</sup>	ORWRDP <sup>(6)</sup>	KWSAP <sup>(7)</sup>	BOREHOLE <sup>(8)</sup>	AMD <sup>(9)</sup>	MMTS-1 <sup>(10)</sup>	Total
March 2011	March 2011	March 2011	March 2011	March 2011	March 2011	March 2011	March 2011
R million	R million	R million	R million	R million	R million	R million	R million
115	194	-	210	-	-	-	27 180
-	-	-	-	-	-	-	8
115	194	-	210	-	-	-	27 163
-	-	-	-	-	-	-	5
-	-	-	-	-	-	-	4
3	69	54	127	14	-	-	6 125
-	-	-	-	-	-	-	2 661
-	-	36	-	14	-	-	111
-	-	-	-	-	-	-	4
-	66	18	-	-	-	-	3 144
2	1	-	121	-	-	-	193
-	2	-	6	-	-	-	11
1	-	-	-	-	-	-	1
118	263	54	337	14	-	-	33 305
40	35	-	65	-	-	-	5 979
40	35	-	65	-	-	-	5 979
40	35	-	65	-	-	-	5 979

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 5.3 Operating segments: financial results (continued)

<b>Segmental Statement of Financial Position</b>	<b>Notes</b>	<b>LHWP <sup>(1)</sup> March 2011 R million</b>	<b>BWP <sup>(2)</sup> March 2011 R million</b>	<b>VRESAP <sup>(3)</sup> March 2011 R million</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>		19 445	1 167	3 343
Financial market liabilities	8,3	19 110	1 167	3 343
Provisions	13,4	331	-	-
Derivative financial instruments	8,8	4	-	-
<b>Current liabilities</b>		2 470	133	122
Trade and other payables	11	655	10	64
Non-contractual amounts	12	66	-	-
Provisions	13,4	41	-	-
Derivative financial instruments	8,8	7	-	-
Financial market liabilities	8,3	1 701	123	58
<b>TOTAL LIABILITIES</b>		<b>21 915</b>	<b>1 300</b>	<b>3 465</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>26 422</b>	<b>1 549</b>	<b>4 548</b>

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

(1) LHWP - Lesotho Highlands Water Project

(2) BWP - Berg Water Project

(3) VRESAP - Vaal River Eastern Subsystem Augmentation Project

(4) MCWAP - Mokolo Crocodile River Water Augmentation Project

(5) MMTS-2- Mooi Mgeni Transfer Scheme (Phase 2)

(6) ORWRDP - Olifants River Water Resource Development Project Phase 2

(7) KWSAP - Komati Water Scheme Augmentation Project

(8) BOREHOLE - The Borehole Water Supply Project

(9) AMD - Acid Mine Drainage

(10) MMTS-1- Mooi Mgeni Transfer Scheme (Phase 1)

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

MCWAP <sup>(4)</sup>	MMTS-2 <sup>(5)</sup>	ORWRDP <sup>(6)</sup>	KWSAP <sup>(7)</sup>	BOREHOLE <sup>(8)</sup>	AMD <sup>(9)</sup>	MMTS-1 <sup>(10)</sup>	Total
March 2011	March 2011	March 2011	March 2011	March 2011	March 2011	March 2011	March 2011
R million	R million	R million	R million	R million	R million	R million	R million
-	-	-	-	-	-	-	23 955
-	-	-	-	-	-	-	23 620
-	-	-	-	-	-	-	331
-	-	-	-	-	-	-	4
78	228	54	272	14	-	-	3 371
67	19	53	36	12	-	-	916
6	-	1	-	2	-	-	75
-	-	-	-	-	-	-	41
-	-	-	-	-	-	-	7
5	209	-	236	-	-	-	2 332
78	228	54	272	14	-	-	27 326
118	263	54	337	14	-	-	33 305

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 5.3 Operating segments: financial results (continued)

<b>Segmental Statement of Financial Position</b>	<b>Notes</b>	<b>LHWP <sup>(1)</sup> March 2010 R million</b>	<b>BWP <sup>(2)</sup> March 2010 R million</b>	<b>VRESAP <sup>(3)</sup> March 2010 R million</b>
<b>ASSETS</b>				
<b>Non-current assets</b>		22 753	1 249	3 494
Property, plant and equipment	7	6	-	-
Tariff receivable	9	22 742	1 243	3 494
Derivative financial instruments	8,8	5	-	-
Loans and other receivables	9	-	6	-
<b>Current assets</b>		6 412	166	331
Tariff receivable	9	2 153	141	201
Loans and other receivables	9	156	-	16
Derivative financial instruments	8,8	3	-	-
Financial market investments	8,2	4 076	6	78
Prepaid expenditure	10	24	-	36
Non-contractual amounts	13	-	19	-
Cash and cash equivalents	15	-	-	-
<b>TOTAL ASSETS</b>		<b>29 165</b>	<b>1 415</b>	<b>3 825</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Reserves and surplus</b>		5 630	103	505
Accumulated surplus		5 630	103	505
<b>TOTAL EQUITY</b>		<b>5 630</b>	<b>103</b>	<b>505</b>



# Notes to the Annual Financial Statements

For the year ended 31 March 2012

MCWAP <sup>(4)</sup>	MMTS-2 <sup>(5)</sup>	ORWRDP <sup>(6)</sup>	KWSAP <sup>(7)</sup>	BOREHOLE <sup>(8)</sup>	AMD <sup>(9)</sup>	MMTS-1 <sup>(10)</sup>	Total
March 2010	March 2010	March 2010	March 2010	March 2010	March 2010	March 2010	March 2010
R million	R million	R million	R million	R million	R million	R million	R million
33	62	-	51	-	-	-	27 642
-	-	-	-	-	-	-	6
33	62	-	51	-	-	-	27 625
-	-	-	-	-	-	-	5
-	-	-	-	-	-	-	6
22	67	93	5	-	-	-	7 096
-	-	-	-	-	-	-	2 495
15	26	88	3	-	-	-	304
-	-	-	-	-	-	-	3
-	38	-	-	-	-	-	4 198
7	-	5	1	-	-	-	73
-	3	-	1	-	-	-	23
-	-	-	-	-	-	-	-
55	129	93	56	-	-	-	34 738
22	2	-	1	-	-	-	6 263
22	2	-	1	-	-	-	6 263
22	2	-	1	-	-	-	6 263

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 5.3 Operating segments: financial results (continued)

<b>Segmental Statement of Financial Position</b>	<b>Notes</b>	<b>LHWP <sup>(1)</sup> March 2010 R million</b>	<b>BWP <sup>(2)</sup> March 2010 R million</b>	<b>VRESAP <sup>(3)</sup> March 2010 R million</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>		18 373	1 055	3 219
Financial market liabilities	8,3	18 033	1 055	3 219
Provisions	13,4	338	-	-
Derivative financial instruments	8,8	2	-	-
<b>Current liabilities</b>		5 162	257	101
Trade and other payables	11	612	10	42
Non-contractual amounts	12	60	-	1
Provisions	13,4	37	-	-
Derivative financial instruments	8,8	80	-	-
Financial market liabilities	8,3	4 373	247	58
<b>TOTAL LIABILITIES</b>		<b>23 535</b>	<b>1 312</b>	<b>3 320</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>29 165</b>	<b>1 415</b>	<b>3 825</b>

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

(1) LHWP - Lesotho Highlands Water Project

(2) BWP - Berg Water Project

(3) VRESAP - Vaal River Eastern Subsystem Augmentation Project

(4) MCWAP - Mokolo Crocodile River Water Augmentation Project

(5) MMTS-2- Mooi Mgeni Transfer Scheme (Phase 2)

(6) ORWRDP - Olifants River Water Resource Development Project Phase 2

(7) KWSAP - Komati Water Scheme Augmentation Project

(8) BOREHOLE - The Borehole Water Supply Project

(9) AMD - Acid Mine Drainage

(10) MMTS-1- Mooi Mgeni Transfer Scheme (Phase 1)

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

<b>MCWAP<sup>(4)</sup></b>	<b>MMTS-2 <sup>(5)</sup></b>	<b>ORWRDP <sup>(6)</sup></b>	<b>KWSAP <sup>(7)</sup></b>	<b>BOREHOLE <sup>(8)</sup></b>	<b>AMD <sup>(9)</sup></b>	<b>MMTS-1 <sup>(10)</sup></b>	<b>Total</b>
<b>March 2010</b>	<b>March 2010</b>	<b>March 2010</b>	<b>March 2010</b>	<b>March 2010</b>	<b>March 2010</b>	<b>March 2010</b>	<b>March 2010</b>
<b>R million</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>
-	-	-	-	-	-	-	22 647
-	-	-	-	-	-	-	22 307
-	-	-	-	-	-	-	338
-	-	-	-	-	-	-	2
33	127	93	55	-	-	-	5 828
31	27	90	55	-	-	-	867
2	-	3	-	-	-	-	66
-	-	-	-	-	-	-	37
-	-	-	-	-	-	-	80
-	100	-	-	-	-	-	4 778
33	127	93	55	-	-	-	28 475
55	129	93	56	-	-	-	34 738

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 5.3 Operating segments: financial results (continued)

	Notes	LHWP <sup>(1)</sup> March 2012 R million	BWP <sup>(2)</sup> March 2012 R million	VRESAP <sup>(3)</sup> March 2012 R million
<b>Segmental Statement of Comprehensive Income</b>				
<b>CONSTRUCTION REVENUE</b>	15	12	4	460
<b>CONSTRUCTION COSTS</b>	15	(12)	(4)	(460)
<b>OTHER INCOME</b>	16	506	5	-
<b>EXPENSES</b>		(506)	(5)	-
Legal fees and litigation costs		(1)	-	-
Depreciation		(5)	-	-
Operating costs for the works in Lesotho Lesotho Highlands Water Commission (LHWC) costs	20,2	39	-	-
Staff costs		(124)	-	-
Directors' emoluments	20,3	(6)	-	-
Royalties paid	18	(615)	-	-
Other operating expenses	19	217	(5)	-
<b>OPERATING SURPLUS</b>		-	-	-
<b>NET FINANCE COSTS</b>		(641)	(140)	(56)
Finance income		1 559	105	279
Finance costs		(2 200)	(245)	(335)
<b>(DEFICIT)/ SURPLUS FOR THE YEAR</b>		(641)	(140)	(56)
<b>OTHER COMPREHENSIVE INCOME</b>		-	-	-
<b>TOTAL COMPREHENSIVE (DEFICIT)/ SURPLUS FOR THE YEAR</b>		(641)	(140)	(56)

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

(1) LHWP - Lesotho Highlands Water Project

(2) BWP - Berg Water Project

(3) VRESAP - Vaal River Eastern Subsystem Augmentation Project

(4) MCWAP - Mokolo Crocodile River Water Augmentation Project

(5) MMTS-2- Mooi Mgeni Transfer Scheme (Phase 2)

(6) ORWRDP - Olifants River Water Resource Development Project Phase 2

(7) KWSAP - Komati Water Scheme Augmentation Project

(8) BOREHOLE - The Borehole Water Supply Project

(9) AMD - Acid Mine Drainage

(10) MMTS-1- Mooi Mgeni Transfer Scheme (Phase 1)

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

MCWAP <sup>(4)</sup>	MMTS-2 <sup>(5)</sup>	ORWRDP <sup>(6)</sup>	KWSAP <sup>(7)</sup>	BOREHOLE <sup>(8)</sup>	AMD <sup>(9)</sup>	MMTS-1 <sup>(10)</sup>	Total
March 2012	March 2012	March 2012	March 2012	March 2012	March 2012	March 2012	March 2012
R million	R million	R million	R million	R million	R million	R million	R million
278	313	101	511	29	80	2	1 790
(278)	(313)	(101)	(511)	(29)	(80)	(2)	(1 790)
-	-	-	-	-	-	-	511
-	-	-	-	-	-	-	(511)
-	-	-	-	-	-	-	(1)
-	-	-	-	-	-	-	(5)
-	-	-	-	-	-	-	39
-	-	-	-	-	-	-	(11)
-	-	-	-	-	-	-	(124)
-	-	-	-	-	-	-	(6)
-	-	-	-	-	-	-	(615)
-	-	-	-	-	-	-	212
-	-	-	-	-	-	-	-
133	76	-	224	-	-	-	(404)
133	76	-	224	-	-	-	2 376
-	-	-	-	-	-	-	(2 780)
133	76	-	224	-	-	-	(404)
-	-	-	-	-	-	-	-
133	76	-	224	-	-	-	(404)

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 5.3 Operating segments: financial results (continued)

Segmental Statement of Comprehensive Income	Notes	LHWP <sup>(1)</sup> March 2011 R million	BWP <sup>(2)</sup> March 2011 R million	VRESAP <sup>(3)</sup> March 2011 R million
<b>CONSTRUCTION REVENUE</b>	15	-	5	406
<b>CONSTRUCTION COSTS</b>	15	-	(5)	(406)
<b>OTHER INCOME</b>	16	548	17	-
<b>EXPENSES</b>		(548)	(17)	-
Legal fees and litigation costs		-	-	-
Depreciation		(4)	-	-
Operating costs for the works in Lesotho Lesotho Highlands Water Commission (LHWC) costs	20,2	(57) (11)	-	-
Staff costs		(119)	-	-
Directors' emoluments	20,3	(6)	-	-
Royalties paid	18	(438)	-	-
Other operating expenses	19	87	(17)	-
<b>OPERATING SURPLUS</b>		-	-	-
<b>NET FINANCE COSTS</b>		(1 123)	146	578
Finance income		1 862	252	578
Finance costs		(2 985)	(106)	-
<b>(DEFICIT)/ SURPLUS FOR THE YEAR</b>		(1 123)	146	578
<b>OTHER COMPREHENSIVE INCOME</b>		-	-	-
<b>TOTAL COMPREHENSIVE (DEFICIT)/ SURPLUS FOR THE YEAR</b>		(1 123)	146	578

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

(1) LHWP - Lesotho Highlands Water Project

(2) BWP - Berg Water Project

(3) VRESAP - Vaal River Eastern Subsystem Augmentation Project

(4) MCWAP - Mokolo Crocodile River Water Augmentation Project

(5) MMTS-2- Mooi Mgeni Transfer Scheme (Phase 2)

(6) ORWRDP - Olifants River Water Resource Development Project Phase 2

(7) KWSAP - Komati Water Scheme Augmentation Project

(8) BOREHOLE - The Borehole Water Supply Project

(9) AMD - Acid Mine Drainage

(10) MMTS-1- Mooi Mgeni Transfer Scheme (Phase 1)

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

MCWAP <sup>(4)</sup>	MMS-2 <sup>(5)</sup>	ORWRDP <sup>(6)</sup>	KWSAP <sup>(7)</sup>	BOREHOLE <sup>(8)</sup>	AMD <sup>(9)</sup>	MMS-1 <sup>(10)</sup>	Total
March 2011	March 2011	March 2011	March 2011	March 2011	March 2011	March 2011	March 2011
R million	R million	R million	R million	R million	R million	R million	R million
104	99	68	95	-	-	-	777
(104)	(99)	(68)	(95)	-	-	-	(777)
-	-	-	-	-	-	-	565
-	-	-	-	-	-	-	(565)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(4)
-	-	-	-	-	-	-	(57)
-	-	-	-	-	-	-	(11)
-	-	-	-	-	-	-	(119)
-	-	-	-	-	-	-	(6)
-	-	-	-	-	-	-	(438)
-	-	-	-	-	-	-	70
-	-	-	-	-	-	-	-
18	33	-	64	-	-	-	(284)
18	33	-	64	-	-	-	2 807
-	-	-	-	-	-	-	(3 091)
18	33	-	64	-	-	-	(284)
-	-	-	-	-	-	-	-
18	33	-	64	-	-	-	(284)

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## Segmental Statement of Cash Flows

See detailed cash flow statements attached as annexure A.

## 6 Financial Instruments

### 6.1 Capital management

TCTA manages its capital to ensure that projects will be able to continue as going concerns while optimising the debt for each project. TCTA's overall strategy remains unchanged from 2011.

The capital structure of TCTA consists of total debt (borrowings). TCTA is not subject to any externally imposed capital requirements. TCTA's Asset and Liability Committee (ALCO) reviews its capital structure on a quarterly basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of debt.

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

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

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

- Asset and liability matching: TCTA strives to minimise both refinancing and repricing risks associated with maturing debt by matching the maturity dates of debt issued with free cash generated by the project.
- Optimal capital structure: TCTA has statistically determined that an optimal capital structure of 70% fixed and 30% floating rate debt is the most appropriate for the structure and nature of projects. This, furthermore, ensures that there's less volatility on the debt curve.
- Redemption portfolio management: Refinancing and repricing risks are further managed by the creation of redemption portfolios. TCTA runs redemption portfolios over a three-year period prior to maturity of a bond. This approach ensures that the interest rate risk is spread over a three-year horizon.
- Pro-active risk management: The following market risks are actively managed and monitored on a continuous basis:
  - \* Liquidity risk;
  - \* Interest rate risk;
  - \* Credit risk and
  - \* Currency risk.

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

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

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



# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 6.2 Financial risk management objectives

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

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

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

TCTA's market activities expose it to a variety of financial risks including, but not limited to, market risk, credit risk and liquidity risk. The various types of financial, treasury and operational risks pertaining to the projects are identified, assessed, managed and monitored in a prudent manner, within a Board-approved risk tolerance framework. Appropriate treasury and accounting policies and procedures have been established to identify and monitor such risks.

