



Minister:
Ms. Nomvula Mokonyane

THE MANDATE OF THE DEPARTMENT OF WATER AND SANITATION

seeks to ensure that the country's water resources are **protected, managed, used, developed, conserved and controlled through regulating and supporting the delivery of effective water supply and sanitation.** This is done in accordance with the requirements of water related policies and legislation that are critical in delivering on the right of access to sufficient food and water, transforming the economy, and eradicating poverty.

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ABOUT THE INTEGRATED ANNUAL REPORT

The Integrated Annual Report is for the period 1 April 2014 to 31 March 2015.

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

- 1) the Shareholder, represented by the Minister of Water and Sanitation and overseen by the Parliamentary Portfolio Committee on Water and Sanitation and Project Partners that the Trans-Caledon Tunnel Authority (TCTA) is delivering in accordance with its mandate and directives issued; and
- 2) lenders to indicate that:
 - a. the Equator Principles are being applied on the projects that they fund;
 - b. during construction of a project sufficient funds are available to bring the project to a point where revenue will be generated to repay the debt; and
 - c. during the debt repayment period, TCTA has sufficient revenue from the Department of Water and Sanitation, access to finance facilities to meet its obligations to service debt and repay outstanding debt within the contracted debt repayment period.

TCTA adds value in the short-term by raising funds for projects, ensuring that the infrastructure delivers water when required by the users and is built to budget and specification. In the medium-term, TCTA ensures that all

the aspects related to the implementation of the projects, particularly the environmental and social issues, are satisfactorily closed-out and in the long-term ensures that the debt is managed in such a manner that the tariff remains constant in real terms, thereby ensuring affordability to the user.

The Shareholder's Compact between the Minister and TCTA, contains the predetermined objectives for the financial year. TCTA reports against these objectives in the Annual Performance Report (refer to Part B). The Shareholder's Compact and the subsequent Corporate Plan are drawn up in accordance with the Treasury Regulations for Departments, Constitutional Institutions and Public Entities as issued in April 2001.

All the current projects under construction and/or where debt is being incurred are being implemented on behalf of the Department of Water and Sanitation; this information on progress and the outstanding liability is consolidated and incorporated in the Department's Annual Report.

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

Assurance is provided as set-out in Table 1.



Table 1: Assurance

| Content | Assurance Providers | Outcome | Framework/Standard |
|--|---|--|---|
| Annual Financial Statements | External Audit: Ernst & Young Inc. | Unqualified audit opinion | International Financial Reporting Standards International Standards of Auditing The Public Finance Management Act (Act 1 of 1999) |
| Annual Performance Report | External Audit: Ernst & Young Inc. | No material findings | Technical Guidance Memorandum No. 18 of 2012: Audit of Pre-determined Objectives National Treasury annual reporting principles National Treasury Framework for managing programme performance information |
| Compliance with laws and regulations | Combined Assurance of TCTA Compliance Officer and External Audit: Ernst & Young Inc. | Compliance with applicable laws and regulations with the exception of: i) irregular expenditure ⁽¹⁾ ii) reportable irregularity in respect of the absence of the Audit and Risk Committee from 1 September 2014 | General Notice in terms of Public Audit Act (Act 25 of 2004) The Public Finance Management Act (Act 1 of 1999) Treasury Regulations |
| Review of internal controls and risk management | Combined Assurance of TCTA Internal Audit, Risk Management and External Audit: Ernst & Young Inc. | No significant reportable deficiencies with the exception of: i) irregular expenditure | The Public Finance Management Act (Act 1 of 1999) International Standards for Professional Practice of Internal Auditing |
| Broad-based black economic empowerment contributor level | Assurance of TCTA Compliance Officer | Level 2 Compliance | Broad based Black economic Empowerment Act (Act 53 of 2003) |
| Corporate governance | Combined Assurance TCTA Internal Audit and Company Secretary | Maintained an effective, efficient and transparent system with the exception of: i) irregular expenditure ii) reportable irregularity in respect of the absence of the Audit and Risk Committee from 1 September 2014 | The Public Finance Management Act (Act 1 of 1999) Treasury Regulations King III Report and sound governance practices International Standards for Professional Practice of Internal Auditing |

(1) The irregular expenditure amounted to R11 023 067. In accordance with the Treasury Regulations, condonation was sought and received from the Chief Executive Officer, for R10 132 464 in the current year, as value for money was received for these transactions. Condonation for the remainder, will be sought in the new financial year. Included in the remainder is an amount of R888 849, which pertains to the procedure on obtaining three quotes where there was a conflict between the Delegation of Authority and the Supply Chain Management Procedure (both Board approved documents).

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

Following the expiry of the Board term of office on 31 August 2014, the Minister of Water and Sanitation appointed the Chief Executive Officer as the Accounting Authority effective 1 September 2014 in terms of section 49 (2)(b) of the Public Finance Management Act (PFMA). As the Accounting Authority I have performed the oversight function which ordinarily would have been fulfilled by the Board.

The Accounting Authority's purpose and responsibilities arise from the provisions of the PFMA in particular sections 50, 51 and 76 read with the Treasury Regulations applicable thereto and Principle 3 of King III. In discharging its responsibilities, I as the Accounting Authority have provided oversight on the following:

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

As the Accounting Authority I am satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the TCTA in its audits and that risks identified by the internal and external auditors have been adequately addressed by Management. I am further of the opinion that TCTA has complied with legal and regulatory requirements and that financial and performance information provided to management is adequate, reliable and accurate.

As disclosed in Note 21, TCTA's financial statements have been restated in the current year. This restatement pertains to a decrease in the Tariff Receivable from DWS, TCTA's primary financial asset, of R2 023 million for the year ended 31 March 2014 and R2 354 million for the year ended 31 March 2013. A corresponding, cumulative decrease of R2 354 million was recognised on Accumulated Surplus (31 March 2014: R331 million; 31 March 2013: R2 023 million).

The treatment of this DWS receivable is unique and fairly technical, resulting in the accounting treatment thereof being quite subjective, as is evidenced by the different views from the audit firms. TCTA's outgoing auditors had issued a technical opinion to TCTA, while they were the auditors, on the most appropriate treatment in their assessment and TCTA's annual financial statements as at 31 March 2014 had reflected that view. The current auditors have issued a technical opinion that varies from the previous technical opinion and has resulted in this restatement in the current year.

We would like to emphasise that this restatement by no means impacts the users of TCTA's financial statements, as it is merely an accounting entry and does not have a cashflow impact on the Entity. Furthermore, the restatement will not have an impact on the cumulative profit or loss over the life of the project, affirming that TCTA will continue to be a non profit organisation.



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

- All information and amounts disclosed in the Integrated Annual Report are consistent with the Annual Financial Statements audited by Ernst & Young Inc.
- The Integrated Annual Report is complete, accurate and is free from any omissions.
- The Integrated Annual Report has been prepared in accordance with the guide "Preparation of the Annual Report for Public Entities" as issued by National Treasury in April 2013 and incorporates elements of the G4 Sustainability Report Guidelines issued by the Global Reporting initiative.
- The Annual Financial Statements (Part F) have been prepared in accordance with International Financial Reporting Standards.
- The Accounting Authority has the ultimate responsibility for the preparation of the Annual Financial Statements and for the judgments made in this information.
- In terms of section 51 (1) (a) (i) of the PFMA, the Accounting Authority is responsible for establishing, implementing and maintaining an effective system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.
- The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

As the Accounting Authority I have made an assessment of TCTA's ability to continue as a going concern and have no reason to believe that the organisation will not be a going concern in the year ahead. I have ensured TCTA's compliance with the financial conditions of

loan covenants. The long-term solvency of TCTA is determined by its tariff methodology, income agreements and guarantees (explicit and implicit). TCTA's tariff 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 operational costs. I am satisfied that given the certainty of tariff cash flows, TCTA will have sufficient resources to continue in operational existence for the foreseeable future and for this reason the going concern basis continues to be adopted in preparing the financial statements for the year ended 31 March 2015.

In my opinion, the Integrated Annual Report fairly reflects the operations, the performance information in respect of the pre-determined objectives, as set out in the Shareholders Compact, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2015. I, therefore, as the Accounting Authority approve the Integrated Annual Report.