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

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

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

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

### Liquidity risk

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

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 6.2 Financial risk management objectives (continued)

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

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

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

### LHWP

Funding sources and utilisation at 31 March:

	2012	2011
	R million	R million
<b>Total Borrowing Authority</b>		
Global limit <sup>(1)</sup>	20 550	23 850
Utilisation	19 768	21 426
Available	782	2 424

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

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

### Total Utilisation of Capital Market and Commercial Paper Facilities

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

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

Approved Facilities	31 March 2012			31 March 2011		
	Individual limit R million	Utilisation R million	Available R million	Limit R million	Utilisation R million	Available R million
<b>Total issued to date</b>						
Commercial Paper Programme	4 000	232	3 768	4 000	1 799	2 201
Capital Market - WS03	4 500	-	<sup>(2)</sup> 4 500	4 500	-	<sup>(2)</sup> 4 500
Capital Market - WS04	10 000	5 413	<sup>(3)</sup> 4 587	10 000	7 079	<sup>(3)</sup> 2 921
Capital Market - WS05	7 000	3 525	<sup>(4)</sup> 3 475	7 000	3 525	<sup>(4)</sup> 3 475
Capital Market - WSP1	1 000	136	864	1 000	355	645
Capital Market - WSP2	1 000	2 436	<sup>(3)</sup> (1 436)	1 000	1 887	<sup>(3)</sup> (887)
Capital Market - WSP3	1 000	45	955	1 000	285	715
Capital Market - WSP4	1 000	99	901	1 000	253	747
Capital Market - WSP5	4 000	4 492	<sup>(3)</sup> (492)	4 000	3 088	<sup>(3)</sup> 912
<b>Repurchases</b>						
Repurchases for the year	1 000	188	812	1 000	154	846
		<b>16 566</b>	<b>17 934</b>		<b>18 425</b>	<b>16 075</b>

Note:

- <sup>(1)</sup> The global limit is as set by National Treasury and governs the total limit of gross liabilities of the project. The individual limit is set internally from time to time when markets are suitable to move from one instrument to the other.
- <sup>(2)</sup> The WS03 bond matured on 30 September 2010.
- <sup>(3)</sup> The borrowing limits for WSP bonds are offset from the available utilisation on the WS04 bond as approved by the Asset Liability Committee Meeting on 25 November 2010.
- <sup>(4)</sup> The CPI-adjusted inflated figure for WS05 is R6 381 million (2011: R6 014 million) with a nominal value of R3 525 million.

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

### Government-guaranteed facilities

TCTA has in place government-guaranteed facilities of R900 million (2011: R900 million), with commercial banks. These facilities can be drawn upon should the need arise and are therefore useful as a liquidity buffer. As at 31 March 2012, these facilities were not utilised (2011: unused).

### Liquidity and interest risk tables

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

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 6.2 Financial risk management objectives (continued)

### Contractual Maturity Analysis Report

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

2012	Weighted average effective interest rate %	Maturity date	1-3 months R million	3-12 months R million	1-5 years R million	>5 years R million	Total R million
<b>Non-interest bearing</b>							
Trade and other payables	-	-	733	-	-	-	733
<b>Variable interest rate instruments</b>							
<b>ZAR</b>							
Commercial paper	5,20%	2012/04/01	172	-	-	-	172
Loan (*)	5,09%	2018/03/31	-	15	61	15	91
Loan (*)	10,09%	2022/09/30	-	7	33	38	78
Loan (*)	6,02%	2017/12/15	12	12	97	24	145
Loan (*)	3,65%	2018/03/15	-	15	59	18	92
Bonds	11,54%	2018/08/01	-	-	-	6 381	6 381
<b>EUR</b>							
Loan (*)	2,18%	2012/07/31	-	12	-	-	12
<b>USD</b>							
Loan (*)	0,89%	2013/05/15	3	3	2	-	8
<b>Fixed interest rate instruments</b>							
<b>ZAR</b>							
Term	5,71%	2012/05/18	40	-	-	-	40
Term	5,60%	2012/06/01	20	-	-	-	20
Term	7,91%	2012/04/05	35	-	-	-	35
Bonds	10,13%	2016/05/30	-	-	5 413	-	5 413
Bonds	9,05%	2015/05/28	-	-	136	-	136
Bonds	8,71%	2017/05/28	-	-	-	2 436	2 436
Bonds	8,93%	2019/05/28	-	-	-	45	45
Bonds	8,83%	2020/05/28	-	-	-	99	99
Bonds	8,75%	2021/05/28	-	-	-	4 492	4 492
<b>EUR</b>							
Loan	5,73%	2012/07/31	-	6	-	-	6
Loan	3,00%	2018/01/31	-	8	34	9	51
			<b>1 015</b>	<b>78</b>	<b>5 835</b>	<b>13 557</b>	<b>20 485</b>

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

2011	Weighted average effective interest rate %	Maturity date	1-3 months R million	3-12 months R million	1-5 years R million	>5 years R million	Total R million
<b>Non-interest bearing</b>							
Trade and other payables	-	-	655	-	-	-	655
<b>Variable interest rate instruments</b>							
<b>ZAR</b>							
Commercial paper	5,20%	2011/04/01	222	-	-	-	222
Loan (*)	5,61%	2018/03/31	-	8	69	31	108
Loan (*)	10,09%	2022/09/30	-	5	33	45	83
Loan (*)	5,97%	2017/12/15	12	12	97	48	169
Loan (*)	3,63%	2018/03/15	-	15	59	33	107
Bonds	11,54%	2018/08/01	-	-	-	6 014	6 014
<b>EUR</b>							
Loan (*)	1,65%	2012/07/31	-	22	11	-	33
<b>USD</b>							
Loan (*)	0,66%	2013/05/15	2	2	7	-	11

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 6,2 Financial risk management objectives (continued)

2011	Weighted average effective interest rate %	Maturity date	3-12				Total R million
			1-3 months R million	months R million	1-5 years R million	>5 years R million	
<b>Fixed interest rate instruments</b>							
<b>ZAR</b>							
Term	5,50%	2011/04/18	150	-	-	-	150
Term	5,48%	2011/04/19	20	-	-	-	20
Term	5,52%	2011/04/26	100	-	-	-	100
Term	5,55%	2011/05/19	200	-	-	-	200
Term	5,53%	2011/05/23	150	-	-	-	150
Term	5,52%	2011/05/30	52	-	-	-	52
Term	5,65%	2011/07/22	-	50	-	-	50
Term	5,78%	2011/08/23	-	40	-	-	40
Term	5,85%	2011/09/12	-	115	-	-	115
Term	5,85%	2011/09/13	-	100	-	-	100
Term	5,84%	2011/09/14	-	100	-	-	100
Term	5,93%	2011/11/18	-	100	-	-	100
Term	5,74%	2011/12/12	-	100	-	-	100
Term	6,00%	2011/12/15	-	100	-	-	100
Term	6,21%	2012/02/23	-	100	-	-	100
Term	6,31%	2012/03/22	-	100	-	-	100
Repos	9,00%	2011/04/07	19	-	-	-	19
Repos	8,20%	2011/04/07	57	-	-	-	57
Repos	8,20%	2011/04/07	12	-	-	-	12
Repos	9,30%	2011/04/07	20	-	-	-	20
Bonds	10,13%	2016/05/30	-	-	-	7 079	7 079
Bonds	9,05%	2015/05/28	-	-	355	-	355
Bonds	8,71%	2017/05/28	-	-	-	1 887	1 887
Bonds	8,93%	2019/05/28	-	-	-	285	285
Bonds	8,83%	2020/05/28	-	-	-	253	253
Bonds	8,75%	2021/05/28	-	-	-	3 088	3 088
<b>EUR</b>							
Loan	5,73%	2012/07/31	-	11	5	-	16
Loan	3,00%	2018/01/31	-	7	31	17	55
			1 672	987	667	18 780	22 105

<sup>(\*)</sup> Loan repayments occur every six months. Maturity date reflects final repayment date.

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

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## Liquidity Analysis for Derivative Financial Instruments

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

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

2011	1-3	3-12	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
	months	months						
	R million	R million	R million	R million	R million	R million	R million	R million
Foreign exchange contracts (gross settled)	3	121	7	1	-	-	-	132

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

## BWP

Funding sources and utilisation at 31 March:

Total Borrowing Authority	2012 R million	2011 R million
Limit	1 300	1 350
Utilisation	1 223	1 290
Available	77	60

Total Utilisation of Facilities: 2012	Limit R million	Utilisation R million	Available R million
Commercial Paper Programme	450	56	394
DBSA Loan	500	350	150
EIB	800	717	83
Absa	300	100	200
		1 223	827

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 6.2 Financial risk management objectives (continued)

<b>Total Utilisation of Facilities: 2011</b>	<b>Limit R million</b>	<b>Utilisation R million</b>	<b>Available R million</b>
Commercial Paper Programme	450	56	394
DBSA Loan	500	360	140
EIB	800	774	26
Absa	300	100	200
		1 290	760

### Contractual Maturity Analysis report:

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

### Contractual Maturity Analysis Report: Non-Derivative Financial Liabilities

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



# Notes to the Annual Financial Statements

For the year ended 31 March 2012

2011	Weighted average effective interest rate %	Maturity date	3-12				Total R million
			1-3 months R million	months R million	1-5 years R million	>5 years R million	
<b>Non-interest bearing</b>							
Trade and other payables	-	-	10	-	-	-	10
<b>Variable interest rate instruments</b>							
<b>ZAR</b>							
Commercial paper	5,25%	01/04/2011	56	-	-	-	56
Loan	7,55%	31/03/2028	-	-	-	100	100
<b>Fixed interest rate instruments</b>							
<b>ZAR</b>							
Loan (*)	8,85%	31/03/2029	-	10	90	260	360
Loan (*)	8,02%	15/09/2024	-	57	229	488	774
			66	67	319	848	1 300

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

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

## Loan commitments

As at 31 March 2012, BWP has unutilised long-term facilities of R200 million (2011: R200 million).

## VRESAP

Funding sources and utilisation at 31 March:

Total Borrowing Authority	2012 R million	2011 R million
Limit	3 600	3 600
Utilisation <sup>(1)</sup>	3 263	3 262
Available	337	338

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 6.2 Financial risk management objectives (continued)

<b>Total Utilisation of Facilities: 2012</b>	<b>Limit R million</b>	<b>Utilisation <sup>(1)</sup> R million</b>	<b>Available R million</b>
Commercial Paper Programme	300	35	265
EIB	906	906	-
Standard Bank	1 350	1 350	-
Absa	1 000	467	533
Investec	155	155	-
Nedbank	350	350	-
		<b>3 263</b>	<b>798</b>

<b>Total Utilisation of Facilities: 2011</b>	<b>Limit R million</b>	<b>Utilisation <sup>(1)</sup> R million</b>	<b>Available R million</b>
Commercial Paper Programme	300	58	242
EIB	906	906	-
Standard Bank	1 350	1 350	-
Absa	1 000	443	557
Investec	155	155	-
Nedbank	350	350	-
		<b>3 262</b>	<b>799</b>

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

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## Contractual Maturity Analysis report:

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

### Contractual Maturity Analysis Report: Non-Derivative Financial Liabilities

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

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For the year ended 31 March 2012

## 6.2 Financial risk management objectives (continued)

2011	Weighted average effective interest rate %	Maturity date	3-12			>5 years R million	Total R million
			1-3 months R million	months R million	1-5 years R million		
<b>Non-interest bearing</b>							
Trade and other payables	-	-	64	-	-	-	64
<b>Variable interest rate instruments</b>							
<b>ZAR</b>							
Commercial paper	5,25%	01/04/2011	58	-	-	-	58
Loan (*)	6,74%	01/03/2028	-	-	68	306	374
Loan (*)	7,42%	15/03/2028	-	-	58	347	405
Loan (*)	5,46%	31/03/2028	-	-	5	373	378
<b>Fixed interest rate instruments</b>							
<b>ZAR</b>							
Loan (*)	8,49%	15/06/2027	-	-	160	746	906
Loan (*)	11,25%	01/03/2028	-	-	107	1 012	1 119
Loan	9,43%	31/03/2028	-	-	-	220	220
			122	-	398	3 004	3 524

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

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

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## Loan commitments

As at 31 March 2012, VRESAP has unutilised long-term facilities of R 533 million (2011: R527 million).

## MMTS-2

Funding sources and utilisation at 31 March:

<b>Total Borrowing Authority</b>	<b>2012</b> R million	<b>2011</b> R million
Limit	3 100	3 100
Utilisation	400	200
Available	2 700	2 900

<b>Total Utilisation of Facilities: 2012</b>	<b>Limit</b> million	<b>Utilisation</b> million	<b>Available</b> million
Commercial Paper Programme	R 400	R 400	-
DBSA	R 200	-	R 200
EIB <sup>(1)</sup>	EUR 80	-	EUR 80
AFD <sup>(1)</sup>	EUR 70	-	EUR 70
KfW <sup>(1)</sup>	EUR 45	-	EUR 45

<sup>(1)</sup> The euro facilities will be drawn down in rand.

<b>Total Utilisation of Facilities: 2011</b>	<b>Limit</b> R million	<b>Utilisation</b> R million	<b>Available</b> R million
Bridging facility <sup>(2)</sup>	200	200	-
		200	-

<sup>(2)</sup> The bridging facility, as reflected above, was repaid in June 2011.

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 6.2 Financial risk management objectives (continued)

### Contractual Maturity Analysis report:

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

#### Contractual Maturity Analysis Report: Non-Derivative Financial Liabilities

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

2011	Weighted average effective interest rate %	Maturity date	3-12				Total R million
			1-3 months R million	months R million	1-5 years R million	>5 years R million	
<b>Non-interest bearing</b>							
Trade and other payables	-	-	19	-	-	-	19
<b>Variable interest rate instruments</b>							
<b>ZAR</b>							
Loan <sup>(*)</sup>	6,77%	30/06/2011	209	-	-	-	209
			<b>228</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>228</b>

<sup>(\*)</sup>At 31 March 2011 TCTA had utilised the full facility of R200 million. The outstanding liability of R209 million includes capitalised interest.

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

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## Loan commitments

As at 31 March 2012, MMTS-2 had unutilised facilities of R250 million and EUR 225 million (to be drawn down in rand) (2011: Rnil).

### Funding source for KWSAP, ORWRDP and MCWAP at 31 March:

2012 Global Facility	Limit R million	Utilisation R million				Available R million
PROJECT		KWSAP	ORWRDP	MCWAP	Total	
Bridging facility *	250	-	-	84	84	166

2011 Global Facility	Limit R million	Utilisation R million				Available R million
PROJECT		KWSAP	ORWRDP	MCWAP	Total	
Bridging facility *	250	236	-	5	241	9

\* The bridging facility is one facility for all three projects.

## KWSAP

Funding sources and utilisation at 31 March:

Total Borrowing Authority	2012 R million	2011 R million
Limit	2 700	2 700
Utilisation	651	236
Available	2 049	2 464

Total Utilisation Of Facilities: 2012	Limit R million	Utilisation R million	Available R million
Commercial Paper Programme	500	350	150
Nedbank	400	301	99
First Rand	900	-	900
DBSA	828	-	828
ABSA	250	-	250
			-
		651	2 227

Total utilisation of facilities in 2011 consists of the bridging facility and is included in the table for the global facility. Refer to the note above.

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 6.2 Financial risk management objectives (continued)

### Contractual Maturity Analysis Report: Non-Derivative Financial Liabilities

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

2011	Weighted average effective interest rate %	Maturity date	3-12				Total R million
			1-3 months R million	months R million	1-5 years R million	>5 years R million	
<b>Non-interest bearing</b>							
Trade and other payables	-	-	36	-	-	-	36
<b>Variable interest rate instruments</b>							
<b>ZAR</b>							
Loan	5,90%	31/10/2012	-	-	236	-	236
			<b>36</b>	<b>-</b>	<b>236</b>	<b>-</b>	<b>272</b>

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

#### Loan commitments

As at 31 March 2012, KWSAP had unutilised facilities of R1 989 million (2011: Rnil).



# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## ORWRDP

### Contractual Maturity Analysis Report: Non-Derivative Financial Liabilities

2012	Weighted average effective interest rate %	Maturity date	1-3 months	3-12	1-5 years	>5 years	Total
			R million	months R million	R million	R million	
<b>Non-interest bearing</b>							
Trade and other payables	-	-	422	-	-	-	422
<b>Variable interest rate instruments</b>							
<b>ZAR</b>							
Loan	5,90%	31/10/2012	-	1	-	-	1
			422	1	-	-	423

2011	Weighted average effective interest rate %	Maturity date	1-3 months	3-12	1-5 years	>5 years	Total
			R million	months R million	R million	R million	
<b>Non-interest bearing</b>							
Trade and other payables	-	-	53	-	-	-	53
			53	-	-	-	53

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

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 6.2 Financial risk management objectives (continued)

### MCWAP

Funding sources and utilisation at 31 March:

<b>Total Borrowing Authority</b>	<b>2012 R million</b>	<b>2011 R million</b>
Limit	2 000	2 000
Utilisation	84	5
Available	1 916	1 995

<b>Total Utilisation Of Facilities: 2012</b>	<b>Limit R million</b>	<b>Utilisation R million</b>	<b>Available R million</b>
Investec	700	-	700
Nedbank	600	-	600
First Rand	700	-	700
			-
			2 000

Total utilisation of facilities in 2011 consists of the bridging facility and is included in the table for the global facility. (Refer to the note above)

### Contractual Maturity Analysis Report: Non-Derivative Financial Liabilities

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

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

2011	Weighted average effective interest rate %	Maturity date	3-12				Total R million
			1-3 months R million	months R million	1-5 years R million	>5 years R million	
<b>Non-interest bearing</b>							
Trade and other payables	-	-	67	-	-	-	67
<b>Variable interest rate instruments</b>							
ZAR Loan	5,90%	31/10/2012	-	-	5	-	5
			67	-	5	-	72

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

#### Loan commitments

As at 31 March 2012, MCWAP had unutilised facilities of R2 000 million (2011: Rnil).

#### AMD

##### Contractual Maturity Analysis Report: Non-Derivative Financial Liabilities

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

AMD did not have non-derivative financial liabilities as at 31 March 2011.

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

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 6.2 Financial risk management objectives (continued)

### BOREHOLE

#### Contractual Maturity Analysis Report: Non-Derivative Financial Liabilities

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

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

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

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## MMTS- 1

### Contractual Maturity Analysis Report: Non-Derivative Financial Liabilities

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

MMTS-1 did not have non-derivative financial liabilities as at 31 March 2011.

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

### Credit risk

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

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

- Ensuring that TCTA deals with reputable counterparties.
- Allocating counterparty investment limits.
- Liaison with credit-rating agencies.
- Continuous monitoring of the financial status of counterparties.
- Review of credit limits on a semi-annual basis.
- Monitoring of counterparty limit utilisation.
- Use of master netting agreements for mitigating credit risk associated with derivative instruments.

Credit limits are allocated based on the following:

- Limits are allocated to counterparties with a minimum credit rating of A1.
- The allocated limits should not exceed 5% of the counterparty's shareholders' funds.
- The maximum limit allocated to each counterparty is R1 500 million and limited to counterparties where 5% of shareholders' funds exceed R100 million.
- The credit limit consumption of forward exchange contracts (FECs) with commercial banks is determined according to the Risk Policy whereby the maximum of a calculated risk weighting value or the mark-to-market value of an instrument will be used as the consumption against the credit limit of a specific counterparty.

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 6.2 Financial risk management objectives (continued)

To further mitigate against the credit risk associated with derivative instruments, TCTA has negotiated International Swap and Derivatives Association Master Agreement (ISDA) agreements with the various market-makers.

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

### LHWP

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

#### 2012

Fitch Ratings Short term	Fitch Ratings Long term	Credit limit R million	Total Utilisation <sup>(1)</sup> R million	Available R million
F1+	AA	1 500	298	1 202
F1+	A+	1 039	115	924
F1+	AA-	1 500	297	1 203
F1+	AA	1 500	323	1 177
F1+	AA-	1 500	1	1 499
F1+	AA+	1 500	237	1 263
F1+	AA	1 500	23	1 477
		<b>10 039</b>	<b>1 294</b>	<b>8 745</b>

#### 2011

Fitch Ratings Short term	Fitch Ratings Long term	Credit limit R million	Total Utilisation <sup>(1)</sup> R million	Available R million
F1+	AA+	1 500	632	868
F1+	A	800	376	424
F1+	AA-	1 500	531	969
F1+	AA	1 500	607	893
F1+	AA-	1 500	89	1 411
F1+	AA-	1 500	181	1 319
F1+	AAA	860	20	840
F1+	AA	130	19	111
F1+	AA-	1 500	192	1 308
F1+	AAA	1 500	469	1 031
		<b>12 290</b>	<b>3 116</b>	<b>9 174</b>

<sup>(1)</sup>The total utilisation includes derivatives.

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## BWP

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

### 2012

Fitch Ratings Short term	Fitch Ratings Long term	Credit limit R million	Total Utilisation <sup>(1)</sup> R million	Available R million
F1+	A+	1 039	10	1 029
F1+	AA	1 500	14	1 486
F1+	AA-	1 500	1	1 499
F1+	A+	1 500	1	1 499
F1+	AA+	1 500	15	1 485
		<b>7 039</b>	<b>41</b>	<b>6 998</b>

### 2011

Fitch Ratings Short term	Fitch Ratings Long term	Credit limit R million	Total Utilisation <sup>(1)</sup> R million	Available R million
F1+	A	800	5	795
F1+	AA-	1 500	4	1 496
F1+	AA-	1 500	3	1 497
F1+	AAA	1 500	10	1 490
		<b>5 300</b>	<b>22</b>	<b>5 278</b>

## VRESAP

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

### 2012

Fitch Ratings Short term	Fitch Ratings Long term	Credit limit R million	Total Utilisation <sup>(1)</sup> R million	Available R million
F1+	A+	1 039	4	1 035
F1+	AA	1 500	13	1 487
F1+	AA+	1 500	4	1 496
		<b>4 039</b>	<b>21</b>	<b>4 018</b>

### 2011

Fitch Ratings Short term	Fitch Ratings Long term	Credit limit R million	Total Utilisation <sup>(1)</sup> R million	Available R million
F1+	A	800	9	791
F1+	AA-	1 500	28	1 472
F1+	AA-	1 500	6	1 494
F1+	AA-	1 500	7	1 493
		<b>5 300</b>	<b>50</b>	<b>5 250</b>

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 6.2 Financial risk management objectives (continued)

### MCWAP

There are no investments for the year. (2011: none)

### MMTS-2

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

#### 2012

Fitch Ratings Short term	Fitch Ratings Long term	Credit limit R million	Total Utilisation <sup>(1)</sup> R million	Available R million
F1+	A+	1 039	1	1 038
F1+	AA+	1 500	1	1 499
		<b>2 539</b>	<b>2</b>	<b>2 537</b>

#### 2011

Fitch Ratings Short term	Fitch Ratings Long term	Credit limit R million	Total Utilisation <sup>(1)</sup> R million	Available R million
F1+	A	800	10	790
F1+	AA-	1 500	22	1 478
F1+	AA-	1 500	17	1 483
F1+	AA-	1 500	17	1 483
		<b>5 300</b>	<b>66</b>	<b>5 234</b>

### ORWRDP

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

#### 2012

Fitch Ratings Short term	Fitch Ratings Long term	Credit limit R million	Total Utilisation <sup>(1)</sup> R million	Available R million
F1+	A+	1 039	3	1 036
F1+	AA-	1 500	43	1 457
F1+	AA+	1 500	64	1 436
		<b>4 039</b>	<b>110</b>	<b>3 929</b>

#### 2011

Fitch Ratings Short term	Fitch Ratings Long term	Credit limit R million	Total Utilisation <sup>(1)</sup> R million	Available R million
F1+	AA-	1 500	10	1 490
F1+	AA-	1 500	8	1 492
		<b>3 000</b>	<b>18</b>	<b>2 982</b>



# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## KWSAP

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

### 2012

Fitch Ratings Short term	Fitch Ratings Long term	Credit limit R million	Total Utilisation <sup>(1)</sup> R million	Available R million
F1+	AA	1 500	5	1 495
F1+	AA+	1 500	21	1 479
		<b>3 000</b>	<b>26</b>	<b>2 974</b>

There were no investments for 2011.

## BOREHOLE

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

### 2011

Fitch Ratings Short term	Fitch Ratings Long term	Credit limit R million	Total Utilisation <sup>(1)</sup> R million	Available R million
F1+	A+	1 039	7	1 032
F1+	AA-	1 500	4	1 496
F1+	AA	1 500	3	1 497
		<b>4 039</b>	<b>14</b>	<b>4 025</b>

There were no investments for 2011.

## AMD

There are no investments for the year (2011: none).

## MMTS-1

There are no investments for the year (2011: none).

## Market risk

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

TCTA's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see A below) and interest rates (see B below). TCTA enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including:

FECs to hedge the exchange rate risk arising on the repayment of foreign loans.

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

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 6.2 Financial risk management objectives (continued)

### Foreign currency risk management

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

#### LHWP

Foreign currency risk arises from the impact of exchange rate fluctuations on the project's foreign currency loan liabilities.

TCTA is currently exposed to Euro and United States dollar exchange rate fluctuations. TCTA has a policy to cover 100% of its foreign capital commitments and 75% of interest and fees.

TCTA makes use of FECs for economic hedging purposes. The table below shows the foreign exchange cover as at 31 March:

	2012 EUR million	2011 EUR million	2012 USD million	2011 USD million
<b>Foreign exchange contracts maturity profile</b>				
<b>Assets</b>				
< 1 year	-	-	1	2
1-2 years	-	-	1	1
2-3 years	-	-	-	1
3-4 years	-	-	-	-
4-5 years	-	-	-	-
>5 years	-	-	-	-
	-	-	2	4
<b>Liabilities</b>				
< 1 year	8	12	2	2
1-2 years	-	-	1	2
2-3 years	-	-	-	1
3-4 years	-	-	-	-
4-5 years	-	-	-	-
>5 years	-	-	-	-
	8	12	3	5

### Foreign currency sensitivity

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

It assumes a 25% change of the EUR/ZAR exchange rate for the year ended 31 March 2012 (2011: 25%). A 15% change is considered for the USD/ZAR exchange rate (2011: 15%). The sensitivity analysis is based on foreign currency financial instruments held at each reporting date and also takes into account FECs that offset effects from changes in currency exchange rates.

If the rand had weakened against the US dollar and euro by 25% (2011: 25%) and 15% (2011: 15%) respectively then this would have had the following impact:

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

	2012 Change in euro R million	2011 Change in euro R million	2012 Change in USD R million	2011 Change in USD R million
<b>Weakening of Rand</b>				
Surplus/ (deficit)	2	-	-	(5)

	2012 Change in euro R million	2011 Change in euro R million	2012 Change in USD R million	2011 Change in USD R million
<b>Strengthening of Rand</b>				
Surplus/ (deficit)	6	5	1	(5)

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

These projects do not have any foreign currency exposures.

### Interest rate risk

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

TCTA manages interest rate risk through the following:

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

TCTA does not have any derivatives hedging interest rate risk, instead attainment of the optimal capital structure and the proactive interest rate risk management strategies are applied.

### LHWP

#### Fixed vs variable rate loans

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

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

	Fixed rate 2012 %	Fixed rate 2011 %	Variable rate 2012 %	Variable rate 2011 %
EURO	-	1	-	-
RAND	65	68	35	31
<b>Total liabilities</b>	<b>65</b>	<b>69</b>	<b>35</b>	<b>31</b>

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 6.2 Financial risk management objectives (continued)

### Refinancing risk

The duration of liabilities can be viewed as the rate at which liabilities will reprice when refinanced. In terms of duration analysis, liabilities with short duration stand to gain by repricing at lower levels on refinancing date in a downward trending environment. 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.

### Weighted average duration for bonds

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

TCTA further minimises its exposure to both refinancing and repricing risk associated with large maturities (bonds and commercial paper) by matching its assets and liabilities. 90% of the debt issued by end of March 2012 (2011: 90%) supports asset and liability matching.

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

2012 Bonds	Amount Issued R million	Maturity Date	Duration (Years)	Weighted average duration	Modified duration
WS04	5 413	2016/05/30	3,32	23,32	3,21
WS05	3 525	2018/08/01	5,57	25,45	5,54
WSP1	136	2015/05/28	2,74	0,48	2,64
WSP2	2 436	2017/05/28	4,13	13,06	3,98
WSP3	45	2019/05/28	5,31	0,31	5,10
WSP4	99	2020/05/28	5,81	0,75	5,58
WSP5	4 492	2021/05/28	6,29	36,62	6,03
	<b>16 146</b>		<b>4.77 <sup>(1)</sup></b>	<b>25.54 <sup>(1)</sup></b>	<b>4.63 <sup>(1)</sup></b>

<sup>(1)</sup> The total is the weighted average calculation of the bonds.

## Notes to the Annual Financial Statements

For the year ended 31 March 2012

<b>2011 Bonds</b>	<b>Amount Issued R million</b>	<b>Maturity Date</b>	<b>Duration (Years)</b>	<b>Weighted average duration</b>	<b>Modified duration</b>
WS04	7 079	2016/05/30	3,91	33,15	3,76
WS05	3 525	2018/08/01	6,28	26,50	6,20
WSP1	355	2015/05/28	3,45	1,47	3,31
WSP2	1 887	2017/05/28	4,70	10,62	4,50
WSP3	285	2019/05/28	5,75	1,96	5,49
WSP4	253	2020/05/28	6,19	1,87	5,91
WSP5	3 088	2021/05/28	6,61	24,44	6,32
	<u>16 471</u>		<u>5,07</u>	<u>25,81</u>	<u>4,90</u>

Currently TCTA does not have any derivatives hedging interest rate risk. Interest rate risk is managed through achievement of optimal capital structure, and continuous monitoring of short-, medium- and long-term interest rates' exposures.

### 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 (2011: +/- 100bps) and +200bps and -200bps (2011: +/- 200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on LHWP's financial instruments held at each reporting date. All other variables are held constant.

<b>LHWP</b>	<b>2012 R million</b>	<b>2011 R million</b>	<b>2012 R million</b>	<b>2011 R million</b>
<b>Financial liabilities</b>				
Surplus/ (deficit)	-1,00%	-1,00%	1,00%	1,00%
	23	29	(12)	(15)
<b>Financial liabilities</b>				
Surplus/ (deficit)	-2,00%	-2,00%	2,00%	2,00%
	41	53	(28)	(41)
<b>Financial assets</b>				
Surplus/ (deficit)	-1,00%	-1,00%	1,00%	1,00%
	(1)	(2)	1	2
<b>Financial assets</b>				
Surplus/ (deficit)	-2,00%	-2,00%	2,00%	2,00%
	(1)	(4)	1	4

The table above excludes the tariff receivable.

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 6.2 Financial risk management objectives (continued)

### BWP

#### Fixed vs variable rate loans

The ratio of fixed to floating debt as at 31 March 2012 was 87% fixed and 13% floating. This is in line with the benchmark of a minimum of 50% fixed.

2012 Borrowings	ZAR Values		% of total debt book	
	Fixed (R million)	Variable (R million)	Fixed %	Variable %
ZAR	1 067	156	87%	13%

The ratio of fixed to floating debt as at 31 March 2011 was 88% fixed and 12% floating. This is in line with the benchmark of a minimum of 50% fixed.

2011 Borrowings	ZAR Values		% of total debt book	
	Fixed (R million)	Variable (R million)	Fixed %	Variable %
ZAR	1 134	156	88%	12%

#### Refinancing and repricing risk

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

#### Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2011: +/- 100bps) and +200bps and -200bps (2011: +/- 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.

	2012 R million	2011 R million	2012 R million	2011 R million
<b>Financial liabilities</b>	-1,00%	-1,00%	1,00%	1,00%
Surplus/ (deficit)	2	8	(2)	(8)
<b>Financial liabilities</b>	-2,00%	-2,00%	2,00%	2,00%
Surplus/ (deficit)	6	15	(5)	(16)
<b>Financial assets</b>	-1,00%	-1,00%	1,00%	1,00%
Surplus/ (deficit)	-	-	-	-
<b>Financial assets</b>	-2,00%	-2,00%	2,00%	2,00%
Surplus/ (deficit)	-	-	-	-

The table above excludes the tariff receivable.

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## VRESAP

### Fixed vs variable rate loans

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

2012 Borrowings	ZAR Values		% of total debt book	
	Fixed (R million)	Variable (R million)	Fixed %	Variable %
ZAR	3 041	543	85%	15%

The ratio of fixed to floating debt as at 31 March 2011 rates was 68% fixed and 32% floating. This is in line with the benchmark of a minimum of 50% fixed.

2011 Borrowings	ZAR Values		% of total debt book	
	Fixed (R million)	Variable (R million)	Fixed %	Variable %
ZAR	2 319	1 082	68%	32%

### Refinancing and repricing risk

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

### Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2011: +/- 100bps) and +200bps and -200bps (2011: +/- 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.

	2012 R million	2011 R million	2012 R million	2011 R million
<b>Financial liabilities</b>	-1,00%	-1,00%	1,00%	1,00%
Surplus/ (deficit)	18	10	(10)	(27)
<b>Financial liabilities</b>	-2,00%	-2,00%	2,00%	2,00%
Surplus/ (deficit)	31	27	(25)	(42)
<b>Financial assets</b>	-1,00%	-1,00%	1,00%	1,00%
Surplus/ (deficit)	-	-	-	-
<b>Financial assets</b>	-2,00%	-2,00%	2,00%	2,00%
Surplus/ (deficit)	-	-	-	-

The table above excludes the tariff receivable.

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 6.2 Financial risk management objectives (continued)

### MCWAP

#### Fixed vs variable rate loans

The ratio of fixed to floating debt was 0% fixed and 100% floating. According to policy, projects still under construction are not expected to comply with the minimum of 50% fixed guideline.

2012 Borrowings	ZAR Values		% of total debt book	
	Fixed (R million)	Variable (R million)	Fixed %	Variable %
ZAR	-	84	0%	100%

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

2011 Borrowings	ZAR Values		% of total debt book	
	Fixed (R million)	Variable (R million)	Fixed %	Variable %
ZAR	-	5	0%	100%

#### Refinancing and repricing risk

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

#### Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2011: +/- 100bps) and +200bps and -200bps (2011: +/- 200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on MCWAP's financial instruments held at each reporting date. All other variables are held constant.