Accounting Authority
James Ndlovu
28 August 2015

**WATER IS LIFE, SANITATION IS DIGNITY
WATER HAS NO SUBSTITUTE - WHAT IF THIS
WAS THE LAST DROP?**

**A SUSTAINABLE AND HOLISTIC APPROACH
ACROSS THE VALUE CHAIN OF WATER SUPPLY,
FROM SOURCE TO TAP AND FROM TAP BACK
TO SOURCE.**

by Minister:
Ms. Nomvula Mokonyane

PART A:
GENERAL INFORMATION



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PUBLIC ENTITY'S GENERAL INFORMATION

| | |
|---------------------------------------|--|
| Registered Name of the Public Entity: | Trans-Caledon Tunnel Authority |
| Registered Office Address: | Stinkhout Wing, Tuinhof Building, 265 West Road, CENTURION |
| Postal Address: | PO Box 10335, CENTURION 0046 |
| Contact Telephone Number: | 012 683 1200 |
| Email Address: | info@tcta.co.za |
| Website Address: | www.tcta.co.za |
| External Auditor's Information: | Ernst & Young Inc. 102 Rivonia Road SANDTON 2149 |
| Banker's Information: | Standard Bank of South Africa Ltd., 12 Church Square, PRETORIA, |
| Company Secretary: | Ms Lahlane Mnisi, BProc. LLB, Admitted Attorney |

LIST OF ABBREVIATIONS / ACRONYMS

| | | | |
|----------|---|---------|--|
| ALCO | Assets and Liability Committee | ISPPA | International Standards for the Professional Practice of Internal Auditing |
| A & R | Audit and Risk Committee | IT | Information technology |
| AMD | Acid Mine Drainage | KWSAP | Komati Water Scheme Augmentation Project |
| BBBEE | Broad-based Black Economic Empowerment | LHDA | Lesotho Highlands Development Authority |
| BWP | Berg Water Project | LHWC | Lesotho Highlands Water Commission |
| CEO | Chief Executive Officer | LHWP | Lesotho Highlands Water Project |
| CGU | Cash-generating Unit | MCWAP-1 | Mokolo-Crocodile Water Augmentation Project Phase 1 |
| CIO | Chief Information Officer | MMTS-1 | Mooi-Mgeni Transfer Scheme Phase 1 |
| CODM | Chief Operating Decision-maker | MMTS-2 | Mooi-Mgeni Transfer Scheme Phase 2 |
| COGTA | Co-operative Governance and Traditional Affairs | MNEDB | Main Nominated Enterprise Development Beneficiary |
| CPI | Consumer price index | NPV | Net present value |
| CUC | Capital unit charge | OCI | Other Comprehensive Income |
| DEA | Department of Environmental Affairs | ORWRDP | Olifants River Water Resource Development Project |
| DHS | Department of Human Settlements | OVTS | Orange-Vaal River Transfer Scheme |
| DOA | Delegation of Authority | PAYE | Pay As You Earn |
| DPW | Department of public Works | PFMA | Public Finance Management Act, Act No, 1 of 1999 |
| DWS | Department of Water and Sanitation | PICC | Presidential Infrastructure Coordinating Commission |
| ECL | Expected Credit Loss | PPPFA | Preferential Procurement Policy Framework Act, Act No. 5 of 2000 |
| ECO | Environmental Control Officer | PSP | Professional Service Provider |
| EIB | European Investment Bank | PTC | Project Technical Committee |
| EMC | Environmental Monitoring Committee | R | Rand |
| ESS | Enterprise Support Services | REMCO | Remuneration and Nomination Committee |
| EUR | Euro | RMP | Resource Management Plan |
| EXCO | Executive Committee | RSA | Republic of South Africa |
| FEC | Forward exchange contracts | SARS | South African Revenue Service |
| FVO | Fair Value Option | SED | Socio-economic development |
| FVOCI | Fair Value Option Comprehensive Income | SIP | Strategic Integrated Programmed |
| FVTPL | Fair value through profit or loss | TC | Technical Committee |
| GoL | Government of Lesotho | TCTA | Trans-Caledon Tunnel Authority |
| GRC | Government Risk and Compliance | USD | United States dollar |
| HR & TR | Human Resources and Transformation | VAT | Value Added Tax |
| IAS | International Accounting Standards | VRESAP | Vaal River Eastern Subsystem Augmentation Project |
| IASB | International Accounting Standards Board | VRESS | Vaal River Eastern Subsystem |
| ICT | Information and Communication Technology | WS04 | Water stock number 4 |
| ICT & KM | Information and Communication Technology and Knowledge Management Committee | WS05 | Water stock number 5 |
| IFRIC | International Financial Reporting Interpretations Committee | WSP | Water stock (private placement 1-5) |
| ISDA | International Swap and Derivatives Association | | |

STRATEGIC OVERVIEW

VISION:

“To be the leader in the sustainable supply of water in the region.”

MISSION:

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

VALUES:

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

The Role of the Trans-Caledon Tunnel Authority

The National Government, through the Minister of Water and Sanitation, 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 and Sanitation, builds and manages water resource infrastructure to store water and transfer 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 commercial funding options for infrastructure projects that can recover their costs through the end-user tariffs and thus ensure that the cost of the infrastructure is paid for by the benefiting user and not by the entire tax base.

LEGISLATIVE AND OTHER MANDATES

The Trans-Caledon Tunnel Authority 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 amended by Notice 277 in Government Gazette No. 21017, to include the 1994 directive and to allow for the Minister, in terms of Section 24(d) of the notice, to issue directives to TCTA in terms of Section 103(2) of the National Water Act (Act No. 36 of 1998).

In accordance with Section 3 of the Notice of Establishment, the objectives of TCTA are:

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

In doing so, the Minister of Water and Sanitation 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 of Water and Sanitation 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 of Water and Sanitation, unlike the

Water Boards, which are given such opportunity in terms of Section 30 of the Water Services Act (Act No. 108 of 1997).

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

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

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

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

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

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

Table 2: Since the original mandate, TCTA has received a further 17 directives.

| Project | Abbr | Date | Type of work | | | | | |
|---|-----------|--|--------------|---------|----------------|---------------------------|----------|----------------|
| | | | Planning | Funding | Implementation | Operation and maintenance | Advisory | Payment agency |
| Lesotho Highlands Water Project: Delivery Tunnel North (Treaty obligations) | LHWP | 12 December 1986 | | √ | √ | √ | | |
| Lesotho Highlands Water Project: To fulfil all the Republic's financial obligations in terms of or resulting from the Treaty (non-Treaty functions). Includes both LHWP Phase 1 and Phase 2 | LHWP | 3 August 1994 (and incorporated into amended Notice of Establishment, 24 March 2000) | | √ | | | | √ |
| Umgeni Water | | 4 July 2001 | | | | | √ | |
| Advisory Services to Water Management Institutions, Water Boards and DWS | | 17 May 2004 | | | | | √ | |
| Berg Water Project | BWP | 6 May 2002 | √ | | √ | | √* | |
| Vaal River Eastern Subsystem Project | VRESAP | 6 October 2004 | √ | | √ | | √* | |
| Mooi-Mgeni Transfer Scheme - Phase 2 | MMTS-2 | 29 November 2007 | √ | | √ | | √* | |
| Olifants River Water Resources Development Project - Phase 2C | ORWRDP-2C | 17 June 2008 (directive revised 12 March 2012) | | | √ | | √* | |
| Komati Water Scheme Augmentation Project | KWSAP | 29 September 2008 | | √ | √ | | √* | |
| Mokolo-Crocodile River (West) Water Augmentation Project - Phase 1 | MCWAP-1 | 19 May 2010 | | √ | √ | | √* | |
| Metsi Bophelo Borehole Project | BOREHOLE | 2 March 2011 | | | √ | | | |
| Acid Mine Drainage | AMD | 6 April 2011 | | √ | √ | | √ | |
| Refurbishment of Mooi-Mgeni Transfer Scheme - Phase 1 | MMTS-1 | 29 November 2011 | | | √ | | | |
| Strategic Integrated Programme 3 | SIP-3 | 10 November 2012 | | | | | √ | |
| Mzimvubu Water Project | | 10 February 2014 | | √ | √ | | | |
| Strategic Integrated Programme 18 | SIP-18 | 26 February 2014 | | | | | √ | |
| Amendment to MMTS-2 directive to include the construction of a potable water pipeline for Umgeni Water | MMTS-2 | 20 March 2014 | | | √ | | | |
| All remaining phases of the Olifants River Water Resource Development Project | | 25 February 2015 | √ | √ | √ | | | |
| Phase 1 of the Upgrade of the Vaal-Gamagara Scheme | | 25 February 2015 | √ | √ | √ | | | |

* Institutional arrangements

The location of the projects is shown in Figure 1.

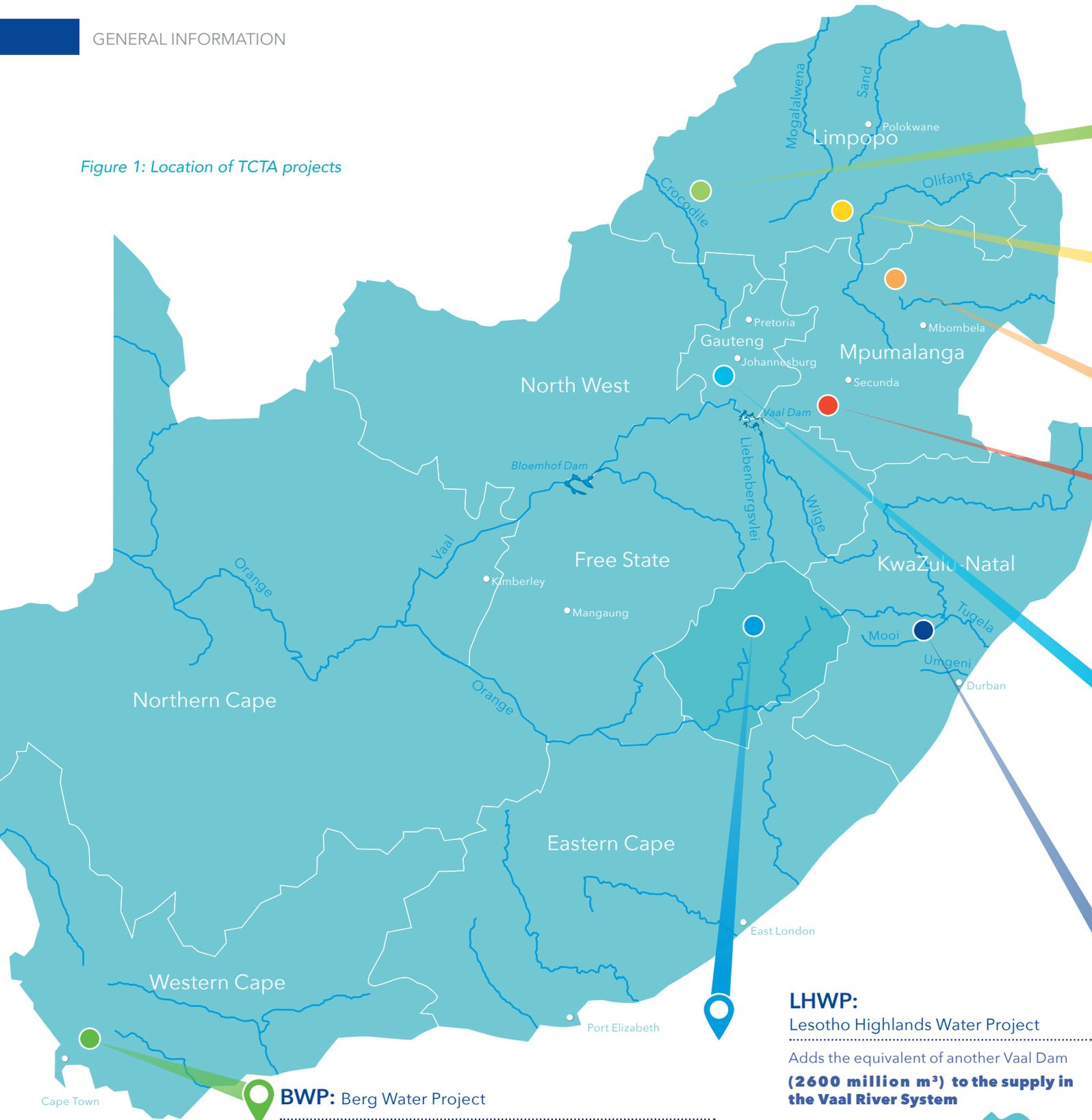
MAJOR PRODUCTS AND SERVICES

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

- a) Project management and implementation of water infrastructure:
 - Project design
 - Project construction
 - Environmental compliance
 - Land acquisition
 - Operation and maintenance (Outfall Tunnel North of LHWP)
- b) Debt management
- c) Structuring and raising project finance
- d) Knowledge management
- e) Risk management
- f) Operation and maintenance
- g) Socio-economic transformation
- h) Tariff setting
- i) Strategic programme coordination



Figure 1: Location of TCTA projects



BWP: Berg Water Project

LHWP: Lesotho Highlands Water Project
 Adds the equivalent of another Vaal Dam
(2600 million m³) to the supply in the Vaal River System

The Berg River Dam (1/20th the size of the Vaal Dam) increased **the yield of the Western Cape supply system by 18%**





MCWAP: Mokolo-Crocodile Water Augmentation Project

43 km pipeline of 1.1m diameter pipeline
supplying **Medupi and Matimba Power Stations**



ORWRDP: Olifants River Water Resources Development Project Phase 2C

A 40km pipeline supplying water to the Nebo Plateau and the mines around. Steelpoort and Burgersfort in Limpopo



KWSAP: Komati Water Scheme Augmentation Project

71km of 1.1m diameter pipeline supplying Matla and Duvha Power Stations in Mpumalanga



VRESAP:

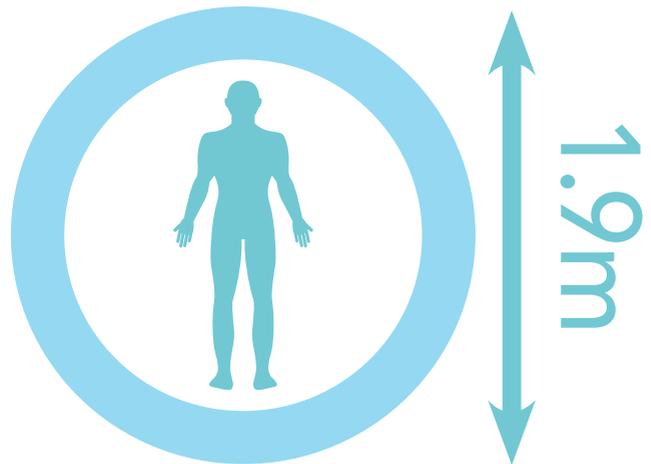
Vaal River Eastern Subsystem Augmentation Project

121 km of 1,9 m diameter pipeline
from Vaal dam to Secunda.



AMD: Acid Mine Drainage

Three treatment plants in Randfontein, Germiston and Springs treating the equivalent of **80 Olympic Sized swimming pools of acid mine draining per day.**



MMTS: Mooi-Mgeni Transfer Scheme

Spring Groove Dam (1/20th the size of the Vaal Dam) and 14,4km of pipeline **taking water from the Mooi to the Umgeni River**



ACCOUNTING AUTHORITY'S OVERVIEW

TCTA's primary purpose is to assist the Minister in ensuring that infrastructure is developed timeously to meet the social and economic demands in South Africa. This assistance takes the form of raising finance for off-budget projects and, either separately or concurrently, the physical implementation. This work has become more challenging of late, as South Africa is the 30th driest country in the world and new water resources, being far from the centres of demand, are expensive to develop. Also, South Africa's rivers no longer have the ability to dilute pollution from mines, agriculture, untreated sewage effluent and urban stormwater runoff, due to the ever greater abstractions, meaning that pollution control measures (such as the treating of Acid Mine Drainage to a very much higher standard) are becoming imperative. This coupled with real financial constraints experienced since 2008 has meant taking a close examination of the DNA of the water sector to see if it is functioning as required.

The DNA that developed as South Africa developed and urbanised was of separate management of the water resource, from bulk distribution, from retail distribution and treatment of sewage. With the constraints now facing the country, this no longer works and what is required is a seamless integrated approach to managing the water resource. Not simply imagining that National Government can continue to provide more money to build more dams and transfer more water between catchments so that it can be wasted and polluted.

Although the water resources are held in trust by Government for the benefit of all South Africans, there are significant costs associated with providing the service. These costs are associated with the storage of water, transferring it between catchments, treating to potable standards, distributing to consumers, collecting the sewage, treating the sewage and returning the water to the rivers again. It can be seen that the strand of the

flow of water is intertwined with the strand of the flow of money and at each stage there is a pairing between the institution and an economic tariff, or transfers from the fiscus, to enable that institution to carry out its mandate in a sustainable manner.

A pairing that has been seen over the past year, in this respect, are the Departments of Water & Sanitation and Co-operative Governance and Traditional Affairs and National Treasury developing the “Back to Basics” programme to address challenges faced by local Government, strengthening municipalities and installing a sense of urgency towards improving citizens lives. It has been recognised that one of the key elements in the DNA of the water value chain is the consumer using water efficiently, and where the consumer is not indigent, paying an economic tariff for the services rendered. The “Back to Basics” programme is coupled with the “War on Leaks” programme, which aims not just to stop leaks, but to raise awareness amongst all South Africans that water is a precious resource that needs to be conserved and shared equally amongst all. Without this realisation South Africa cannot strive towards radical socio-economic transformation as envisaged in the National Development Plan.

There is one special quality about water that must never be forgotten, it has no substitute and it should be cared for if that glass of water was always the last drop. This requires a sustainable and holistic approach across the value chain of water supply from source to tap and from tap back to source.

It can be likened to a genetic defect in the current DNA of the water value chain that with caps on tariffs, non-payment (whether through deliberate withholding by consumers or lack of billing) there cannot be an expectation of a healthy water value chain. Without a healthy chain institutions are unable to operate sustainably this gives rise to a number of consequences.

Firstly the existing infrastructure will slowly deteriorate and fail, transferring the bill for repair onto future generations; secondly it will not be possible to fund new infrastructure, either from borrowings or out of the current tariff, to give everyone throughout South Africa equal access to water and thirdly, since water is a finite resource and South Africa has virtually reached the limit of its allocable water, there will be no incentive to use water wisely and efficiently.

DNA has always modified itself over time in response to challenges and stress. In 1973 much of the world modified its behaviour and became much more energy efficient due to the sharp increase in the price of oil and the electricity sector in South Africa is currently modifying its DNA due to price rises and limitations on supply.

The water sector is no different. The question is, however, as to whether the water sector can undergo a gradual evolution in its DNA or wait until there is a severe drought, which results in drastic modification to behaviour over a short time. The key to following the gradual path is both municipalities and consumers recognising now that their current behaviour, of regarding it as the other parties responsibility to change, is not sustainable and that they both need to change their behaviour and expectations simultaneously in order to lead to a virtuous circle of efficient use of water and a financially sustainable sector.

One factor behind a financially sustainable sector is the ability to finance itself through tariffs rather than relying on fiscal transfers. Borrowing money to build infrastructure imposes a certain discipline in an organisation if spiralling project costs are to be avoided and water is delivered when required by the users. Looking back on all the projects that TCTA has managed the implementation of, the organisation has demonstrated that discipline of managing all aspects of implementation in a holistic manner and has never avoided the difficult discussions.

TCTA, therefore, continues to work closely with the Minister, the Department and other water sector institutions in explaining the difficult choices that South Africa faces with regards to water; as Minister Mokonyane constantly reminds us “Water has no substitute - What if it was the last drop?”