	2012 R million	2011 R million	2012 R million	2011 R million
<b>Financial liabilities</b>	-1,00%	-1,00%	1,00%	1,00%
Surplus/ (deficit)	(1) -	(1) -	(1) -	(1) -
<b>Financial liabilities</b>	-2,00%	-2,00%	2,00%	2,00%
Surplus/ (deficit)	1	(1) -	(1) -	(1) -
<b>Financial assets</b>	-1,00%	-1,00%	1,00%	1,00%
Surplus/ (deficit)	-	-	-	-
<b>Financial assets</b>	-2,00%	-2,00%	2,00%	2,00%
Surplus/ (deficit)	-	-	-	-

<sup>(1)</sup> The movements are less than R500 000.

The table above excludes the tariff receivable.



# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## MMTS-2

### Fixed vs variables rate loans

The ratio of fixed to floating debt was 100% fixed and 0% floating. According to policy, projects still under construction are not expected to comply with the minimum of 50% fixed guideline.

2012 Borrowings	ZAR Values		% of total debt book	
	Fixed (R million)	Variable (R million)	Fixed %	Variable %
ZAR	394	-	100%	0%

The split as at 31 March 2011 the ratio between fixed and floating interest rates was 0% fixed and 100% floating.

2011 Borrowings	ZAR Values		% of total debt book	
	Fixed (R million)	Variable (R million)	Fixed %	Variable %
ZAR	-	209	0%	100%

### Refinancing and repricing risk

As at 31 March 2012, MMTS-2 had R400 million of term paper in issue (2011: no term paper in issue).

### Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2011: +/- 100bps) and +200bps and -200bps (2011: +/- 200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on MMTS 2's financial instruments held at the reporting date. All other variables are held constant.

	2012 R million	2011 R million	2012 R million	2011 R million
<b>Financial liabilities</b>	-1,00%	-1,00%	1,00%	1,00%
Surplus/ (deficit)	2	1	(4)	(1)
<b>Financial liabilities</b>	-2,00%	-2,00%	2,00%	2,00%
Surplus/ (deficit)	5	3	(7)	(3)
<b>Financial assets</b>	-1,00%	-1,00%	1,00%	1,00%
Surplus/ (deficit)	-	-	-	-
<b>Financial assets</b>	-2,00%	-2,00%	2,00%	2,00%
Surplus/ (deficit)	-	-	-	-

The table above excludes the tariff receivable.

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 6.2 Financial risk management objectives (continued)

### KWSAP

#### Fixed vs variable rate loans

The ratio of fixed to floating debt was 47% fixed and 53% floating. According to policy, projects still under construction are not expected to comply with the minimum of 50% fixed guideline.

2012 Borrowings	ZAR Values		% of total debt book	
	Fixed (R million)	Variable (R million)	Fixed %	Variable %
ZAR	301	346	47%	53%

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

2011 Borrowings	ZAR Values		% of total debt book	
	Fixed (R million)	Variable (R million)	Fixed %	Variable %
ZAR	-	236	0%	100%

#### Refinancing and repricing risk

As at 31 March 2012, KWSAP had R350 million of term paper in issue (2011: no term paper in issue).

#### Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2011: +/- -100bps) and +200bps and -200bps (2011: +/- -200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on KWSAP's financial instruments held at each reporting date. All other variables are held constant.

	2012 R million	2011 R million	2012 R million	2011 R million
<b>Financial liabilities</b>	-1,00%	-1,00%	1,00%	1,00%
Surplus/ (deficit)	2	-	(1)	(1) <sup>(1)</sup>
<b>Financial liabilities</b>	-2,00%	-2,00%	2,00%	2,00%
Surplus/ (deficit)	4	-	(3)	(1)
<b>Financial assets</b>	-1,00%	-1,00%	1,00%	1,00%
Surplus/ (deficit)	-	-	-	(1) <sup>(1)</sup>
<b>Financial assets</b>	-2,00%	-2,00%	2,00%	2,00%
Surplus/ (deficit)	-	-	-	(1) <sup>(1)</sup>

<sup>(1)</sup> The movements are less than R500 000

The table above excludes the Tariff receivable.

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## ORWRDP

### Fixed vs variable rate loans

The ratio of fixed to floating debt was 0% fixed and 100% floating. According to policy, projects still under construction are not expected to comply with the minimum of 50% fixed guideline.

2012 Borrowings	ZAR Values		% of total debt book	
	Fixed (R million)	Variable (R million)	Fixed %	Variable %
ZAR	-	1	0%	100%

There were no borrowings as at 31 March 2011.

### Refinancing and repricing risk

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

### Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2011: +/- 100bps) and +200bps and -200bps (2011: +/- 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.

	2012 R million	2011 R million	2012 R million	2011 R million
<b>Financial liabilities</b>	-1,00%	-1,00%	1,00%	1,00%
Surplus/ (deficit)	-	-	-	(1) -
<b>Financial liabilities</b>	-2,00%	-2,00%	2,00%	2,00%
Surplus/ (deficit)	-	-	-	(1) -
<b>Financial assets</b>	-1,00%	-1,00%	1,00%	1,00%
Surplus/ (deficit)	-	-	-	-
<b>Financial assets</b>	-2,00%	-2,00%	2,00%	2,00%
Surplus/ (deficit)	-	-	-	-

The table above excludes the tariff receivable.

## BOREHOLE, AMD and MMTS-1

These projects do not carry interest rate risk as they are socially funded.

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 6.3 Fair value hierarchy

As part of the disclosure requirements for fair value measurements, TCTA classifies fair value measurements using a 'fair value hierarchy' that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has three different levels:

- Quoted prices in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs that are based on unobservable inputs (Level 3).

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

31 March 2012	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets at FVTPL			
Derivative financial assets		4	
<b>Total</b>		<b>4</b>	
Financial liabilities at FVTPL			
Derivative financial liabilities		5	
<b>Total</b>		<b>5</b>	

31 March 2011	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets at FVTPL			
Derivative financial assets		9	
<b>Total</b>		<b>9</b>	
Financial liabilities at FVTPL			
Derivative financial liabilities		11	
<b>Total</b>		<b>11</b>	

## 6.4 Operational risk management

Operational risk is the potential for loss caused by fraud, error, systems failure or other unexpected occurrences. Risks of this nature are mitigated by means of comprehensive systems of internal control, regular internal and independent audits, risk-management programmes and external insurance policies. The primary objective in managing operational risks is to identify and strengthen possible weak links.

International pronouncements on risk management are evaluated on an on-going basis and, where appropriate, used to provide benchmarks to ensure continued compliance with international best practice.

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 7 Property, Plant and Equipment

### Leasehold improvements, computer and other office equipment

<b>LHWP</b>	<b>2012</b> <b>R million</b>	<b>2011</b> <b>R million</b>	<b>2010</b> <b>R million</b>
Cost as previously stated	31	25	20
Accumulated depreciation	(23)	(19)	(16)
<b>Carrying amount at beginning of year</b>	<b>8</b>	<b>6</b>	<b>4</b>
<b>During the year:</b>			
Additions	5	6	5
Depreciation	(5)	(4)	(3)
Cost/depreciated replacement value	36	31	25
Accumulated depreciation	(28)	(23)	(19)
<b>Carrying amount at end of year</b>	<b>8</b>	<b>8</b>	<b>6</b>

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 8 Financial Instruments

### 8.1 Tariff receivables

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

	LHWP R million	BWP R million	VRESAP R million
<b>Opening Balance 1 April 2010</b>	24 895	1 384	3 695
Construction revenue earned	-	5	406
Income on other services	548	17	-
Intercompany receivables	-	-	-
Tariffs or transfers received from DWA	(2 881)	(136)	(202)
Interest income earned on the tariff receivable	1 187	95	230
Imputed interest on the tariff receivable <sup>(1)</sup>	(443)	157	348
<b>Closing Balance 31 March 2011</b>	<b>23 306</b>	<b>1 522</b>	<b>4 477</b>
Construction revenue earned	12	4	460
Income on other services	506	5	-
Intercompany receivables	-	-	-
Tariffs or transfers received from DWA	(2 840)	(184)	(267)
Interest income earned on the tariff receivable	1 112	105	279
Imputed interest on the tariff receivable <sup>(1)</sup>	184	(143)	(332)
<b>Closing Balance 31 March 2012</b>	<b>22 280</b>	<b>1 309</b>	<b>4 617</b>

<sup>(1)</sup> TCTA revises its estimates of payments or receipts, then adjusts the carrying amount of the Tariff receivable to reflect actual and revised estimated cash flows. TCTA recalculates the carrying amount by computing the present value of estimated future cash flows at the Tariff receivable's original effective interest rate for each project. The adjustment is recognised in surplus or deficit as income or expense.

<sup>(2)</sup> The total includes receivables for ORWRDP, BOREHOLE, AMD and MMTS-1 which have been disclosed as part of as current loans and other receivables.

## Notes to the Annual Financial Statements

For the year ended 31 March 2012

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	TOTAL <sup>(2)</sup> R million
33	62	48	51	-	-	-	30 168
104	99	68	95	-	-	-	777
-	-	-	-	-	-	-	565
-	-	-	-	-	-	-	-
(40)	-	(80)	-	-	-	-	(3 339)
3	4	-	3	-	-	-	1 522
15	29	-	62	-	-	-	168
-	-	-	-	-	-	-	-
115	194	36	211	-	-	-	29 861
278	313	101	511	29	80	2	1 790
-	-	-	-	-	-	-	511
-	-	-	-	-	12	41	53
(290)	-	(46)	-	(21)	(28)	(2)	(3 678)
9	13	-	12	-	-	-	1 530
124	63	-	212	-	-	-	108
-	-	-	-	-	-	-	-
236	583	91	946	8	64	41	30 175

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 8,1 Tariff receivables (continued)

<b>Project</b>	<b>2012 Tariff receivable R million</b>
LHWP	22 280
BWP	1 309
VRESAP	4 617
MCWAP	236
MMTS2	583
KWSAP	945
	<u>29 970</u>



## Notes to the Annual Financial Statements

For the year ended 31 March 2012

2012		2011			2010		
Long-term R million	Short-term R million	Tariff receivable R million	Long-term R million	Short-term R million	Tariff receivable R million	Long-term R million	Short-term R million
19 906	2 374	23 306	21 099	2 207	24 895	22 742	2 153
1 114	195	1 522	1 329	193	1 384	1 243	141
4 297	320	4 477	4 216	261	3 695	3 494	201
236	-	115	115	-	33	33	-
501	82	194	194	-	62	62	-
782	163	210	210	-	51	51	-
<b>26 836</b>	<b>3 135</b>	29 824	27 163	2 661	30 120	27 625	2 495

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 8.2 Financial instruments by category

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

<b>Financial Assets</b>	<b>Financial assets at fair value through profit or loss R million</b>	<b>Financial assets at amortised cost R million</b>	<b>Carrying amount R million</b>	<b>Fair value R million</b>
<b>Assets as per statement of financial position at 31 March 2012</b>				
Derivative financial instruments	4	-	4	4
Tariff receivable <sup>(1)</sup>	-	29 970	29 970	29 970
Loans and other receivables	-	327	327	327
Financial market investments	-	1 420	1 420	1 420
Cash and cash equivalents	-	-	-	-
<b>Total</b>	<b>4</b>	<b>31 717</b>	<b>31 721</b>	<b>31 721</b>
<b>Assets as per statement of financial position at 31 March 2011</b>				
Derivative financial instruments	9	-	9	9
Tariff receivable <sup>(1)</sup>	-	29 824	29 824	29 824
Loans and other receivables	-	115	115	115
Financial market investments	-	3 144	3 144	3 144
Cash and cash equivalents	-	1	1	1
<b>Total</b>	<b>9</b>	<b>33 084</b>	<b>33 093</b>	<b>33 093</b>

<sup>(1)</sup>The carrying amount of the tariff receivable approximates fair value.

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

<b>Financial Liabilities</b>	<b>Financial liabilities at fair value through profit or loss R million</b>	<b>Other financial liabilities R million</b>	<b>Carrying amount R million</b>	<b>Fair value R million</b>
<b>Liabilities per statement of financial position at 31 March 2012</b>				
Financial market liabilities	-	24 625	24 625	28 911
Derivative financial instruments	5	-	5	5
Trade and other payables	-	1 640	1 640	1 640
<b>Total</b>	<b>5</b>	<b>26 265</b>	<b>26 270</b>	<b>30 556</b>

	<b>Financial liabilities at fair value through profit or loss R million</b>	<b>Other financial liabilities R million</b>	<b>Carrying amount R million</b>	<b>Fair value R million</b>
<b>Liabilities per statement of financial position at 31 March 2011</b>				
Financial market liabilities	-	25 952	25 952	29 092
Derivative financial instruments	11	-	11	11
Trade and other payables	-	916	916	916
<b>Total</b>	<b>11</b>	<b>26 868</b>	<b>26 879</b>	<b>30 019</b>

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 8,3 Financial instruments in time buckets

	Current (One year and less) 2012 R million
<b>Financial Liabilities</b>	
<b>LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	
<b>LHWP</b>	
Derivative financial instruments	4
	4
<b>LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	
<b>OTHER FINANCIAL LIABILITIES</b>	
<b>LHWP</b>	
<b>Local Debt (A)</b>	
Issued bonds	(223)
Repo borrows	(223)
TCTA	-
	292
<b>Other loans (B)</b>	
TCTA	271
LHDA	21
	31
<b>Foreign debt (C)</b>	
Debt translated at spot rates	31
LHDA	31
	35
<b>Repo carries (D)</b>	
Financial market liabilities (A+B+C+D)	135
Trade and other payables	733
	868
<b>Sub-total other financial liabilities</b>	868
<b>Total</b>	872
<b>BWP</b>	
Financial market liabilities: Local Debt	123
Trade and other payables	26
	149
<b>Total</b>	149

# Notes to the Annual Financial Statements

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Current (One year and less) 2011 R million	(1 to 5 years) 2012 R million	Non-current (5 to 10 years) 2012 R million	(10 years & longer) 2012 R million	Non-current 2012 R million	Non-current 2011 R million	Total 2012 R million	Total 2011 R million
7	1	-	-	1	4	5	11
7	1	-	-	1	4	5	11
(243)	5 826	12 343	-	18 169	18 628	17 946	18 385
(243)	-	-	-	-	-	(223)	(243)
-	5 826	12 343	-	18 169	18 628	18 169	18 628
1 812	248	93	1	342	412	634	2 224
1 794	158	39	-	197	245	468	2 039
18	90	54	1	145	167	166	185
44	36	9	-	45	70	76	114
44	36	9	-	45	70	76	114
88	-	-	-	-	-	35	88
1 701	6 110	12 445	1	18 556	19 110	18 691	20 811
655	-	-	-	-	-	733	655
2 356	6 110	12 445	1	18 556	19 110	19 424	21 466
2 363	6 111	12 445	1	18 557	19 114	19 429	21 477
123	319	387	394	1 100	1 167	1 223	1 290
10	-	-	-	-	-	26	10
133	319	387	394	1 100	1 167	1 249	1 300

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 8,3 Financial instruments in time buckets (continued)

	Current (One year and less) 2012 R million
<b>VRESAP</b>	
Financial market liabilities: Local Debt	57
Trade and other payables	44
<b>Total</b>	<b>101</b>
<b>MCWAP</b>	
Financial market liabilities: Local Debt	84
Trade and other payables	44
<b>Total</b>	<b>128</b>
<b>MMTS-2</b>	
Financial market liabilities: Local Debt	394
Trade and other payables	140
<b>Total</b>	<b>534</b>
<b>ORWRDP</b>	
Financial market liabilities: Local Debt	1
Trade and other payables	422
<b>Total</b>	<b>423</b>
<b>KWSAP</b>	
Financial market liabilities: Local Debt	346
Trade and other payables	104
<b>Total</b>	<b>450</b>

## Notes to the Annual Financial Statements

For the year ended 31 March 2012

Current (One year and less)	Non-current (1 to 5 years)		Non-current (5 to 10 years)		Non-current (10 years & longer)		Total	Total
	2011 R million	2012 R million	2012 R million	2012 R million	2012 R million	2011 R million	2012 R million	2011 R million
58	551	940	2 036	3 527	3 343		3 584	3 401
64	-	-	-	-	-		44	64
122	551	940	2 036	3 527	3 343		3 628	3 465
5	-	-	-	-	-		84	5
67	-	-	-	-	-		44	67
72	-	-	-	-	-		128	72
209	-	-	-	-	-		394	209
19	-	-	-	-	-		140	19
228	-	-	-	-	-		534	228
-	-	-	-	-	-		1	-
53	-	-	-	-	-		422	53
53	-	-	-	-	-		423	53
236	33	84	184	301	-		647	236
36	-	-	-	-	-		104	36
272	33	84	184	301	-		751	272

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 8,3 Financial instruments in time buckets (continued)

	Current (One year and less) 2012 R million
<b>BOREHOLE</b>	
Trade and other payables	20
<b>Total</b>	<b>20</b>
<b>AMD</b>	
Trade and other payables	66
<b>Total</b>	<b>66</b>
<b>MMTS-1</b>	
Trade and other payables	41
<b>Total</b>	<b>41</b>
<b>TOTAL OTHER FINANCIAL LIABILITIES</b>	<b>2 780</b>
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>2 784</b>



## Notes to the Annual Financial Statements

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Current (One year and less) 2011 R million	Non-current (1 to 5 years) 2012 R million	Non-current (5 to 10 years) 2012 R million	Non-current (10 years & longer) 2012 R million	Non-current 2012 R million	Non-current 2011 R million	Total 2012 R million	Total 2011 R million
12	-	-	-	-	-	20	12
12	-	-	-	-	-	20	12
-	-	-	-	-	-	66	-
-	-	-	-	-	-	66	-
-	-	-	-	-	-	41	-
-	-	-	-	-	-	41	-
3 248	7 013	13 856	2 615	23 484	23 620	26 264	26 868
3 255	7 014	13 856	2 615	23 485	23 624	26 269	26 879

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 8.4 Interest rates

<b>LHWP</b>	<b>2012</b> <b>%</b>	<b>2011</b> <b>%</b>
Loans bear effective interest at rates ranging from	<b>*3.5 to 22.1</b>	*3.5 to 22.1
TCTA funded at a weighted average rate of	<b>9,58</b>	9,72
Project funded at a weighted average rate of	<b>9,54</b>	9,80

\* The interest rate applicable to one of the development funding foreign loans is 3.5%. This is a Euro loan facility drawn as ZAR funding. The 22.1% relates to a Calyon loan for Mohale Tunnel, valued at spot at R6 million (2011: R16 million). The interest rate applicable to this loan is 5.7%, however, due to forward exchange contract costs, the overall effective interest rate on this loan amounts to 22.1% (2011: 22.1%).