FINANCIAL SUMMARY

Introduction

As set out in Table 5, TCTA has a number of roles from a strategic financial perspective. These are:

- Raising finance for projects, on behalf of DWS, that will be recovered through user tariffs (either partially or fully);
- If implementing the projects on behalf of DWS, ensuring that sufficient funds are available at all times to meet the requirements during construction. Where long-term funds are utilised TCTA enters into short-term investments to offset the cost of such long-term funding;
- Working with DWS to ensure that the tariff, set in terms of the Pricing Strategy, is sufficient to cover DWS' obligations and the obligations that TCTA has incurred on behalf of DWS. These obligations comprise of interest and capital payable on funding obligations (when projects are not funded from the fiscus), operations and maintenance costs on certain projects, and other obligations of the South African Government in respect of the LHWP.

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

- The Tariff Receivable
- Cash inflows
- Utilisation of cash received
- Sources of funding
- Distribution of debt across projects

The Tariff Receivable

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

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

During the current year, TCTA corrected a prior period error in its financial statements as a result of a change in a technical interpretation. The balances for 2014 and 2013 have been restated to account for this correction, as detailed in note 21 to the financial statements. Previously, borrowing costs were incorrectly capitalised to the *Tariff Receivable* balance for the period of construction in both the form of the calculation of the original effective interest rate (on the *Tariff Receivable* - which is a financial asset) as well as through the recognition of construction revenue.

The removal of the borrowing costs from the determination of the effective interest rate overall resulted in an increase to the effective interest rate (EIR) which results in a lower *Tariff Receivable* at each reporting date, as a higher interest rate yields a lower net present value.

The result of the restatement was that the total *Tariff Receivable* reported in the prior year as at 31 March 2014 of R29 016 million (2013: R31 244 million) has decreased by R2 023 million (2013: R2 355 million) to R26 993 million, as reported in the financial statements for the year ended 31 March 2015 (2013: R28 889 million).

Movement from 2014 to 2015

The decrease in the restated *Tariff Receivable* from R26 993 million at 31 March 2014 to R26 456 million at 31 March 2015 is primarily due to the reduction in *Construction Revenue* and *Other Income* earned during the current year, as the majority of the projects have reached final stages of completion. Currently, construction costs are only actively being incurred on MCWAP and MMTS-2. The decrease is further as a result of the lower Interest Income earned on the *Tariff Receivable* balance, due to the reduction in the effective interest rate of each project, as explained above and as detailed in note 21 in the financial statements.

Movement from 2013 to 2014

Similarly, the restated *Tariff Receivable* balance had decreased from R28 889 million as at 31 March 2013 to R26 993 million. This decrease was primarily due to the increased collection of tariffs from DWS as well as a reduction in *Construction Revenue*. Construction costs incurred on KWSAP, VRESAP and MMTS declined in 2014, resulting in the decrease in *Construction Revenue* being earned.

Cash inflows

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

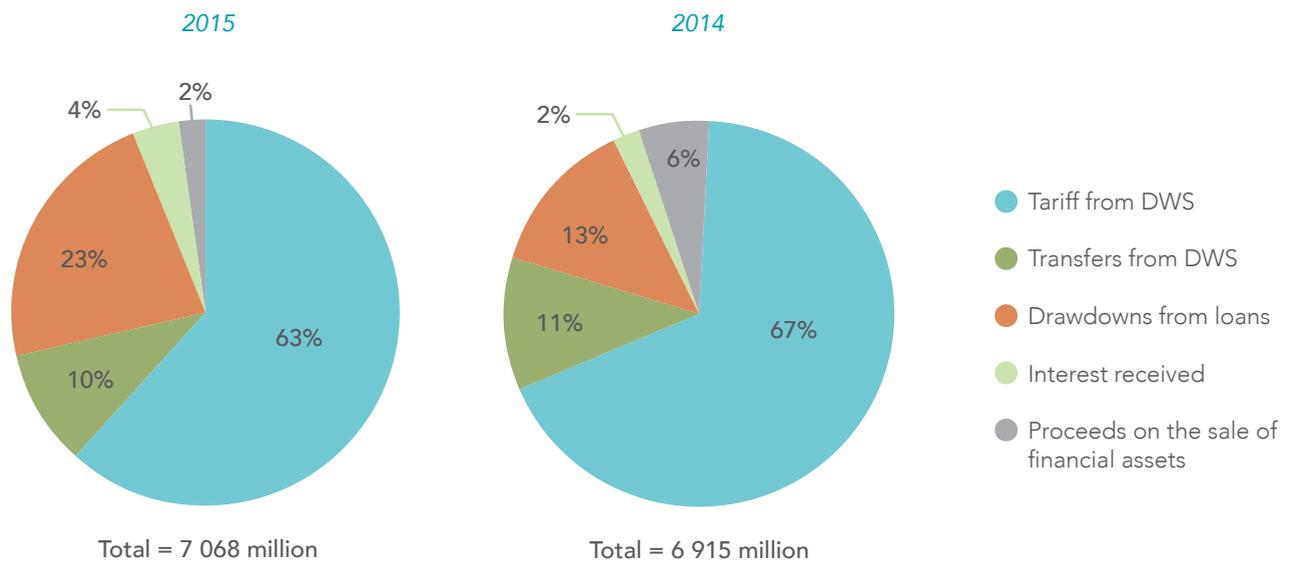
On aggregate, the cash inflows of R7 068 million for the year ended 31 March 2015 are marginally higher than the R6 915 million inflows for 31 March 2014, as shown in Figure 2. The reasons for which, are provided below.

The *Tariffs from DWS* represent the actual cash received from DWS to repay debt. As reflected in the graphs below, there has been a decrease in the amounts received from DWS due to delays in payments to TCTA. This resulted in the amounts owed by DWS being higher than at the end of 2014.

The decrease of 1% in the *Transfers from DWS* is due to delays in payments due from DWS for the ORWRDP and AMD projects. These projects are funded through the Government of South Africa and amounts are therefore not collected through the tariff mechanism. During 2015 the AMD project costs were added to the LHWP funding programme. Future tariffs from the Vaal River System will include cost recovery for all AMD costs to completion, except for what was funded from the fiscus.

The *Drawdowns from loans* have increased by 10% due to drawdowns made on MCWAP-1 and MMTS-2, as detailed in the distribution of debt across projects, discussed below.

Figure 2: Cash inflows



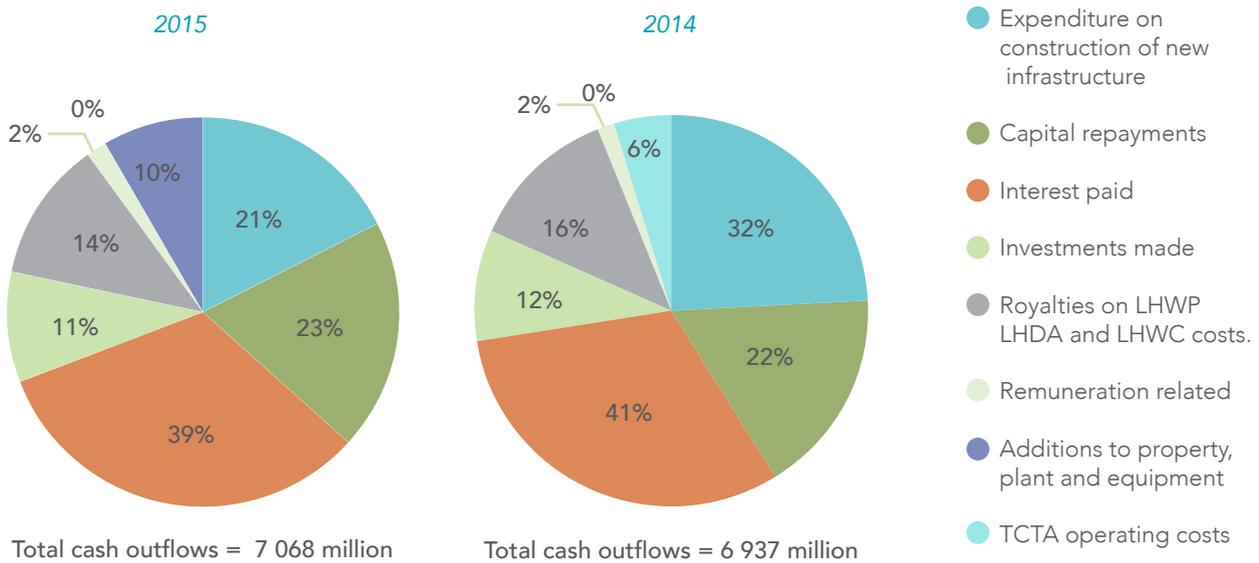
Utilisation of cash received

The year-on-year movement in cash outflows are shown in Figure 3 below. The most significant decrease related to expenditure incurred on construction of new infrastructure. A decrease of 11% was noted in such construction spend during the year, due to the winding down of construction activities on the majority of the projects.

The LHDA is responsible for the monthly calculation of the royalty payment due by TCTA to the Government of Lesotho. In February 2015 TCTA was informed of an error

which was identified in the Royalty invoicing model. The LHDA auditors thereafter confirmed that LHDA had historically incorrectly invoiced TCTA for an amount of R88 million. It was subsequently agreed that the amount will be recouped by TCTA on a monthly basis, starting from March 2015 through the reduction in the amount payable to the Government of Lesotho. The recoupment resulted in a 2% decrease in the amount of royalties paid to the Government of Lesotho for the year ended 31 March 2015 compared to 2014. To date, TCTA has recouped R54 million of the amount initially determined as due to TCTA.