<b>The project funded at a weighted average rate of</b>	<b>2012</b> <b>%</b>	<b>2011</b> <b>%</b>
BWP	<b>8,12%</b>	8,10%
VRESAP	<b>9,06%</b>	8,78%
MMTS-2	<b>5,69%</b>	6,87%
KWSAP	<b>7,47%</b>	5,90%
ORWRDP	<b>5,90%</b>	5,90%
MCWAP	<b>5,90%</b>	5,90%
AMD <sup>(1)</sup>	-	-
MMTS-1 <sup>(1)</sup>	-	-

<sup>(1)</sup>There are no facilities secured for these projects as at 31 March 2012.

## 8.5 Exchange rates (closing rates)

The following are exchange rates utilised by TCTA as at 31 March:

<b>Foreign currency</b>	<b>2012</b> <b>Bid</b> <b>Rand</b>	<b>2011</b> <b>Bid</b> <b>Rand</b>	<b>2012</b> <b>Offer</b> <b>Rand</b>	<b>2011</b> <b>Offer</b> <b>Rand</b>
US dollars	<b>7,650</b>	6,715	<b>7,695</b>	6,716
Euros	<b>10,208</b>	9,548	<b>10,268</b>	9,551

## 8.6 Bonds

TCTA is the legal issuer of the following LHWP local registered bonds:

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

Loan No	Type	Redemption date	Interest rate	Authorised	Nominal/
				nominal/ principal value	capital indexed issued
				R million	R million
WS04	Nominal	30/05/2016	12,50%	10 000	5 413
WS05	Inflation indexed	01/08/2018	5,00%	7 000	6,381*
WSP1	Nominal	28/05/2015	9,00%	1 000	136
WSP2	Nominal	28/05/2017	9,00%	1 000	2 436**
WSP3	Nominal	28/05/2019	9,00%	1 000	45
WSP4	Nominal	28/05/2020	9,00%	1 000	99
WSP5	Nominal	28/05/2021	9,00%	4 000	4 492**

\* Inflation indexed bond reflected at CPI value.

\*\* The limit for WSP2 and WSP5 are offset by the available limit on the WS04 bonds as approved by the ALCO as at 25 November 2010.

Value of bonds	2012	2012	2011	2011
	Fair value R million	Nominal value R million	Fair value R million	Nominal value R million
Authorised		29 500		29 500
Issued	22 435*	19 002**	21 717*	18 960**
Unrealised premium to be amortised over the life of the loan		720		1 089
Unrealised discount to be amortised over the life of the loan		(74)		(96)
Unrealised amortisation of CPI upliftment for WS05		(1 479)		(1 325)

\* 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.

## 8,7 Guarantees

### LHWP

In terms of the Treaty, the South African Government has agreed to provide, on request, guarantees for loans, credit facilities or other borrowings entered into by the LHDA and TCTA for financing the water-delivery component of the project.

Particulars of the guarantees issued and the amounts utilised (including short-term loans but excluding accrued interest) are set out below. The amounts are stated in the currency of the issued guarantee to indicate the utilisation.

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 8,7 Guarantees (continued)

Currency	Amount guaranteed million 2012	Amount utilised million 2012	Amount guaranteed million 2011	Amount utilised million 2011
<b>TCTA loans:</b>				
Euro	101	14	101	18
Rand	26 100	19 234	26 100	17 784
<b>LHDA loans:</b>				
USD	51	1	51	2
Euro	94	16	94	22
Rand	274	1	274	2

\* Included in the euro amount is the European Investment Bank facility which was drawn in Rands, R145 million (2011: R170 million) and will be repaid in rands.

\*\* Included in the euro amount is the European Investment Bank facility which was drawn in Rands, R92 million (2011: R107 million) and will be repaid in rands.

### BWP

Guarantees have been provided by TCTA as follows:

In Favour Of	Nature	Amount guaranteed R million 2012	Amount guaranteed R million 2011
Eskom	Permanent power supply for construction of the dam as well as the Daspoort Tunnel	1	2
Drakenstein Municipality	For electricity consumption on the Supplement Scheme <sup>(1)</sup>	-	-
Emiratethe: the Emira Property Fund Stellenbosch Municipality	Rental deposit <sup>(2)</sup> Cost of new sewer pipeline to be replaced by contractor at TCTA's cost	1	1
	Cost to be borne by TCTA should electrical works not be in terms of the municipality's standards	4	-

<sup>(1)</sup> The amount of the guarantee is R24 800

<sup>(2)</sup> The amount of the guarantee is R90 000

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 8,7 Guarantees (continued)

### VRESAP

Guarantees have been provided by TCTA as follows:

In Favour Of	Nature	Amount guaranteed R million 2012	Amount guaranteed R million 2011
Department of Minerals and Energy	Guarantees provided for rehabilitation of burrow pits	5	5

## 8,8 Derivative exposures

### LHWP

The table below details derivative values:

	Current 2012 R million	Current 2011 R million	Non-current 2012 R million	Non-current 2011 R million
<b>Forward exchange contracts</b>				
<b>ASSETS</b>				
Fair value amount	1	4	3	5
<b>LIABILITIES</b>				
Fair value amount	4	7	1	4
	<b>Foreign Amount 2012 million</b>	<b>Rand amount 2012 million</b>	<b>Foreign Amount 2011 million</b>	<b>Rand amount 2011 million</b>
<b>Forward exchange contracts</b>				
EUR	8	80	12	120
USD	1	8	2	12

Net foreign exchange contracts are stated at fair value and match specific underlying commitments recorded on the statement of financial position at year end.

Derivatives are used to hedge currency exposures.

Fair value is the current mark-to-market value of all the derivatives at the reporting date.

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 8,9 Interest rate risk management

Maturity periods: Interest exposure

<b>2012</b>	<b>LHWP</b>	<b>BWP</b>	<b>VRESAP</b>
<b>Liabilities</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>
<b>Floating</b>			
<1 month	(16)	56	35
1-3 months	74	-	-
3-12 months	60	-	-
1-2 years	57	-	24
2-3 years	54	-	24
3-4 years	54	-	23
4-5 years	54	-	23
>5 years	5 263	100	482
	<b>5 600</b>	<b>156</b>	<b>611</b>
<b>Fixed</b>			
<1 year	20	77	22
1-2 years	19	87	79
2-3 years	16	77	119
3-4 years	148	78	126
4-5 years	5 709	78	133
>5 years	7 185	670	2 495
	<b>13 097</b>	<b>1 067</b>	<b>2 974</b>

## Notes to the Annual Financial Statements

For the year ended 31 March 2012

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
-	-	1	99	-	-	-	175
-	295	-	247	-	-	-	616
84	99	-	-	-	-	-	243
-	-	-	-	-	-	-	81
-	-	-	-	-	-	-	78
-	-	-	-	-	-	-	77
-	-	-	-	-	-	-	77
-	-	-	-	-	-	-	5 845
84	394	1	346	-	-	-	7 192
-	-	-	-	-	-	-	119
-	-	-	-	-	-	-	185
-	-	-	-	-	-	-	211
-	-	-	17	-	-	-	369
-	-	-	17	-	-	-	5 937
-	-	-	267	-	-	-	10 617
-	-	-	301	-	-	-	17 438

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 8,9 Interest rate risk management (continued)

2011 Liabilities	LHWP R million	BWP R million	VRESAP R million
<b>Floating</b>			
<1 month	330	56	58
1-3 months	407	-	-
3-12 months	948	-	-
1-2 years	72	-	-
2-3 years	65	-	22
3-4 years	54	-	23
4-5 years	54	-	93
>5 years	5 147	100	960
	<u>7 077</u>	<u>156</u>	<u>1 156</u>
<b>Fixed</b>			
<1 year	22	67	-
1-2 years	20	77	22
2-3 years	18	87	76
3-4 years	15	77	82
4-5 years	367	78	87
>5 years	13 303	748	1 978
	<u>13 745</u>	<u>1 134</u>	<u>2 245</u>

The table above excludes the maturity periods for trade and other payables.



## Notes to the Annual Financial Statements

For the year ended 31 March 2012

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
-	-	-	-	-	-	-	444
-	209	-	-	-	-	-	616
5	-	-	236	-	-	-	1 189
-	-	-	-	-	-	-	72
-	-	-	-	-	-	-	87
-	-	-	-	-	-	-	77
-	-	-	-	-	-	-	147
-	-	-	-	-	-	-	6 207
5	209	-	236	-	-	-	8 839
-	-	-	-	-	-	-	89
-	-	-	-	-	-	-	119
-	-	-	-	-	-	-	181
-	-	-	-	-	-	-	174
-	-	-	-	-	-	-	532
-	-	-	-	-	-	-	16 029
-	-	-	-	-	-	-	17 124

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 8,9 Interest rate risk management (continued)

2012 Assets	LHWP R million	BWP R million	VRESAP R million
<b>Floating</b>			
<1 month	630	41	21
1-3 months	-	-	-
3-12 months	1	-	-
1-2 years	3	-	-
2-3 years	-	-	-
3-4 years	-	-	-
4-5 years	-	-	-
>5 years	-	-	-
	<b>634</b>	<b>41</b>	<b>21</b>
<b>Fixed</b>			
<1 year	577	-	-
1-2 years	-	-	-
2-3 years	-	-	-
3-4 years	-	-	-
4-5 years	-	-	-
>5 years	-	-	-
	<b>577</b>	<b>-</b>	<b>-</b>

## Notes to the Annual Financial Statements

For the year ended 31 March 2012

MCWAP R million	MMS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMS-1 R million	Total R million
-	2	110	26	14	-	-	844
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1
-	-	-	-	-	-	-	3
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	2	110	26	14	-	-	848
-	-	-	-	-	-	-	577
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	577

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 8,9 Interest rate risk management (continued)

2011 Assets	LHWP R million	BWP R million	VRESAP R million
<b>Floating</b>			
<1 month	309	22	50
1-3 months	-	-	-
3-12 months	4	-	-
1-2 years	2	-	-
2-3 years	3	-	-
3-4 years	-	-	-
4-5 years	-	-	-
>5 years	-	-	-
	<u>318</u>	<u>22</u>	<u>50</u>
<b>Fixed</b>			
<1 year	2 679	-	-
1-2 years	-	-	-
2-3 years	-	-	-
3-4 years	-	-	-
4-5 years	-	-	-
>5 years	-	-	-
	<u>2 679</u>	<u>-</u>	<u>-</u>

The table above excludes the maturity periods for loans and other receivables and cash and equivalents.

## Notes to the Annual Financial Statements

For the year ended 31 March 2012

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
-	66	-	-	-	-	-	447
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	4
-	-	-	-	-	-	-	2
-	-	-	-	-	-	-	3
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	66	-	-	-	-	-	456
-	-	-	-	-	-	-	2 679
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2 679

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 9 Loans And Other Receivables

<b>Non-current 2012</b>	<b>LHWP R million</b>	<b>BWP R million</b>	<b>VRESAP R million</b>
Tariff receivable	19 906	1 114	4 297
Other debtors	-	-	-
<b>Total</b>	<b>19 906</b>	<b>1 114</b>	<b>4 297</b>

<b>2011</b>	<b>LHWP R million</b>	<b>BWP R million</b>	<b>VRESAP R million</b>
Tariff receivable	21 099	1 329	4 216
Other debtors	-	4	-
<b>Total</b>	<b>21 099</b>	<b>1 333</b>	<b>4 216</b>

<b>2010</b>	<b>LHWP R million</b>	<b>BWP R million</b>	<b>VRESAP R million</b>
Tariff receivable	22 742	1 243	3 994
Other debtors	-	6	-
<b>Total</b>	<b>22 742</b>	<b>1 249</b>	<b>3 494</b>

<b>Current 2012</b>	<b>LHWP R million</b>	<b>BWP R million</b>	<b>VRESAP R million</b>
Tariff receivable	2 374	195	320
Other debtors	1	-	16
Loan account: LHWP	-	2	5
Loan account: BWP	-	-	-
Loan account: VRESAP	-	-	-
Loan account: MCWAP	38	-	-
Loan account: MMTS-2	29	-	-
Loan account: ORWRDP	-	-	-
Loan account: KWSAP	5	-	-
Loan account: Borehole	4	-	-
Loan account: AMD	18	-	-
<b>Total</b>	<b>2 469</b>	<b>197</b>	<b>341</b>

## Notes to the Annual Financial Statements

For the year ended 31 March 2012

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
236	82	-	782	-	-	-	26 417
-	-	-	-	-	-	-	-
236	82	-	782	-	-	-	26 417

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
115	194	-	210	-	-	-	27 163
-	-	-	-	-	-	-	4
115	194	-	210	-	-	-	27 167

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
33	62	-	51	-	-	-	27 625
-	-	-	-	-	-	-	6
33	62	-	51	-	-	-	27 631

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
-	501	-	163	-	-	-	3 533
-	-	90	-	8	52	-	167
2	-	4	-	-	12	-	25
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	38
-	-	-	-	-	-	41	70
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	5
-	-	-	-	-	-	-	4
-	-	-	-	-	-	-	18
2	501	94	163	8	64	41	3 880

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 9 Loans And Other Receivables (continued)

<b>2011</b>	<b>LHWP</b> R million	<b>BWP</b> R million	<b>VRESAP</b> R million
Tariff receivable	2 207	193	261
Other debtors	2	-	18
Loan account: LHWP	-	-	-
Loan account: BWP	2	-	-
Loan account: VRESAP	7	-	-
Loan account: MCWAP	20	-	-
Loan account: MMTS-2	3	-	-
Loan account: ORWRDP	4	-	-
Loan account: KWSAP	5	-	-
Loan account: Borehole	-	-	-
Loan account: AMD	-	-	-
<b>Total</b>	<b>2 250</b>	<b>193</b>	<b>279</b>

<b>2010</b>	<b>LHWP</b> R million	<b>BWP</b> R million	<b>VRESAP</b> R million
Tariff receivable	2 153	141	201
Other debtors	1	-	16
Loan account: LHWP	-	-	-
Loan account: BWP	1	-	-
Loan account: VRESAP	2	-	-
Loan account: MCWAP	58	-	-
Loan account: MMTS-2	2	-	-
Loan account: ORWRDP	51	-	-
Loan account: KWSAP	41	-	-
Loan account: Borehole	-	-	-
Loan account: AMD	-	-	-
<b>Total</b>	<b>2 309</b>	<b>141</b>	<b>217</b>



## Notes to the Annual Financial Statements

For the year ended 31 March 2012

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
-	-	-	-	-	-	-	2 661
-	-	36	-	14	-	-	70
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2
-	-	-	-	-	-	-	7
-	-	-	-	-	-	-	20
-	-	-	-	-	-	-	3
-	-	-	-	-	-	-	4
-	-	-	-	-	-	-	5
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	36	-	14	-	-	2 772

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
-	-	-	-	-	-	-	2 495
15	-	88	3	-	-	-	123
-	26	-	-	-	-	-	26
-	-	-	-	-	-	-	1
-	-	-	-	-	-	-	2
-	-	-	-	-	-	-	58
-	-	-	-	-	-	-	2
-	-	-	-	-	-	-	51
-	-	-	-	-	-	-	41
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
15	26	88	3	-	-	-	2 799

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 9 Loans And Other Receivables (continued)

<b>Total</b>	<b>2012</b> R million	<b>2011</b> R million	<b>2010</b> R million
<b>Non-current</b>			
LHWP	19 906	21 099	22 742
BWP	1 114	1 333	1 249
VRESAP	4 297	4 216	3 494
MMTS-2	236	115	33
MCWAP	82	194	62
ORWRDP	-	-	-
KWSAP	782	210	51
BOREHOLE	-	-	-
AMD	-	-	-
MMTS-1	-	-	-
<b>Balance at end of year</b>	<b>26 417</b>	<b>27 167</b>	<b>27 631</b>

<b>Total</b>	<b>2012</b> R million	<b>2011</b> R million	<b>2010</b> R million
<b>Current</b>			
LHWP	2 469	2 250	2 309
BWP	197	193	141
VRESAP	341	279	217
MMTS-2	2	-	15
MCWAP	501	-	26
ORWRDP	94	36	88
KWSAP	163	-	3
BOREHOLE	8	14	-
AMD	64	-	-
MMTS-1	41	-	-
<b>Balance at end of year</b>	<b>3 880</b>	<b>2 772</b>	<b>2 799</b>

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 10 Prepaid Expenditure

<b>Total</b>	<b>2012</b> <b>R million</b>	<b>2011</b> <b>R million</b>	<b>2010</b> <b>R million</b>
LHWP	67	68	24
VRESAP	2	1	36
MCWAP	66	2	7
MMTS-2	49	1	-
ORWRDP	217	-	5
KWSAP	49	121	1
<b>Balance at end of year</b>	<b>450</b>	<b>193</b>	<b>73</b>

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 11 Trade and other Payables

2012	LHWP R million	BWP R million	VRESAP R million
<b>Interest payable</b>			
• TCTA	519	20	28
• LHDA	4	-	-
Loan account: LHWP	12	-	-
Loan account: MMTS-1	-	-	-
Other creditors	198	6	16
Deferred income <sup>(1)</sup>	-	-	-
Royalties	-	-	-
	<b>733</b>	<b>26</b>	<b>44</b>

2011	LHWP R million	BWP R million	VRESAP R million
<b>Interest payable</b>			
• TCTA	618	3	24
• LHDA	1	-	-
Loan account: LHWP	-	2	7
Loan account: MMTS-1	-	-	-
Other creditors	21	5	33
Deferred income <sup>(1)</sup>	-	-	-
Royalties	15	-	-
	<b>655</b>	<b>10</b>	<b>64</b>

2010	LHWP R million	BWP R million	VRESAP R million
<b>Interest payable</b>			
• TCTA	518	3	24
• LHDA	7	-	-
Loan account: LHWP	-	1	2
Loan account: MMTS-1	-	-	-
Other creditors	58	6	16
Deferred income <sup>(1)</sup>	-	-	-
Royalties	29	-	-
	<b>612</b>	<b>10</b>	<b>42</b>

<sup>(1)</sup> TCTA entered into memorandum of understanding agreements with DWA on various projects in order to contractually allow DWA to make working capital advance payments to TCTA as an interim funding mechanism until TCTA secures long term funding on each project.