Figure 3: Utilisation of cash received



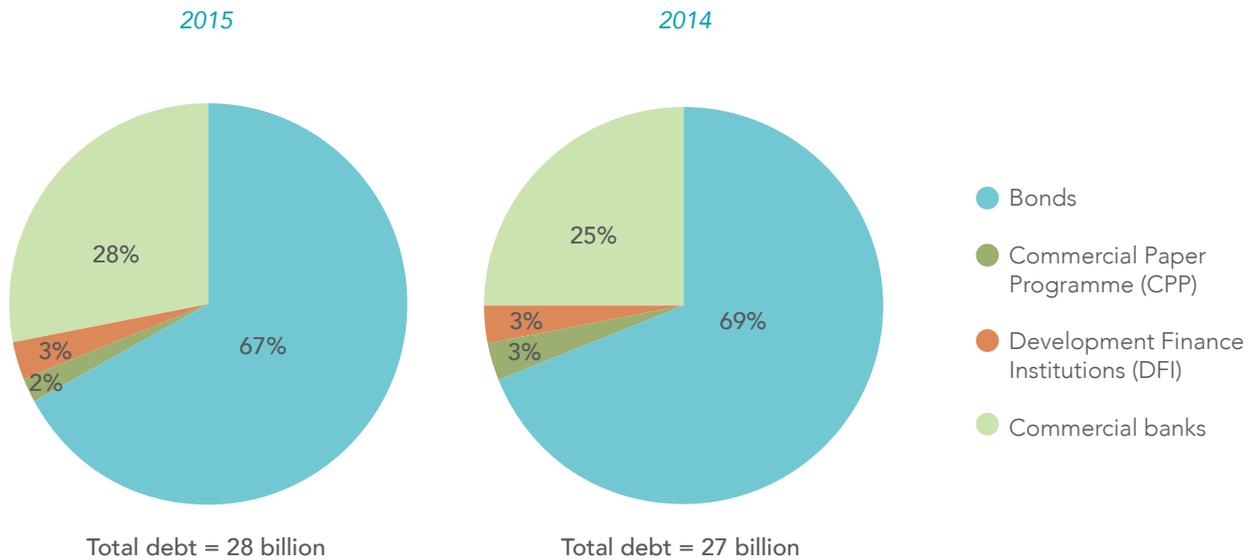
Sources of funding

The total Rand value of Bonds issued increased from R18 601 million in 2014 to R18 919 million in 2015. This is primarily due to the increase in the CPI which resulted in an increase of R378 million in the WS05 CPI-linked bond. At the same time there was an increase in funding utilised from commercial banks from R6 869 million in 2014 to R7 787 million in 2015. As a result of

the change in the composition of the sources of funding as a percentage of total funding, the graph per Figure 4 below reflects a slight decrease in funding utilised from Bonds.

Funding from commercial banks has increased by 3% in the current year and primarily related to drawdowns on loans utilised on MMTS-2 and MCWAP-1.

Figure 4: Funding instruments

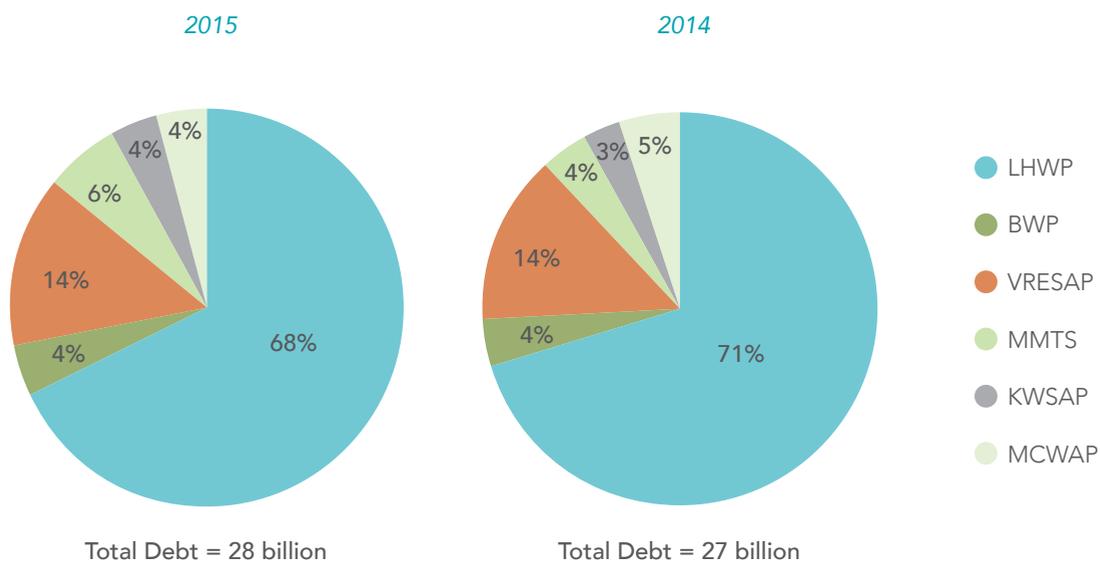


Distribution of debt across projects

In TCTA's strive to support DWS, debt management is one of its main objectives. In the current financial year the overall debt outstanding had increased by R1 billion to a total of R28 billion. The increase is primarily the net result of an additional drawdown of R700 million on MMTS-2, partially offset by a repayment of R250 million on the Revolving facility, as well as a R500 million drawdown on long-term debt for MCWAP-1. An amount of R101 million was however repaid on the MCWAP-1 bridging facility during the year. The total debt by project is shown in Figure 5. The graph reflects a decrease in MCWAP funding due to the relative contribution thereof to total funding at the respective reporting dates.

million on the Revolving facility, as well as a R500 million drawdown on long-term debt for MCWAP-1. An amount of R101 million was however repaid on the MCWAP-1 bridging facility during the year. The total debt by project is shown in Figure 5. The graph reflects a decrease in MCWAP funding due to the relative contribution thereof to total funding at the respective reporting dates.

Figure 5: Total debt by project



STAKEHOLDER RELATIONSHIPS

TCTA's stakeholder relationships are very different from other water management institutions in the water value chain, in that it does not have an area of supply and no direct relationship with the end users. Its relationships are based on understanding the affordability constraints of the client, either from end user tariffs or transfers from the fiscus, developing the appropriate infrastructure

and when required; raising the most cost effective finance. During the implementation of projects, its role is to manage the sometimes conflicting requirements of the different stakeholders to ensure the infrastructure delivers when required the interactions are shown in Table 3.

Table 3: Stakeholder Relationships

| STAKEHOLDERS AND WHY WE ENGAGE | HOW WE ENGAGE | WHAT WE ENGAGE ON |
|---|---|--|
| <p>Government (shareholder representative) To ensure TCTA is delivering as required, in terms of the policies/strategies of Government.</p> | <p>Shareholder Compact Quarterly report to Minister Regular meetings with the Minister of Water and Sanitation</p> | <p>Organisational delivery on directives; cost effectiveness; quarterly progress</p> |
| <p>Government (National Treasury) To ensure the effective management of debt incurred on Government's behalf</p> | <p>Reporting to and meetings with the National Treasury</p> | <p>Borrowing limits; financial results for incorporation into the national accounts</p> |
| <p>Government (Water Sector Policy Leader: Department of Water and Sanitation) To build an understanding of the liabilities incurred when borrowing money to fund infrastructure</p> | <p>Attendance at water sector policy workshops and events</p> | <p>How the water sector needs to develop to meet the needs of all South Africans in the most sustainable manner</p> |
| <p>Client (Department of Water and Sanitation) To ensure that the projects deliver water when required by the Department's customers, in the most sustainable manner</p> | <p>Regular meetings with the Minister, Director General and Departmental Officials Project technical committee meetings (during construction)</p> | <p>Progress on the implementation of projects Payment from the Department to enable TCTA to meet the obligations incurred on its behalf (both the construction of infrastructure and repayment of debt)</p> |
| <p>Regulators To meet legislative requirements</p> | <p>Regular communication, meetings and report with/to</p> <ul style="list-style-type: none"> • Department of Environmental Affairs (DEA) • Department of Labour • Financial Services Board • South African Revenue Services (SARS) • Auditor-General of South Africa | <p>Compliance requirements: needs and expectations</p> |

| STAKEHOLDERS AND WHY WE ENGAGE | HOW WE ENGAGE | WHAT WE ENGAGE ON |
|--|---|---|
| <p>Project partners To ensure that water delivery and project costs are in accordance with expectations</p> | <p>Project technical committee meetings</p> <p>Tariff consultation meetings (under the auspices of the DWS)</p> | <p>Agreement to all aspects of the project throughout the construction phase; mitigation of delays where required</p> <p>Explaining all the reasons for the yearly tariff increase to DWS customers</p> |
| <p>Lenders To inform perceptions and create a positive investment environment</p> | <p>Meetings with analysts and rating agencies; financier road shows; announcement of results;</p> | <p>Financial performance; market trends and issues; future prospects; organisational sustainability</p> |
| <p>Employees To enhance employees' engagement and commitment and align daily tasks to the corporate strategy and vision</p> | <p>Staff engagements occurs at numerous levels; training and development, needs analysis; performance reviews; internal media; whistle-blower's hotline; staff surveys</p> | <p>Strategy; people development and training, transformation and employment equity; code of conduct, internal news on: staff related matters; staff initiatives; milestones reach on projects</p> |
| <p>Suppliers To understand our procurement needs</p> | <p>One-on-one meetings; feedback on tender submissions; presentations</p> | <p>Contract and service agreements; performance; transformation in the construction sector</p> |
| <p>Communities impacted by the projects</p> <ul style="list-style-type: none"> • To grow stakeholder understanding. • Develop and maintain platforms for building constructive relationships. • To limit project impacts on individuals, communities, their land and livelihoods. • Identification and management of risks and opportunities. | <ul style="list-style-type: none"> • Direct consultations with directly impacted individuals, communities and interest groups. • Community liaison fora including Environmental Monitoring Committee Meetings. • Support of community events, publishing of newsletters, popular articles and project information on website(s). • You could include that our projects have dedicated personnel on site to ensure effective communication, in the form of information provision and consultation. | <ul style="list-style-type: none"> • Provision of information on project authorisation, compliance and progress. • The determination and implementation of construction related needs, alternatives, impact mitigation measures and compensation. |
| <p>Media To communicate key strategic Information</p> | <p>Press releases, media briefings during major project events</p> | <p>Key project information and celebration of important milestones</p> |