## Notes to the Annual Financial Statements

For the year ended 31 March 2012

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
-	-	-	-	-	-	-	567
-	-	-	-	-	-	-	4
-	29	-	5	4	-	41	91
-	38	-	-	-	-	-	38
44	73	422	99	16	66	-	940
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
44	140	422	104	20	66	41	1 640

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
-	-	-	-	-	-	-	645
-	-	-	-	-	-	-	1
20	3	4	31	-	-	-	67
-	-	-	-	-	-	-	-
47	16	49	-	-	-	-	171
-	-	-	5	12	-	-	17
-	-	-	-	-	-	-	15
67	19	53	36	12	-	-	916

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
-	-	-	-	-	-	-	545
-	-	-	-	-	-	-	7
-	-	37	19	-	-	-	59
-	-	-	-	-	-	-	-
31	27	53	24	-	-	-	215
-	-	-	12	-	-	-	12
-	-	-	-	-	-	-	29
31	27	90	55	-	-	-	867

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 12 Non-Contractual Amounts

<b>2012</b>	<b>LHWP R million</b>	<b>BWP R million</b>	<b>VRESAP R million</b>
South African Revenue Service	(71)	6	(6)
<b>Total</b>	<b>(71)</b>	<b>6</b>	<b>(6)</b>

<b>2011</b>	<b>LHWP R million</b>	<b>BWP R million</b>	<b>VRESAP R million</b>
South African Revenue Service	(66)	1	2
<b>Total</b>	<b>(66)</b>	<b>1</b>	<b>2</b>

<b>2010</b>	<b>LHWP R million</b>	<b>BWP R million</b>	<b>VRESAP R million</b>
South African Revenue Service	(60)	19	(1)
<b>Total</b>	<b>(60)</b>	<b>19</b>	<b>(1)</b>

## Notes to the Annual Financial Statements

For the year ended 31 March 2012

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
(3)	11	2	20	(2)	2	-	(41)
(3)	11	2	20	(2)	2	-	(41)

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
(6)	2	(1)	6	(2)	-	-	(64)
(6)	2	(1)	6	(2)	-	-	(64)

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
(2)	3	(3)	1	-	-	-	(43)
(2)	3	(3)	1	-	-	-	(43)

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 13 Provisions

### 13,1 Provision for leave pay

<b>Reconciliation</b>	<b>2012</b> <b>R million</b>	<b>2011</b> <b>R million</b>
Balance at the beginning of the year	5	5
Leave accrued during the year	9	7
Leave utilised	(8)	(7)
<b>Leave provision as at 31 March</b>	<b>6</b>	<b>5</b>

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.

### 13,2 Provision for incentive

	<b>2012</b> <b>R million</b>	<b>2011</b> <b>R million</b>
Balance at the beginning of the year	19	16
Incentive provision raised in the year	13	19
Incentive paid in the year	(19)	(16)
<b>Incentive provision as at 31 March</b>	<b>13</b>	<b>19</b>

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.

### 13,3 Provision for compensation

	<b>2012</b> <b>R million</b>	<b>2011</b> <b>R million</b>
<b>Balance at 31 March 2011</b>	<b>348</b>	<b>354</b>
- Long-term portion of future compensation	331	338
- Short-term portion of future compensation	17	16
Payment in current year	(9)	(44)
Interest expense	182	-
Fair value of net present value of financial liability	(16)	-
Adjustment based on higher weighted average cost of capital	(230)	-
Increase in short-term provision based on payment history	-	31
Increase in provision based on revised rates	-	7
<b>Balance at 31 March 2012</b>	<b>275</b>	<b>348</b>
- Long-term portion of future compensation	254	331
- Short-term portion of future compensation	21	17

The provision for compensation payments is paid annually in either cash or in kind. These payments are disturbance allowances for families that are resettled, for the loss of garden kind as well as for the loss of fuel and/ or fruit trees.



# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 13,4 Total provisions

<b>Reconciliation</b>	<b>2012</b> R million	<b>2011</b> R million
<b>Non-current</b>		
Provision for compensation	254	331
<b>Total Non-current provisions</b>	<b>254</b>	<b>331</b>
<b>Current</b>		
Provision for leave pay	6	5
Provision for incentive	13	19
Provision for compensation	21	17
<b>Total current provisions</b>	<b>40</b>	<b>41</b>



## Notes to the Annual Financial Statements

For the year ended 31 March 2012

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
1	-	-	-	-	-	-	1
1	-	-	-	-	-	-	1

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 15 Construction Revenue and Costs

<b>2012</b>	<b>LHWP R million</b>	<b>BWP R million</b>	<b>VRESAP R million</b>
Construction revenue	12	4	460
Construction costs	(12)	(4)	(460)
	-	-	-

<b>2011</b>	<b>LHWP R million</b>	<b>BWP R million</b>	<b>VRESAP R million</b>
Construction revenue	-	5	406
Construction costs	-	(5)	(406)
	-	-	-

## 16 Other Income

<b>2012</b>	<b>LHWP R million</b>	<b>BWP R million</b>	<b>Total R million</b>
Other income	506	5	511
	506	5	511

<b>2011</b>	<b>LHWP R million</b>	<b>BWP R million</b>	<b>Total R million</b>
Other income	548	17	565
	548	17	565

### Other income

Other income relates to services rendered and cost recoveries from DWA.

## Notes to the Annual Financial Statements

For the year ended 31 March 2012

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
278	313	101	511	29	80	2	1 790
(278)	(313)	(101)	(511)	(29)	(80)	(2)	(1 790)
-	-	-	-	-	-	-	-

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
104	99	68	95	-	-	-	777
(104)	(99)	(68)	(95)	-	-	-	(777)
-	-	-	-	-	-	-	-

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 17 Finance Income and Costs

### 17.1 Finance income

<b>2012</b>	<b>LHWP R million</b>	<b>BWP R million</b>	<b>VRESAP R million</b>
Interest income on financial assets carried at amortised cost	244	3	3
Imputed interest on the financial asset	1 295	102	276
Interest income on financial assets at fair value through profit or loss	20	-	-
<b>Finance income</b>	<b>1 559</b>	<b>105</b>	<b>279</b>

<b>2011</b>	<b>LHWP R million</b>	<b>BWP R million</b>	<b>VRESAP R million</b>
Interest income on financial assets carried at amortised cost	668	2	6
Imputed interest on the financial asset	1 187	250	572
Interest income on financial assets at fair value through profit or loss	7	-	-
<b>Finance income</b>	<b>1 862</b>	<b>252</b>	<b>578</b>

Finance income comprises of:

- interest received from the redemption investments;
- interest received from repurchase agreements (repos);
- premium on bonds amortised;
- interest on short-term investments; and
- the imputed interest on the tariff receivable.

## Notes to the Annual Financial Statements

For the year ended 31 March 2012

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
-	-	-	-	-	-	-	250
133	76	-	224	-	-	-	2 106
-	-	-	-	-	-	-	20
133	76	-	224	-	-	-	2 376

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	BOREHOLE R million	AMD R million	MMTS-1 R million	Total R million
-	-	-	-	-	-	-	676
18	33	-	64	-	-	-	2 124
-	-	-	-	-	-	-	7
18	33	-	64	-	-	-	2 807

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 17,2 Finance costs

Finance costs for the year ended may be analysed as follows:

2012	LHWP R million	BWP R million	VRESAP R million
<b>Interest expense for borrowings at amortised cost</b>	2 192	245	335
- Locally issued bonds	1 922	-	-
- Other local debt	251	104	320
- Foreign debt	19	-	-
Imputed interest on the financial asset	-	141	15
<b>Interest expense for borrowings at fair value through profit or loss</b>	8	-	-
Fair value losses on forward exchange contracts held for trading	8	-	-
<b>Finance costs</b>	<b>2 200</b>	<b>245</b>	<b>335</b>

2011	LHWP R million	BWP R million	VRESAP R million
<b>Interest expense for borrowings at amortised cost</b>	2 890	106	-
- Locally issued bonds	2 184	-	-
- Other local debt	236	106	-
- Foreign debt	28	-	-
Imputed interest on the financial asset	442	-	-
<b>Interest expense for borrowings at fair value through profit or loss</b>	95	-	-
Fair value losses on forward exchange contracts held for trading	95	-	-
<b>Finance costs</b>	<b>2 985</b>	<b>106</b>	<b>-</b>



# Notes to the Annual Financial Statements

For the year ended 31 March 2012

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	Borehole R million	AMD R million	MMTS-1 R million	Total R million
-	-	-	-	-	-	-	2 772
-	-	-	-	-	-	-	1 922
-	-	-	-	-	-	-	675
-	-	-	-	-	-	-	19
-	-	-	-	-	-	-	156
-	-	-	-	-	-	-	8
-	-	-	-	-	-	-	8
-	-	-	-	-	-	-	2 780

MCWAP R million	MMTS-2 R million	ORWRDP R million	KWSAP R million	Borehole R million	AMD R million	MMTS-1 R million	Total R million
-	-	-	-	-	-	-	2 996
-	-	-	-	-	-	-	2 184
-	-	-	-	-	-	-	342
-	-	-	-	-	-	-	28
-	-	-	-	-	-	-	442
-	-	-	-	-	-	-	95
-	-	-	-	-	-	-	95
-	-	-	-	-	-	-	3 091

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 18 Royalties Paid

Royalties are paid to the Government of Lesotho in accordance with the Treaty for the benefit of receiving water from the LHWP. The royalties are based on the calculated net benefit of the construction of LHWP compared to a transfer scheme based entirely inside South Africa. The royalties comprise a fixed component and a variable component. The variable royalties are based on 876 million m<sup>3</sup> (2011: 730 million m<sup>3</sup>) of water delivered. The increase in the volume is the result of the shut down of the delivery tunnel for maintenance for the month of March 2011 which resulted in lower than the agreed to delivery of 784 million m<sup>3</sup> in the 2011 financial year. In terms of the treaty, any shortfall in delivery of water during any year is caught up in the next year. During this financial year, there was an adjustment to the Eskom Sustainability Index which has had the effect of increasing the variable royalties.

<b>Total</b>	<b>2012</b> <b>R million</b>	<b>2011</b> <b>R million</b>
Fixed royalties	183	167
Variable royalties	432	271
	<b>615</b>	<b>438</b>

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 19 Other Operating Expenses

Other operating expenses include the following:

<b>Total</b>	<b>2012</b> <b>R million</b>	<b>2011</b> <b>R million</b>
Operating lease payments	8	7
Audit Fees <sup>(1)</sup>	3	3
Other operating expenditure	(223)	(80)
	(212)	(70)

<sup>(1)</sup> Audit fee R2,795,484 (2011: R2,690,952)

Allocated project hours are billed at the actual staff rates.

Shared costs include, but are not limited to, the following:

- Office overheads
- Directors' remuneration
- Human resources
- Audit fees
- Annual report costs
- Training, seminars and conferences
- Local area network development
- Rental of lines
- Strategic workshops
- Internal audit and compliance
- Insurance
- Human resources consulting fees

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 20 Related Parties

TCTA as a government-related entity has applied the exemption in paragraph 25 of IAS 24 in the disclosure of related parties. These related parties are either controlled, jointly controlled or significantly influenced by the government of the Republic of South Africa. The significant transactions below are as a result of contractual agreements entered into between TCTA and the related parties in fulfilling TCTA's mandate in terms of directives issued in various projects.

### 20,1 Trading transactions

#### DWA

For related party transactions and balances with DWA refer to note 8,1

#### Loans

#### DBSA

#### 2012

Project	Opening balance 1 April 2011 R million	Drawdowns R million	Repayments R million	Closing balance 31 March 2012 R million	Interest incurred for the period R million	Interest outstanding at 31 March 2012 R million
LHWP	107	-	(15)	92	5	-
LHWP - LHDA Loans	82	-	(5)	77	4	4
BWP	360	-	(10)	350	16	16

#### DBSA

#### 2011

Project	Opening balance 1 April 2010 R million	Drawdowns R million	Repayments R million	Closing balance 31 March 2011 R million	Interest incurred for the period R million	Interest outstanding at 31 March 2011 R million
LHWP	122	-	(15)	107	7	-
LHWP - LHDA Loans	117	-	(35)	82	10	-
BWP	380	-	(20)	360	33	-

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 20,2 Other transactions

### LHWC Costs

The Government of South Africa and the Government of Lesotho entered into a Treaty with the purpose to provide for the establishment, implementation, operation and maintenance of the LHWP Project.

The LHWC is the body overseeing the two vehicles (TCTA and LHDA) mandated with the execution of the Treaty functions on behalf of the two governments.

The LHWC is responsible and accountable for the project, acts on behalf of and advises the governments and is the channel of all government inputs relating to the project.

The costs of establishing the LHWC as well as the working capital necessary for the functioning of the LHWC, is shared by both TCTA and LHDA. Each party is liable for the costs of its own delegation and all other costs are met by the parties on an equal basis.

The following amounts represents the costs relating to the LHWC paid for by TCTA:

Project	Payments made to related party	
	2012 R million	2011 R million
LHWP		
LHWC Costs: RSA contribution and delegation costs	11	11

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 20,3 Compensation of directors and executive management<sup>1</sup>

### Non-executive directors

<b>2012</b>		Ad hoc fees	Travel
<b>Names</b>	<b>Board fees</b>	<b>(*)</b>	<b>expenses</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>Board 01/04/2011 to 31/03/2012</b>			
S Khoza <sup>(1)</sup>	822	148	-
S Kondlo <sup>(2)</sup>	658	6	12
L Thotanyana	237	15	34
G White	237	29	-
J Geenen	237	14	1
M Mosidi	225	-	-
D Dondur	237	-	2
S Sekgobela	237	-	-
S Sono	237	11	-
M Furumele	237	62	2
T Shomang <sup>(3)</sup>	-	-	-
M Ratsoma <sup>(3)</sup>	-	-	-
T James <sup>(3)</sup>	-	-	-
<b>Total non-executive directors</b>	<b>3 364</b>	<b>285</b>	<b>51</b>

<sup>(1)</sup> Served as Board Chairperson from 01 April 2011 to 31 March 2012.

<sup>(2)</sup> Served as Board Deputy Chairperson from 01 April 2011 to 31 March 2012.

<sup>(3)</sup> Non-remunerated Board member.

<sup>(\*)</sup> Ad hoc fees comprise all additional TCTA-related work done outside scheduled engagements, in line with the Directors' Remuneration Policy.

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

REMCO R'000	ALCO R'000	Audit & Risk Committee R'000	ICT & Knowledge Management Committee R'000	Human Resources and Transfor- mation Committee R'000	Technical Committees R'000	VRESAP Technical Committee R'000	Grand total R'000
18	-	-	-	-	-	-	988
18	-	-	-	-	117	167	978
18	73	93	-	-	-	-	470
18	-	-	78	107	-	-	469
18	84	58	-	-	-	-	412
-	-	-	78	-	93	105	501
-	80	70	-	93	-	-	482
18	-	-	73	71	117	-	516
-	73	78	-	77	-	-	476
25	-	-	-	-	176	107	609
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
133	310	299	229	348	503	379	5 901

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 20,3 Compensation of directors and executive management' (continued)

### Non-executive directors

2012 Names	Board fees R'000	Ad hoc fees (* R'000	Travel expenses R'000
<b>Board 01/04/2010 to 31/03/2011</b>			
S Khoza	792	1	-
S Kondlo <sup>(1)</sup>	465	-	28
A Makwetla <sup>(2)</sup>	95	49	-
R Mbwana <sup>(2)</sup>	95	51	44
E Malefane <sup>(2)</sup>	95	-	-
P Makhsha <sup>(2)</sup>	95	2	-
L Thotanyana <sup>(5)</sup>	397	-	25
G White	228	38	8
J Geenen	214	16	8
M Mosidi	200	4	-
D Dondur <sup>(3)</sup>	133	-	1
S Sekgobela <sup>(3)</sup>	119	13	-
S Sono <sup>(3)</sup>	133	-	-
M Furumele <sup>(3)</sup>	133	8	-
O Ayaya <sup>(6)</sup>	-	-	-
T Shomang <sup>(3)(4)</sup>	-	-	-
<b>Total non-executive directors</b>	<b>3 194</b>	<b>182</b>	<b>114</b>

<sup>(1)</sup> Appointed as Board Deputy Chairperson from 01 September 2010.

<sup>(2)</sup> Served as director from 01 April 2010 to 31 August 2010.

<sup>(3)</sup> Appointed as director from 01 September 2010.

<sup>(4)</sup> Non remunerated Board member.

<sup>(5)</sup> Served as Board Deputy Chairperson from 01 April 2010 to 31 August 2010.

<sup>(6)</sup> Mr Ayaya is no longer in the employ of the Department of Water Affairs and was not replaced by the Minister.

<sup>(\*)</sup> Ad hoc fees comprise all additional TCTA-related work done outside scheduled engagements, in line with the Directors' Remuneration Policy.

### Executive director

Director	Date appointed	CTC <sup>(1)</sup> 2012 R'000	Other <sup>(2)</sup> 2012 R'000
J Ndlovu (Chief executive officer)	01/11/2008	3 276	-
<b>Total executive director</b>		<b>3 276</b>	<b>-</b>

<sup>(1)</sup> This amount refers to guaranteed portion of the executive's remuneration

<sup>(2)</sup> This amount relates to acting allowances that were paid to the executives during the year

<sup>(3)</sup> Variable portion refers to the portion of the executive's remuneration that is paid on condition of achieving predetermined objectives



# Notes to the Annual Financial Statements

For the year ended 31 March 2012

REMCO R'000	ALCO R'000	Audit & Risk Committee R'000	ICT & Knowledge Management Committee R'000	Human Resources and Transfor- mation Committee R'000	Technical Committees R'000	VRESAP Technical Committee R'000	Grand total R'000
41	-	-	-	-	-	-	834
52	-	-	28	-	137	137	847
-	-	-	-	28	-	-	172
11	-	-	-	-	47	67	315
-	-	28	-	-	47	47	217
-	-	-	-	17	-	-	114
45	62	96	-	-	9	-	634
45	28	-	39	96	-	-	482
17	96	68	28	-	-	-	447
11	-	-	79	-	113	113	520
-	39	39	6	17	-	-	235
17	-	-	56	39	66	-	310
-	28	28	-	23	-	-	212
34	-	-	-	-	94	66	335
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
273	253	259	236	220	513	430	5 674

Variable Re- muneration <sup>(3)</sup> 2012 R'000	Incentive 2012 R'000	Total 2012 R'000	CTC <sup>(1)</sup> 2011 R'000	Other <sup>(2)</sup> 2011 R'000	Variable Re- muneration <sup>(3)</sup> 2011 R'000	Incentive 2011 R'000	Total 2011 R'000
-	1 738	5 014	3 158	-	-	2 013	5 171
-	1 738	5 014	3 158	-	-	2 013	5 171

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 20,4 Executive management:

Executive Manager	Position	Date appointed or resigned	CTC <sup>(1)</sup>	Other <sup>(2)</sup>
			2012 R'000	2012 R'000
J Nhlapho	Chief Operations Officer	06/08/2007	2 666	-
H Nazeer	Chief Financial Officer	01/09/2007	2 301	-
L Radzuma	Chief Risk Officer	01/07/2010	1 390	-
J Claassens	Executive: Project Management and Implementation	01/04/2007	2 196	-
R Matabane	Executive: Human Resource Management and Organisational Development	01/01/2006	1 973	-
E Motsatsing	Executive: Enterprise-wide Support Services	Resigned 30/04/2010	-	-
C Bleeker	Executive: Enterprise-wide Support Services	01/09/2010	1 353	-
Z Mbele	Executive: Project Finance and Treasury	01/11/2007	2 045	-
L Mnisi	Executive: Company Secretariat and Company Secretary	01/11/2008	1 496	-
Prof O Busari	Executive: Knowledge Management	01/11/2009	2 000	-
<b>Total Executive</b>			<b>17 420</b>	<b>-</b>

<sup>(1)</sup> This amount refers to guaranteed portion of the executive's remuneration.

<sup>(2)</sup> This relates to payments made to executive during the year which includes amounts paid as acting allowances.

<sup>(3)</sup> Variable portion refers to the portion of the executive's remuneration that is paid on condition of achieving predetermined objectives.

<sup>(4)</sup> The incentive pool was approved by the Board of Directors on 29 June 2012 (2011: 30 June 2011).

The remuneration of directors and key executives is determined by REMCO having regard to the performance of individuals and market trends.

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

Variable Re- muneration <sup>(3)</sup> 2012 R'000	Incentive <sup>(4)</sup> 2012 R'000	Total 2012 R'000	CTC <sup>(1)</sup> 2011 R'000	Other <sup>(2)</sup> 2011 R'000	Variable Re- muneration <sup>(3)</sup> 2011 R'000	Incentive <sup>(4)</sup> 2011 R'000	Total 2011 R'000
-	513	3 179	2 570	-	-	624	3 194
-	415	2 716	2 206	-	-	686	2 892
347	340	2 077	1 005	-	251	256	1 512
-	425	2 621	2 095	-	-	643	2 738
-	-	1 973	1 899	-	-	486	2 385
-	-	-	126	-	-	-	126
337	325	2 015	758	-	190	108	1 056
-	399	2 444	1 965	98	-	754	2 817
-	285	1 781	1 428	-	-	455	1 883
-	395	2 395	1 929	243	-	701	2 873
<b>684</b>	<b>3 097</b>	<b>21 201</b>	<b>15 981</b>	<b>341</b>	<b>441</b>	<b>4 713</b>	<b>21 476</b>

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 21 Capital Commitments

	≤ 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	> 5 Years	Total per project
2012	R million	R million	R million	R million	R million	R million	R million
BWP	-	-	-	-	-	-	-
VRESAP	-	-	-	-	-	-	-
MCWAP	725	286	106	1	-	-	1 118
ORWRDP2	1 195	2 401	1 595	806	-	-	5 997
KWSAP	335	17	-	-	-	-	351
MMTS-2	568	253	95	-	-	-	916
AMD	730	10	-	-	-	-	740
MRWP	22	19	-	-	-	-	41
LHWP2	244	461	1 272	1 065	1 604	6 723	11 369
<b>Total per period</b>	<b>3 819</b>	<b>3 447</b>	<b>3 068</b>	<b>1 872</b>	<b>1 604</b>	<b>6 723</b>	<b>20 533</b>

	≤ 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	> 5 Years	Total per project
2011	R million	R million	R million	R million	R million	R million	R million
BWP	-	-	-	-	-	-	-
VRESAP	78	-	-	-	-	-	78
MCWAP	611	537	170	76	-	-	1 394
ORWRDP	653	648	142	1 743	2 191	116	5 493
KWSAP	829	128	9	1	0	-	967
MMTS-2	438	454	160	31	-	-	1 083
AMD	-	-	-	-	-	-	-
MRWP	-	-	-	-	-	-	-
LHWP2	-	-	-	-	-	-	-
<b>Total per period</b>	<b>2 609</b>	<b>1 767</b>	<b>481</b>	<b>1 851</b>	<b>2 191</b>	<b>116</b>	<b>9 015</b>

These capital commitments will be funded through loans

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 22 Compliance with the Public Finance Management Act (PFMA) and Treasury Regulations

### Irregular, fruitless and wasteful expenditure

Section 55(2)(b)(i) of the PFMA requires that a public entity disclose any material losses through criminal conduct.

The following irregular expenditure and fruitless and wasteful expenditure was incurred in the year under review.

### Irregular expenditure

Other operating expenses in the aggregated statement of comprehensive income includes irregular expenditure that was incurred during the year under review.

Full economic value was derived for the irregular expenditure, and appropriate penal action was taken against the employees responsible for the non-compliance.

	2012 R	2011 R
<b>Reconciliation of irregular expenditure</b>		
Opening balance	17 619	-
Irregular expenditure current year	3 062 012	469 835
Less: amounts condoned	(90 052)	(452 216)
Less: amounts ratified	(2 971 960)	-
<b>Irregular expenditure awaiting condonation</b>	<b>17 619</b>	<b>17 619</b>

	2012 R	2011 R
<b>Details of irregular expenditure (condoned)</b>		
Competitive procurement process not followed <sup>(1) (6)</sup>	75 052	50 100
Competitive procurement process not followed <sup>(2) (7)</sup>	15 000	402 116
<b>Total</b>	<b>90 052</b>	<b>452 216</b>

Details of irregular expenditure (ratified) <sup>(8)</sup>

	2012 R
Competitive procurement process not followed <sup>(3)</sup>	1 500 000
Competitive procurement process not followed <sup>(4)</sup>	300 000
Competitive procurement process not followed <sup>(5)</sup>	1 171 960
<b>Total</b>	<b>2 971 960</b>

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 22 Compliance with the Public Finance Management Act (PFMA) and Treasury Regulations (continued)

<b>Details of irregular expenditure (not condoned)</b>	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
Exceeded quotation amount disclosed in competitive bid process	17 619	17 619
<b>Total</b>	<b>17 619</b>	<b>17 619</b>

<b>Details of fruitless and wasteful expenditure</b>	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
Penalty incurred for non-submission of COIDA returns for periods 2007-2010	2 884	-
<b>Total</b>	<b>2 884</b>	<b>-</b>

- <sup>(1)</sup> Revised supply chain procedures were not followed in procuring IT hardware products.
- <sup>(2)</sup> Supply chain procedures not followed in procuring alternative performers for a sod turning (groundbreaking) event due to short notice of cancellation of previously secured performers.
- <sup>(3)</sup> Supply chain procedures not followed in procuring legal services and special legal resources on the BWP Adjudication Board.
- <sup>(4)</sup> The Bid Adjudication Committee approval was not obtained prior to the appointment of a service provider to undertake the validation and verification of water rights on MMTS-2.
- <sup>(5)</sup> The Bid Adjudication Committee approval was not obtained prior to the appointment land evaluators on MCWAP
- <sup>(6)</sup> Supplier for procurement of IT hardware products recommended based on incorrect interpretation of information received from Supply Chain Management.
- <sup>(7)</sup> Supply chain procedures not followed in procuring software service providers.
- <sup>(8)</sup> There was no irregular expenditure ratified in 2011.

## 23 Critical Accounting Estimates and Judgements

In the process of applying TCTA's accounting policies, management makes various estimates and judgements based on past experience, expectations of the future and other information. The key sources of estimation uncertainty and the critical judgements that can significantly affect the amounts recognised in the financial statements are disclosed below:

### 23,1 Provision for incentive

The estimation of the incentive for the 2011/12 financial year, is based on observed and measured staff turnover and performance and is subject to various variables that cannot be determined with absolute certainty at the reporting date.

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 23,2 Provision for compensation

This provision relates to compensation payments being paid on the LHWP over a fifty-year period. The recipients have the option to receive compensation as a lump sum, annual payments made in cash or a set amount of maize grain. Due to the nature of the maize grain option, TCTA is exposed to fluctuations in the commodity price of maize grain. Management continuously monitors this exposure and will make adjustments in future periods if future market prices indicate that such adjustments are appropriate.

Amounts disclosed in note 13 are based on the latest available information.

TCTA is reliant on the LHDA for information relating to the additional compensation provision required for new recipients identified, as well as payments made to the respective recipients.

The 2012 provision has been based on the expected payments derived from the information obtained from the LHDA, adjusted for expected future increases in CPI in Lesotho as obtained from BER (Bureau for Economic Research). Estimates in cash flows for payments to recipients are reviewed annually.

## 23,3 Estimates of cash flows imputed in the tariff receivable financial asset

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

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

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

# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## 24 Contingent Liability

### 24.1 Mohale dam remedial works

No further review by the LHDA Panel of Experts was conducted since 20 August 2010 and the status remains:

- 1) The dam is 100% safe and no changes have been observed in the leakage pattern. If a change in the leakage pattern is observed further investigation will be conducted. No further remedial work is required if the current leakage is maintained.
- 2) The seepage is less than the Instream Flow Requirement (i.e. the water that must be released from the dam for environmental and other purposes).
- 3) The leak has no impact on the amount of water that can be drawn out of the Vaal River System.

Remedial works would require Mohale dam to be drawn down that would reduce the capacity of the Vaal River System and reduce the assurance of supply. If necessary, remedial works can be considered for implementation after the commissioning of Phase 2 of the LHWP.

The crack in the concrete face of Mohale Dam currently poses no risk to water deliveries from the LHWP to South Africa.

### 24.2 Litigation and claims against TCTA

#### a. Litigation matter: Vaal River Eastern Sub-system Augmentation Project ("VRESAP")

Pursuant to the termination of a construction contract in 2010, it was anticipated that the defaulting contractor will in due course initiate dispute resolution proceedings against TCTA. Since May 2010, no formal dispute resolution processes have been initiated by C-MC, however discussions between the parties have progressed on the formulation of specific dispute resolution terms within the context of the parties' contractual submission to arbitration, as well as the nomination of a prospective arbitration tribunal. It is anticipated that these terms will be finalised in the near future, coupled to agreement on a formal exchange of process whereby the parties' various claims and disputed contentions will be properly pleaded and prosecuted. Once this process has been undertaken, a more meaningful assessment on the scope and merits of the various disputed claims will be possible. No detailed claims have thus far been submitted which would enable us to reasonably quantify the risk exposure to TCTA or predict the cost implications of the envisaged arbitration proceedings, albeit that both the extent of claims and likely costs are going to be substantial and will foreseeably realise over the next 12 to 18 months.

#### b. Litigation matter: Acid Mine Drainage Project

The Ministerial Directive was issued based on the recommendations of the Inter Ministerial Committee "(IMC)", representing the Department of Mineral Resources and the Department of Water Affairs and the following recommendations, as emergency works, were approved by the IMC and the Cabinet for implementation:

- 2.1.1 the installation of pumps to extract water from the mines to on-site treatment plants;
- 2.1.2 the construction of an on-site water treatment plant in each basin with the option of refurbishing and upgrading the existing ones owned by mines;
- 2.1.3 the installation of infrastructure to convey treated water to nearby water courses; and
- 2.1.4 the operation of the pump stations and treatment works.

In late February 2012, TCTA received notification from the Legal Resource Centre, acting on behalf of the Federation for a Sustainable Environment, threatening possible legal action against TCTA, arising as a consequence of TCTA taking steps towards the implementation of the Acid Mine Drainage Project.



# Notes to the Annual Financial Statements

For the year ended 31 March 2012

## c. Litigation Matter: ORWRDP-2-TCTA / Stefanutti Stocks Cycad JV

An application was served on TCTA as well the successful tenderer, Basil Read (Pty) Limited, on 16 March 2012 and was brought by an unsuccessful tenderer, Stefanutti Stocks Cycad JV ("SSCJV"). SSCJV alleges that its bid contained the lowest price, that it met all of TCTA's minimum mandatory criteria in relation to Socio-Economic Development requirements and that it should not have been disqualified by TCTA. TCTA contends otherwise.

The application for an urgent interdict to stop the project and for TCTA to disclose certain documents was heard on 3 May 2012. In the judgment handed down on 9 May 2012, the application was dismissed with costs.

Stefanutti's attorneys thereafter filed a review application on 14 May 2012. Attorneys and counsel are currently drafting papers on behalf of TCTA to respond to the review application

## d. Litigation Matter: Staff Related

Three applications have been served on TCTA by staff members alleging that they were not paid the correct bonuses for the year ended 31 March 2011. One of the applications is currently under review in the Labour Court, while the other two are disputes that have been lodged with the CCMA.

## 25 Operations And Maintenance

Below is a statement of income and expenses relating to operations and maintenance for the works on South African soil. The amounts are included in the surplus or deficit. In terms of Protocol VI to the Treaty, signed on 4 June 1999, these amounts are separately identified and reported on.

LHWP	2012 R'000	2011 R'000
Revenue	1 382	983
Operating costs	(1 382)	(983)
	-	-

## 26 Employee Benefits

### Short term employee benefits

TCTA does not contribute to any defined retirement or medical aid fund. It does not have a liability for the provision of retirement funding. The emoluments paid to individuals include a sum for the provision of their own medical aid and pension benefits.