**A YEAR AGO IN PURSUIT OF THE IDEALS
ENSHRINED IN THE FREEDOM CHARTER,
THE NATIONAL DEVELOPMENT PLAN
WAS ADOPTED AS A PROGRAMME THAT
WAS TO TAKE SOUTH AFRICA FORWARD
TOWARDS RADICAL SOCIO-ECONOMIC
TRANSFORMATION**

by Minister:
Ms. Nomvula Mokonyane

PART B:
PERFORMANCE INFORMATION



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CONCLUSION **43**

EXECUTIVE SUMMARY

TCTA's Key Performance Information is in accordance with the Framework for Managing Programme Performance Information: May 2007, issued by National Treasury. The outputs of TCTA are specific to the mandate and the directives issued to the organisation from time to time,

by the Minister of Water and Sanitation. These projects align with and contribute to the Annual Performance Plan of DWS in respect of Government outcomes, as set out in Table 4.

Table 4: TCTA's Contributions to Government Outcomes

| Outcome | Government outcomes | DWS priorities* | TCTA contribution |
|---------|---|---|--|
| 4 | Decent employment through inclusive economic growth | (1) Contributing to economic growth, rural development, food security and land reform (outcomes 6, 7 and 9) | Providing cost-effective water infrastructure as an enabler of economic growth |
| 5 | A skilled and capable workforce | - | Through the projects and internal training, developing entrepreneurship in small businesses and up-skilling the workforce to enable South Africa to compete in world markets |
| 6 | Efficient, competitive and responsive economic infrastructure network | (1) Contributing to economic growth, rural development, 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 (outcomes 6 and 10) | Supporting other water sector institutions to enable them to deliver on their mandate |
| 8 | Sustainable human settlements and improved quality of household life | (1) Contributing to economic growth, rural development, food security and land reform (outcomes 6, 7 and 9) | Providing affordable infrastructure |
| 9 | A responsive, accountable, effective and efficient local government system | (4) Supporting local government to deliver water services (outcome 9) | Supporting other water sector institutions to enable them to deliver on their mandate |
| 10 | Environmental assets and natural resources that are well protected and continually enhanced | (2) Promoting sustainable and equitable water resources management (outcome 10) | Contributing to the development of knowledge in the sector (desalination, water re-use) |
| | | (3) Strengthening the regulation of the water sector (outcomes 6 and 10) | Participating in the institutional reform and realignment process |
| 12 | An efficient, effective and development-orientated public | (6) Building capacity to deliver quality services | A comprehensive internal training programme to enable TCTA to deliver quality products in the most efficient manner. |

* As per DWS Annual Performance Plan 2014/15.

KEY PERFORMANCE INFORMATION

Six pre-determined objectives have been developed as follows:

1. Participation in the Key Water Sector initiatives, which are focused on the sustainability of the water sector.
2. Raise finance for the construction of infrastructure in the most effective manner.
3. Construct infrastructure on time, within budget, to the appropriate standards and in a sustainable socio-environmental manner.
4. Manage the funding and debt on the infrastructure projects in a manner that achieves cost-effective funding, taking into account current and projected market conditions as well as managing risks.
5. Acid mine drainage is treated to the correct standard before discharge to the environment.
6. Effective co-ordination of the Strategic Integrated Programme initiative to ensure that the individual initiatives are integrated and aligned.

If the targets, set at the beginning of the financial year, are not met, all entities are required to explain if the delay will have an influence on service delivery, what that impact is and if any interventions are required to mitigate the impact. A summary of TCTA's performance is given in the Table 5 "Performance on Pre-determined Objectives" and the explanations for any variations are given in the section "Detailed Report on the Mandate and Active Directives". The Detailed Report also covers progress on directives not explicitly linked to the predetermined objectives and on directives received after the Shareholder's Compact was submitted.

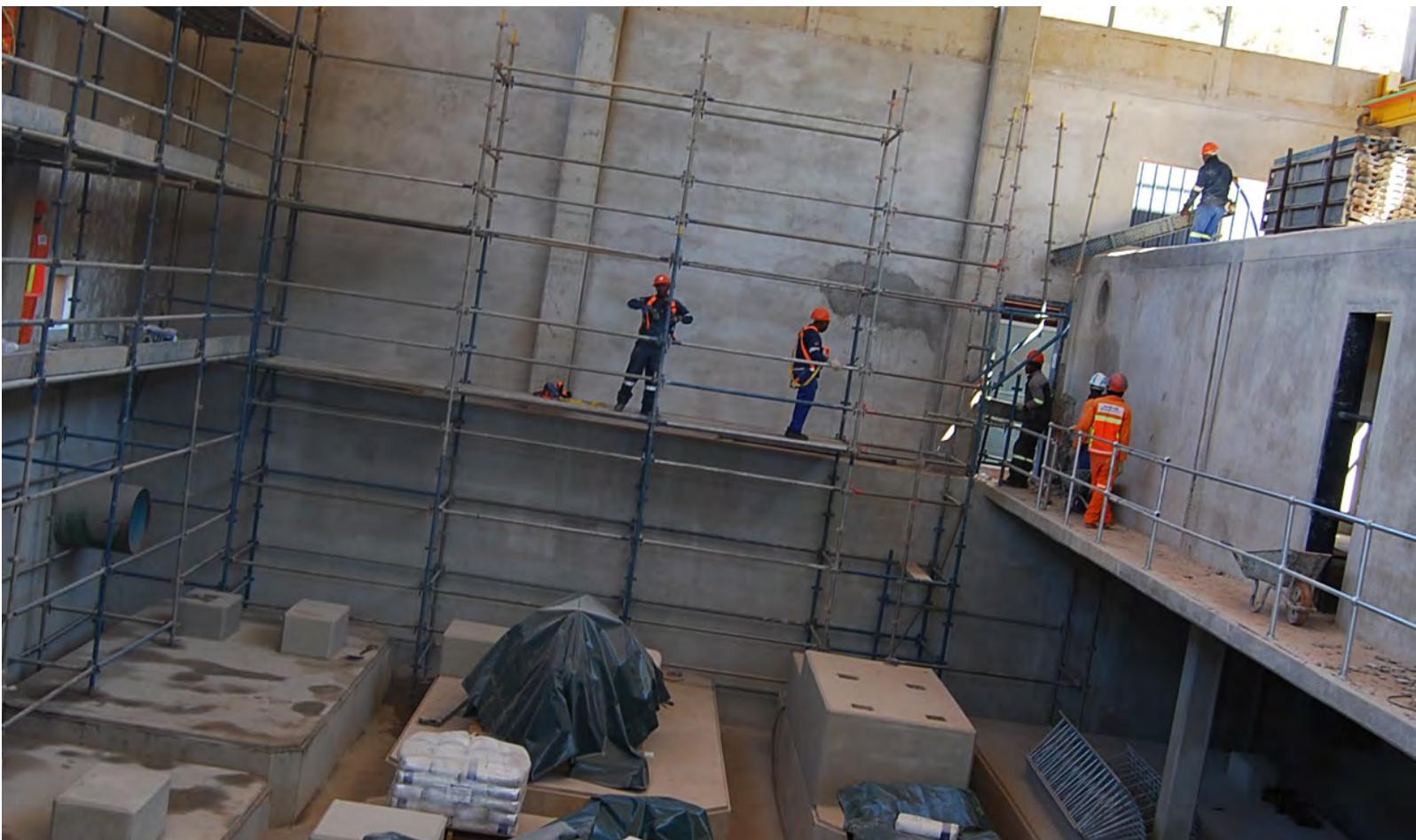


Table 5: Performance on Pre-determined Objectives

Lesotho Highlands Water Project:

Phase 1: Delivery Tunnel North

Objectives of the project for the Financial Year

Manage the funding and debt on the infrastructure projects in a manner that achieves cost-effective funding, taking into account current and projected market conditions as well as managing risks.

| Actual progress for 31 March 2014 | Targeted progress for 31 March 2015 | Actual progress for 31 March 2015 |
|-----------------------------------|---------------------------------------|-----------------------------------|
| No major maintenance undertaken | No major maintenance to be undertaken | No major maintenance undertaken |

To fulfil all the Republic's financial obligations in terms of or resulting from the Treaty

Objectives of the project for the Financial Year

Manage the funding and debt on the infrastructure projects in a manner that achieves cost-effective funding, taking into account current and projected market conditions as well as managing risks.

| Actual progress for 31 March 2014 | Targeted progress for 31 March 2015 | Actual progress for 31 March 2015 |
|--|--|--|
| Debt reduction of R61 million resulting in an outstanding debt of R19 056 million | An outstanding debt of R18 060 million | An outstanding debt of R19 247 million |
| Next key milestones: | | |
| Funding model was restructured during the year to accommodate LHWP II and AMD debt repayment by 2036 | | |