## 27 Events after the Reporting Period

### Incentives

The incentive for employees for the 2011/12 financial year was approved by the Board on 29 June 2012.

## Annexure A:

## Segmental Statement of Cash Flows for the year ended 31 March 2012

		LHWP	BWP	VRE- SAP	MCWAP	MMTS- 2	OR- WRDP	KWSAP	BORE- HOLE	AMD
	Notes	Mar-12 R million	Mar-12 R million	Mar-12 R million	Mar-12 R million	Mar-12 R million	Mar-12 R million	Mar-12 R million	Mar-12 R million	Mar-12 R million
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>										
Cash receipts from DWA		2 827	185	264	280	-	427	-	27	34
Cash paid to suppliers and employees		(2 833)	(190)	(280)	(372)	64	(336)	126	(13)	(34)
Cash (utilised)/ generated from project activities	A	(6)	(5)	(16)	(92)	64	91	126	14	-
Interest paid	C	(1 768)	(87)	(110)	(10)	(36)	(2)	(24)	-	(2)
<b>Net cash (outflow)/ inflow from operating activities</b>		<b>(1 774)</b>	<b>(92)</b>	<b>(126)</b>	<b>(102)</b>	<b>28</b>	<b>89</b>	<b>102</b>	<b>14</b>	<b>(2)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>										
Payments to acquire financial assets		-	19	-	-	-	92	26	(14)	-
Proceeds on the sale of financial assets		1 774	-	29	-	64	-	-	-	-
Interest received	B	121	3	3	-	1	-	-	-	-
Capitalised to/ (from) tariff receivable		2 187	175	116	22	(278)	2	468	-	2
Addition of other assets		(6)	-	-	-	-	-	-	-	-
<b>Net cash inflow/ (outflow) from investing activities</b>		<b>4 076</b>	<b>159</b>	<b>148</b>	<b>22</b>	<b>(213)</b>	<b>(90)</b>	<b>(494)</b>	<b>(14)</b>	<b>2</b>

## Annexure A:

## Segmental Statement of Cash Flows for the year ended 31 March 2012

MMTS-1 Mar-12 R million	TOTAL Mar-12 R million	LHWP Mar-11 R million	BWP Mar-11 R million	VRESAP Mar-11 R million	MCWAP Mar-11 R million	MMTS Mar-11 R million	OR- WRDP Mar-11 R million	KWSAP Mar-11 R million	BORE- HOLE Mar-11 R million	AMD Mar-11 R million	Total Mar-11 R million
-	<b>4 044</b>	2 880	137	202	-	-	-	-	-	-	<b>3 219</b>
-	<b>(3 868)</b>	(2 805)	(118)	(149)	60	(8)	18	(141)	-	-	<b>(3 143)</b>
-	<b>176</b>	75	19	53	60	(8)	18	(141)	-	-	<b>76</b>
-	<b>(2 039)</b>	(2 043)	(107)	(104)	(5)	(2)	(1)	(7)	-	-	<b>(2 269)</b>
-	<b>(1 863)</b>	(1 968)	(88)	(51)	55	(10)	17	(148)	-	-	<b>(2 193)</b>
-	<b>(151)</b>	(1 375)	(16)	-	-	(28)	(18)	-	-	-	<b>(1 437)</b>
-	<b>1 867</b>	2 019	-	28	-	-	-	-	-	-	<b>2 047</b>
-	<b>128</b>	730	2	7	-	2	-	-	-	-	<b>741</b>
-	<b>1 758</b>	2 329	113	106	(59)	(64)	1	(86)	-	-	<b>2 340</b>
-	<b>(6)</b>	(6)	-	-	-	-	-	-	-	-	<b>(6)</b>
-	<b>3 596</b>	3 697	99	141	(59)	(90)	(17)	(86)	-	-	<b>3 685</b>

## Annexure A:

## Segmental Statement of Cash Flows for the year ended 31 March 2012

		LHWP	BWP	VRE- SAP	MCWAP	MMTS- 2	OR- WRDP	KWSAP	BORE- HOLE	AMD
	Notes	Mar-12	Mar-12	Mar-12	Mar-12	Mar-12	Mar-12	Mar-12	Mar-12	Mar-12
		R million	R million	R million	R million	R million	R million	R million	R million	R million
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>										
Proceeds from long-term borrowings		-	-	-	-	-	-	282	-	-
Repayments on long-term borrowings		(739)	(67)	-	-	-	-	-	-	-
Proceeds from short-term borrowings		73	-	-	79	394	-	346	-	-
Repayments on short-term borrowings		(1 636)	-	(22)	-	(209)	-	(236)	-	-
<b>Net cash (outflow)/ inflow from financing activities</b>		<b>(2 302)</b>	<b>(67)</b>	<b>(22)</b>	<b>79</b>	<b>185</b>	<b>1</b>	<b>392</b>	<b>-</b>	<b>-</b>
Net (decrease) / increase in cash and cash equivalents		-	-	-	(1)	-	-	-	-	-
Cash and cash equivalents at beginning of period		-	-	-	1	-	-	-	-	-
<b>Cash and cash equivalents at end of period</b>	D	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Annexure A:

Segmental Statement of Cash Flows for the year ended 31 March 2012

MMTS-1	TOTAL	LHWP	BWP	VRESAP	MCWAP	MMTS	OR-	KWSAP	BORE-	AMD	Total
Mar-12	Mar-12	Mar-11	Mar-11	Mar-11	Mar-11	Mar-11	WRDP	Mar-11	HOLE	Mar-11	Mar-11
R million	R million	R million	R million	R million	R million	R million	R million	R million	R million	R million	R million
-	282	1 140	224	200	-	-	-	-	-	-	1 564
-	(806)	(2 902)	(113)	(290)	-	-	-	-	-	-	(3 305)
-	893	1 715	-	-	5	100	9	234	-	-	2 063
-	(2 103)	(1 682)	(122)	-	-	-	(9)	-	-	-	(1 813)
-	(1 734)	(1 729)	(11)	(90)	5	100	-	234	-	-	(1 491)
-	(1)	-	-	-	1	-	-	-	-	-	1
-	1	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	1	-	-	-	-	-	1

## Annexure A:

### Notes to the Segmental Statement of Cash Flows for the year ended 31 March 2012

	LHWP	BWP	VRE- SAP	MCWAP	MMTS	OR- WRDP	KWSAP	BORE- HOLE	AMD
	Mar-12	Mar-12	Mar-12	Mar-12	Mar-12	Mar-12	Mar-12	Mar-12	Mar-12
Notes	R million	R million	R million	R million	R million	R million	R million	R million	R million
<b>A. CASH GENERATED FROM PROJECT ACTIVITIES</b>									
Net (deficit) / surplus for the year	(641)	(140)	(56)	133	76	-	224	-	-
Adjustments for non cash flow items and amounts separately disclosed:									
Depreciation on non-current assets	5	-	-	-	-	-	-	-	-
Finance cost recognised in profit or loss	1 948	101	-	-	-	-	-	-	-
Net foreign exchange gains	(20)	-	-	-	-	-	-	-	-
Net foreign exchange losses	8	-	-	-	-	-	-	-	-
(Gain)/ loss on NPV of financial asset	(1 295)	39	56	(133)	(76)	-	(224)	-	-
Higher than actual O&M costs	(98)	-	-	-	-	-	-	-	-
Rental income - RSA account	(3)	-	-	-	-	-	-	-	-
Changes in working capital:									
(Increase)/ decrease in loans and other receivables	(52)	(3)	(1)	(2)	(9)	(60)	(14)	6	(66)
(Increase)/ decrease in prepaid expenditure	1	-	(1)	(64)	(48)	217	72	-	-
Increase/ (decrease) in payables and provisions	134	(2)	(14)	(26)	121	368	68	8	66
Non cash flow item in accounts receivable	(1)	-	-	-	-	-	-	-	-
Non cash flow item in accounts payable	8	-	-	-	-	-	-	-	-
<b>Cash( utilised in)/ generated from project activities</b>	<b>(6)</b>	<b>(5)</b>	<b>(16)</b>	<b>(92)</b>	<b>64</b>	<b>91</b>	<b>126</b>	<b>14</b>	<b>-</b>

## Annexure A

Notes to the Segmental Statement of Cash Flows for the year ended 31 March 2012

MMTS-1 Mar-12 R million	TOTAL Mar-12 R million	LHWP Mar-11 R million	BWP Mar-11 R million	VRESAP Mar-11 R million	MCWAP Mar-11 R million	MMTS Mar-11 R million	OR- WRDP Mar-11 R million	KWSAP Mar-11 R million	BORE- HOLE Mar-11 R million	AMD Mar-11 R million	Total Mar-11 R million
-	(404)	(1 123)	146	578	18	33	-	64	-	-	(284)
-	5	4	-	-	-	-	-	-	-	-	4
-	2 049	1 856	105	-	-	-	-	-	-	-	1 961
-	(20)	(83)	-	-	-	-	-	-	-	-	(83)
-	8	95	-	-	-	-	-	-	-	-	95
-	(1 633)	(745)	(251)	(578)	(18)	(33)	-	(64)	-	-	(1 689)
-	(98)	(21)	-	-	-	-	-	-	-	-	(21)
-	(3)	(2)	-	-	-	-	-	-	-	-	(2)
41	(242)	113	19	(3)	15	1	52	(2)	(14)	-	181
-	(257)	(44)	-	35	5	(1)	5	(120)	-	-	(120)
41	764	(3)	-	21	40	(8)	(39)	(19)	14	-	6
-	(1)	43	-	-	-	-	-	-	-	-	43
-	8	(15)	-	-	-	-	-	-	-	-	(15)
-	176	75	19	53	60	(8)	18	(141)	-	-	76

## Annexure A:

### Notes to the Segmental Statement of Cash Flows for the year ended 31 March 2012

		VRE-		OR-			BORE-		
	LHWP	BWP	SAP	MCWAP	MMTS	WRDP	KWSAP	HOLE	AMD
	Mar-12	Mar-12	Mar-12	Mar-12	Mar-12	Mar-12	Mar-12	Mar-12	Mar-12
	Notes	R million	R million	R million	R million	R million	R million	R million	R million
<b>B. INTEREST RECEIVED</b>									
Amount due at beginning of the year		13	-	-	-	-	-	-	-
Income during the year adjusted for non-cash items		114	3	3	-	1	-	-	-
Amount received		244	3	3	-	1	-	-	-
Profit on switch auction		-	-	-	-	-	-	-	-
Loan premium amortised		(127)	-	-	-	-	-	-	-
Internal transfer to funding portfolio		-	-	-	-	-	-	-	-
Interest on RSA account		(3)	-	-	-	-	-	-	-
Amount due at the end of the year		(6)	-	-	-	-	-	-	-
<b>Interest received</b>		<b>121</b>	<b>3</b>	<b>3</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>



## Annexure A:

Notes to the Segmental Statement of Cash Flows for the year ended 31 March 2012

MMTS-1 Mar-12 R million	TOTAL Mar-12 R million	LHWP Mar-11 R million	BWP Mar-11 R million	VRESAP Mar-11 R million	MCWAP Mar-11 R million	MMTS Mar-11 R million	OR- WRDP Mar-11 R million	KWSAP Mar-11 R million	BORE- HOLE Mar-11 R million	AMD Mar-11 R million	Total Mar-11 R million
-	13	457	-	1	-	-	-	-	-	-	458
-	-	-	-	-	-	-	-	-	-	-	-
-	121	286	2	6	-	2	-	-	-	-	296
-	251	592	2	6	-	2	-	-	-	-	602
-	-	(11)	-	-	-	-	-	-	-	-	(11)
-	(127)	(180)	-	-	-	-	-	-	-	-	(180)
-	-	(110)	-	-	-	-	-	-	-	-	(110)
-	(3)	(5)	-	-	-	-	-	-	-	-	(5)
-	(6)	(13)	-	-	-	-	-	-	-	-	(13)
-	128	730	2	7	-	2	-	-	-	-	741

## Annexure A:

## Notes to the Segmental Statement of Cash Flows for the year ended 31 March 2012

	LHWP	BWP	VRE- SAP	MCWAP	MMTS	OR- WRDP	KWSAP	BORE- HOLE	AMD
	Mar-12	Mar-12	Mar-12	Mar-12	Mar-12	Mar-12	Mar-12	Mar-12	Mar-12
Notes	R million	R million	R million	R million	R million	R million	R million	R million	R million
<b>C. INTEREST PAID</b>									
Amount not paid at beginning of the year	(581)	(3)	(24)	-	-	-	-	-	-
Expensed during the year adjusted for non-cash items	(1 712)	(104)	(114)	(10)	(36)	(2)	(24)	-	(2)
Amount expensed	(2 192)	(104)	(320)	(10)	(36)	(2)	(43)	-	(2)
Less: Loan discount amortised	1	-	-	-	-	-	-	-	-
Foreign loan payments	1	-	-	-	-	-	-	-	-
Internal transfer to redemption portfolio	-	-	-	-	-	-	-	-	-
Loss on switch auction	72	-	-	-	-	-	-	-	-
Capital adjustment to inflation-linked liability	214	-	-	-	-	-	-	-	-
Concessionary portion - on EIB loan	2	-	-	-	-	-	-	-	-
Interest on compensation	182	-	-	-	-	-	-	-	-
Interest capitalised	-	-	206	-	-	-	19	-	-
Cash flow in cinterest provision reflected under cash flow from financing activities	8	-	-	-	-	-	-	-	-
Amount not paid at the end of the year	525	20	28	-	-	-	-	-	-
<b>Interest paid</b>	<b>(1 768)</b>	<b>(87)</b>	<b>(110)</b>	<b>(10)</b>	<b>(36)</b>	<b>(2)</b>	<b>(24)</b>	<b>-</b>	<b>(2)</b>
<b>D. CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>									
Cash and cash equivalents consist of cash on hand and balances with banks.	-	-	-	-	-	-	-	-	-

## Annexure A:

Notes to the Segmental Statement of Cash Flows for the year ended 31 March 2012

MMTS-1 Mar-12 R million	TOTAL Mar-12 R million	LHWP Mar-11 R million	BWP Mar-11 R million	VRESAP Mar-11 R million	MCWAP Mar-11 R million	MMTS Mar-11 R million	OR- WRDP Mar-11 R million	KWSAP Mar-11 R million	BORE- HOLE Mar-11 R million	AMD Mar-11 R million	Total Mar-11 R million
-	(608)	(526)	(3)	(24)	-	-	-	-	-	-	(553)
-	(2 004)	(2 098)	(107)	(104)	(5)	(2)	(1)	(7)	-	-	(2 324)
-	(2 709)	(2 448)	(107)	(317)	(5)	(11)	(1)	(9)	-	-	(2 898)
-	1	19	-	-	-	-	-	-	-	-	19
-	1	(8)	-	-	-	-	-	-	-	-	(8)
-	-	110	-	-	-	-	-	-	-	-	110
-	72	77	-	-	-	-	-	-	-	-	77
-	214	172	-	-	-	-	-	-	-	-	172
-	2	3	-	-	-	-	-	-	-	-	3
-	182	-	-	-	-	-	-	-	-	-	-
-	225	-	-	213	-	9	-	2	-	-	224
-	8	(23)	-	-	-	-	-	-	-	-	(23)
-	573	581	3	24	-	-	-	-	-	-	608
-	(2 039)	(2 043)	(107)	(104)	(5)	(2)	(1)	(7)	-	-	(2 269)
-	-	-	-	1	-	-	-	-	-	-	1

# Glossary of Terms to the Annual Financial Statements

AFD	Agence Française de Développement
ALCO	Assets and Liability Committee
AMD	Acid Mine Drainage
BER	Bureau for Economic Research
BOREHOLE	Metsi Bophelo Borehole Project
BWP	Berg Water Project
CCMA	The Commission for Conciliation, Mediation and Arbitration
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CODIA	Compensation for Occupational Injuries & Diseases Act
CODM	Chief Operating Decision-maker
CPI	Consumer Price Index
DBSA	Development Bank of Southern Africa
DWA	Department of Water Affairs
EIB	European Investment Bank
EUR	euro
EXCO	Executive Committee
FEC	Forward Exchange Contracts
FVTPL	fair value through profit or loss
GAAP	Generally Accepted Accounting Practice
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
ISDA	International Swap and Derivatives Association
IT	Information Technology
JSE	Johannesburg Stock Exchange
KWSAP	Komati Water Scheme Augmentation Project
LHDA	Lesotho Highlands Development Agency
LHWC	Lesotho Highlands Water Commission
LHWP	Lesotho Highlands Water Project
MCWAP	Mokolo-Crocodile Water Augmentation Project
MMTS1	Mooi-Mgeni Transfer Scheme Phase 1
MMTS2	Mooi-Mgeni Transfer Scheme Phase 2
NPV	Net Present Value
O&M	Operations and Maintenance
ORWRDP	Olifants River Water Resource Development Project
PFMA	Public Finance Management Act
PPE	Plant Property and Equipment
RSA	Republic of South Africa
REMCO	Remuneration and Nomination Committee
SSCJV	Stefanutti Stocks Cycad Joint Venture
USD	United States dollar
VRESAP	Vaal River Eastern Subsystem Augmentation Project
WS03	Water stock number 3
WS04	Water stock number 4
WS05	Water stock number 5
WSP	Water stock (private placement 1-5)
ZAR	South African Rand









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