Berg Water Project:

Dam and Supplementary Scheme

Objectives of the project for the Financial Year

Manage the funding and debt on the infrastructure projects in a manner that achieves cost-effective funding, taking into account current and projected market conditions as well as managing risks.

| Actual progress for 31 March 2014 | Targeted progress for 31 March 2015 | Actual progress for 31 March 2015 |
|--|-------------------------------------|---------------------------------------|
| Debt reduction of R135 million resulting in gross outstanding debt of R1 078 million Outstanding issues on: • Implementation of Phase III of the heritage programme for the Skuifraam Ruins • Registration of servitudes • Transfer of La Motte Houses to • Stellenbosch Municipality | An outstanding debt of R925 million | An outstanding debt of R1 040 million |
| Next key milestones: | | |
| Debt repayment: March 2029 | | |

Advisory services to Water Management Institutions, Water Boards and DWS

Objectives of the project for the Financial Year

Participation in the Key Water Sector initiatives, which are focused on the sustainability of the water sector.

| Actual progress for 31 March 2014 | Targeted progress for 31 March 2015 | Actual progress for 31 March 2015 |
|--|---|--|
| <ul style="list-style-type: none"> o Presidential Infrastructure Co-coordinating Commission <ul style="list-style-type: none"> • 26 February: SIP-18 (directive received) • Business Plan developed; • Four quarterly reports prepared and submitted to the Presidential Infrastructure Coordinating Committee (PICC); • National Water and Sanitation Infrastructure Master Plan developed and submitted to the PICC; • Convened a Water Boards' CEOs forum o Sedibeng Water: Vaal-Gamagara Scheme <ul style="list-style-type: none"> • 18 July, 1 August and 5 September: Project Steering Committee (PSC) meetings • 11 October: Request for Tender (RFT) for Professional Service Provider (PSP) submitted to Sedibeng Water o Sisonke Municipality: Bulwer Dam <ul style="list-style-type: none"> • 14 May: site visit • 24 May: meeting with Sisonke • 7 June: Workshop with Teratest • 11 March: Comment on draft Project Charter o DWS <ul style="list-style-type: none"> • Input on Investment Framework Plan • Advisory work on how to finance both short- and long-term solution for acid mine drainage • Komati Basin Water Authority (KOBWA): Restructuring financing of Driekoppies and Maguga Dams (draft directive prepared) • Pricing Economic Regulation Reforms <ul style="list-style-type: none"> - 24 May: Project Steering Committee Meeting - 8 August: Pricing Strategy Meeting - 13 September: Pricing Strategy Meeting • Mzimvubu Project feasibility study Steering Committee (directive received) • Effluent Water Partnership Network <ul style="list-style-type: none"> - 11 January: Mine Water Project Workshop - 11 February: Steering Committee meeting and forum o Umgeni Water <ul style="list-style-type: none"> • Negotiations on the construction of potable water pipeline in conjunction with augmentation of transfer scheme including expropriation of land (directive received) | <ul style="list-style-type: none"> Advisory services to 4 institutions | <ul style="list-style-type: none"> Advisory services to 7 institutions o Sedibeng Water <ul style="list-style-type: none"> • Evaluation of Professional Service Provider Tender o Harry Gwala District Municipality <ul style="list-style-type: none"> • 29 August: Meeting on Steven Dlamini Dam Project o Umgeni Water <ul style="list-style-type: none"> • Support on interactions with municipalities on system tariff o DWS <ul style="list-style-type: none"> • Task team on phase 2 and phase 3 of the Nooitgedacht-- Coega Low Level Water Scheme • 26 May: Task Team Meeting • 25-26 June: Water Governance, Economic Regulation and Financing Workshop • 28 October: Presentation to Dutch delegation on behalf of DWS • Pricing Economic Regulation Reforms: 30 October: Pricing Strategy Meeting and subsequent input • 11 December: Attendance and input at Water Sector Leadership Group Meeting • Appointment as Chair of Strategic Task Team on Institutional Establishment and Governance: 1st Meeting 27 March • Documentation prepared • Concept Note on Water User Associations • Concept Note on alternatives to improving domestic water supply in the Mzimvubu Project • Strategic Framework for Ministerial Oversight of State Owned Entities. o South African Local Government Association <ul style="list-style-type: none"> • Assistance with understanding the billing from the Vaalharts Water User Association to the Magareng Local Municipality (Free quota vs Vaal River System Capital Unit Charge) o Gauteng Provincial Government <ul style="list-style-type: none"> • 9 December and 10 February: Attendance and input at Gauteng Integrated Infrastructure Masterplan meeting o Mpumalanga Provincial Government <ul style="list-style-type: none"> • Review of Mpumalanga Province Institutional Arrangements |

Komati Water Scheme Augmentation Project: Pump station and Pipeline

Objectives of the project for the Financial Year

Construct infrastructure on time, within budget, to the appropriate standards and in a sustainable socio-environmental manner. Manage the funding and debt on the infrastructure projects in a manner that achieves cost-effective funding, taking into account current and projected market conditions as well as managing risks.

| Actual progress for 31 March 2014 | Targeted progress for 31 March 2015 | Actual progress for 31 March 2015 |
|--|---|--|
| Funding requirement of R145 million resulting in an outstanding debt of R1 229 million | An outstanding debt of R1 205 million | An outstanding debt of R1 185 million |
| Declared operational on 4 June 2013 | Completion of defects liability period: June 2014 | Main components (pump station, pipelines and houses for the operators) reached their defect liability periods in June 2014 Two components (cathodic protection of the pipelines and construction site rehabilitation) were taken over by DWS in July 2014 Takeover of the rehabilitated pipeline servitudes on 6 February 2015 |
| Next key milestones: | | |
| Debt repayment: 2033 | | |

Refurbishment of Mooi-Mgeni Transfer Scheme - Phase 1: Refurbishment of existing transfer scheme

Objectives of the project for the Financial Year

Construct infrastructure on time, within budget, to the appropriate standards and in a sustainable socio-environmental manner.

| Actual progress for 31 March 2014 | Targeted progress for 31 March 2015 | Actual progress for 31 March 2015 |
|--|---|--|
| Completion of refurbishment of pipeline on 16 September 2013 | Refurbishment of pipeline completed in October 2014 | The target was incorrectly set in February 2014 as the pipeline refurbishment was already complete |
| Refurbishment of pump station to date <ul style="list-style-type: none"> o Low-lift pump and motor no. 2 o High-lift pump and motor no. 2 o New low-lift pump delivery valves o High-lift pumps 1, 2 and 3 suction valves o Low-lift pump 2 suction valves o New high-lift pumps 1 and 2 delivery valves o High-lift pump 3 suction and delivery valves o New MV switchgear o High-lift pump and motor 1 o Low-lift pump and motor 1 o Lining repairs - manifold o Instrumentation | 75% of the refurbishments completed | Practical completion on the pump station was achieved in November 2014 |

Mooi-Mgeni Transfer Scheme - Phase 2: Dam, Pump station and Pipeline

Objectives of the project for the Financial Year

Manage the funding and debt on the infrastructure projects in a manner that achieves cost-effective funding, taking into account current and projected market conditions as well as managing risks. Construct infrastructure on time, within budget, to the appropriate standards and in a sustainable socio-environmental manner.

| Actual progress for 31 March 2014 | Targeted progress for 31 March 2015 | Actual progress for 31 March 2015 |
|---|--|---|
| Actual funding requirement of R285 million and an outstanding debt of R1 187 million | An outstanding debt of R1 431 million | A funding requirement of R214 million resulting in a gross outstanding debt (excluding investments) of R1 401 million |
| Spring Grove Dam: dam 76% full | | |
| Dam commissioned and handed over to DWS on 3 March 2014 | Completion of defects liability period in October 2014 | Handed over to DWS on 3 March 2014 |
| <ul style="list-style-type: none"> February 2014: land rezoned land claim still to be finalised biodiversity offset plan being developed | | |
| Cumulative Spend Main Contractor R641 million | | |
| Augmentation of Water Transfer Scheme Site handed over to Contractor on 21 October 2013 | | |
| 0 km of 14.5 km of pipeline laid. Substantial progress made to manufacturing of pipes in order to commence with laying. | 11 km of 14.5 km of pipeline laid. | 13.3 km of 14.5 km of pipeline laid. |
| | Budgeted Annual Spend Main Contractor R519 million | Actual Annual Spend Main Contractor R322 million |
| Cumulative Spend Main Contractor R39 million | Cumulative Spend Main Contractor R558 million | Cumulative Spend Main Contractor R361 million |
| Next key milestones: | | |
| Debt repayment: 2034 | | |
| Pump station and pipeline completed in June 2016 | | |

Total expenditure on MMTS1 & 2

Objectives of the project for the Financial Year

Construct infrastructure on time, within budget, to the appropriate standards and in a sustainable socio-environmental manner.

| Actual progress for 31 March 2014 | Targeted progress for 31 March 2015 | Actual progress for 31 March 2015 |
|--|---|---|
| | Budget Annual Spend PSP R34 million Total Scheme R650 million | Actual Annual Spend PSP R49 million Total Scheme R567 million |
| Cumulative Spend PSP R151 million Total Scheme R1 201 million | Cumulative Spend PSP R185 million Total Scheme R1 851 million | Cumulative Spend PSP R200 million Total Scheme R1 769 million |

Vaal River Eastern Subsystem Project: *Pump station and Pipeline*

Objectives of the project for the Financial Year

Manage the funding and debt on the infrastructure projects in a manner that achieves cost-effective funding, taking into account current and projected market conditions as well as managing risks.

| Actual progress for 31 March 2014 | Targeted progress for 31 March 2015 | Actual progress for 31 March 2015 |
|--|--|--|
| Debt reduction of R100 million resulting in the gross outstanding debt of R3 691 million | An outstanding debt of R3 752 million | An outstanding debt of R3 807 million |
| Mediation held in March 2014 and agreement reached subject to approval by Board and Project Partners | Arbitration scheduled for October 2014 | Approval on settlement given by Project Partners on 24 April 2014 and thus the matter did not proceed to arbitration |
| Next key milestones: | | |
| Debt repayment: March 2028 | | |

Olifants River Water Resources Development Project - Phase 2C: *Pump station and Pipeline*

Objectives of the project for the Financial Year

Construct infrastructure on time, within budget, to the appropriate standards and in a sustainable socio-environmental manner.

| Actual progress for 31 March 2014 | Targeted progress for 31 March 2015 | Actual progress for 31 March 2015 |
|---|---|---|
| Water delivery to De Hoop Water Treatment Works serving Jane Furse/ Nebo Plateau: January 2014 | Water delivery to De Hoop Treatment Works: July 2013 | Only 39 km of 40 km of pipeline laid thus water delivery for the full scheme could not be achieved |
| 19 km of 40 km of pipeline laid | Water delivery for full Phase 2C: Dec 2014 | |
| | Budgeted Annual Spend PSP R58 million Main Contractor R446 million Total Project R519 million | Actual Annual Spend PSP R66 million Main Contractor R426 million Total Project R512 million |
| Cumulative Spend PSP R224 million Main Contractor R781 million Total Project R1 239 million | Cumulative Spend PSP R282 million Main Contractor R1 227 million Total Project R1 743 million | Cumulative Spend PSP R290 million Main Contractor R1 207 million Total Project R1 750 million |

Mokolo and Crocodile River (West) Water Augmentation Project: Pump station and Pipeline

Objectives of the project for the Financial Year

Manage the funding and debt on the infrastructure projects in a manner that achieves cost-effective funding, taking into account current and projected market conditions as well as managing risks.

Construct infrastructure on time, within budget, to the appropriate standards and in a sustainable socio-environmental manner.

| Actual progress for 31 March 2014 | Targeted progress for 31 March 2015 | Actual progress for 31 March 2015 |
|--|--|--|
| <p>Funding requirement of R150 million resulting in an outstanding debt of R711 million</p> <p>R630 million received from DWS as a transfer</p> <p>MCWAP-1 26.6 km of 43 km of pipeline laid. Interconnection with the existing pipeline achieved at: 1) 6.6 km on 19 May 2013 and 2) 10.3 km on 29 October 2013.</p> <p>Water supply has been increased by 57%.</p> <p>Cumulative Spend PSP R271 million Main Contractor R530 million Total Project R1 097 million</p> <p>MCWAP-2A</p> | <p>An outstanding debt of R1 458 million</p> <p>In commissioning phase for water delivery of full scheme in September 2014</p> <p>Budgeted Annual Spend PSP R55 million Main Contractor R224 million Total Project R379million</p> <p>Cumulative Spend PSP R326 million Main Contractor R754 million Total Project R1 476 million</p> <p>Minister to approve capacity, implementation and social component: November 14</p> <p>Water Supply and Implementation Agreements signed</p> | <p>An outstanding debt of R1 201 million</p> <p>43 km of 43 km of pipeline laid</p> <p>Pump station in commissioning phase</p> <p>Actual Annual Spend PSP R63 million Main Contractor R131 million Total Project R241 million</p> <p>Cumulative Spend PSP R334 million Main Contractor R661 million Total Project R1 338 million</p> <p>Fiscal Liabilities Committee has recommended approval of borrowing limit to the Minister of Finance. The approval of capacity (and by implication the borrowing limit) is dependent on undertakings from Transnet, Eskom, Department of Public Enterprises and Department of Energy on the development of rail and energy capacity, which have not yet been given. Only when the above process is complete can the Water Supply and Implementation Agreements be finalised and signed.</p> |
| <p>Next key milestones:</p> <p>Debt repayment: 2033</p> | | |

Acid Mine Drainage:
Pump stations and Treatment Plant

Objectives of the project for the Financial Year

Acid mine drainage is treated to the correct standard before discharge to the environment.

Construct infrastructure on time, within budget, to the appropriate standards and in a sustainable socio-environmental manner.

Raise finance for the construction of infrastructure in the most effective manner.

| Actual progress for 31 March 2014 | Targeted progress for 31 March 2015 | Actual progress for 31 March 2015 |
|--|--|---|
| Western Basin | | |
| Discharge of effluent with standards set in directive Capacity increased to 30–36 Ml/day | Further upgrading of plant to improve effluent quality | Effluent met discharge standards 98% of the time |
| Central Basin | | |
| Ready for Commissioning February 2014 Cumulative Spend Main Contractor R435 million | Takeover May 2014 Budgeted Annual Spend Main Contractor R97 million Cumulative Spend Main Contractor R532 million | Plant declared operational in December 2014 Actual Annual Spend Main Contractor R122 million Cumulative Spend Main Contractor R557 million |
| Next key milestones: | | |
| Completion of defects liability period December 2015 | | |
| Eastern Basin | | |
| Awaiting instruction Proposal submitted to DWS to fund through the Vaal River tariff Cumulative Spend Main Contractor R0 | Award of tender April 2014 95% completed Budgeted Annual Spend Main Contractor R635 million Cumulative Spend Main Contractor R635 million | Award of tender May 2014 Site establishment activities commenced on 17 June 2014 36% completed Actual Annual Spend Main Contractor R220 million Cumulative Spend Main Contractor R220 million |
| Next key milestones: | | |
| Takeover in January 2016 Contract value Main Contractor R1 188 million | | |
| Cumulative Spend PSP R89 million Total Project R742 million | Budgeted Annual Spend PSP R34 million Total Project R1 198 million Cumulative Spend PSP R123 million Total Project R1 940 million | Actual Annual Spend PSP R40 million Total Project R684 million Cumulative Spend PSP R129 million Total Project R1 426 million |

Third Strategic Integrated Programme:

Objectives of the project for the Financial Year

Effective co-ordination of the SIP-3 initiative to ensure that the individual initiatives are integrated and aligned.

| Actual progress for 31 March 2014 | Targeted progress for 31 March 2015 | Actual progress for 31 March 2015 |
|---|---|--|
| <ul style="list-style-type: none"> Submitted four Quarterly Reports to the PICC Assisted 3 project owners in unblocking project challenges Planned and successfully convened the second SIP-3 Inter-Governmental Forum, during March 2014 in East London Prepared a SIP-3 progress report for the Minister and the PICC | <p>Ongoing identification of project hold-ups, and unblocking where possible (e.g. Manganese Smelter, N2-Wild Coast, Mzimvubu Water</p> | <ul style="list-style-type: none"> Four Quarterly reports submitted to PICC and Minister Programme Technical Committees held in September 2014, November 2014 and February 2015 Engaged SIP-10 coordinators as part of cross-SIP engagements Engaged the Kgalagadi Manganese leadership to build robust relations and enhance coordination effectiveness Prepared and submitted the SIP-3 progress report to the Inter-Governmental Forum Chair, Minister Nkwinti. Prepared a briefing on the importance of the Vaal Gamagara phase 1 project, from a SIP-3 perspective, for PICC Management Committee. Conducted seven site visits |



DETAILED REPORT ON THE MANDATE AND ACTIVE DIRECTIVES

Lesotho Highlands Water Project

The Lesotho Highlands Water Project is a binational undertaking between the governments of the Kingdom of Lesotho and the Republic of South Africa.

The project thus far comprises the existing Katse, Mohale Dams, transfer tunnels and Muela Power Station within Lesotho and the outfall tunnel in South Africa (Phases 1A and 1B). On completion of the Polihali Dam in Lesotho (Phase 2B), the project will have augmented the Vaal River System by 2 900 Million cubic meters per annum.

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

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

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

- (i) financing;
- (ii) liability and risk management.

In the first phase of the project, the LHDA raised the primary funding for the project. TCTA then raised secondary funding in the South African capital markets to refinance and fund the South African loan repayment obligations on the LHDA debt.

LHDA is progressing with baseline studies and procurement of Professional Service Provider contracts for advance infrastructure and the Polihali Dam.

Operational activities for TCTA are limited to the ongoing operations and maintenance of the delivery tunnel in South Africa.

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

The funding model was restructured to project corporate Phase 2 of the Lesotho Highlands Water and the acid mine drainage project. The payment of the debt has always been from revenues generated out of the Vaal River System. However, until now these revenues have been used only against the debt and other costs associated with Phase 1 of the Lesotho Highlands Water Project.

With the advent of new projects in the Vaal River System, a decision was made to manage the debt on a system basis rather than on a project basis, a change that was implemented during the financial year.

As a result the gross debt increased due to the expenditure on the High Density Sludge treatment plants to treat Acid Mine Drainage in the Witwatersrand and the preparatory work on Phase 2 of the Lesotho Highlands Water Project.

Advisory Services

TCTA advised seven institutions during the reporting period, against a target of four as set out in the Corporate Plan. Descriptions of these engagements are as follows:

Sedibeng Water Board

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

During the financial year, support was provided for the evaluation of the tender for the Professional Service Provider and on 25 February 2015 a directive was received from the Minister of Water and Sanitation for the implementation of the project. Negotiations are currently under way with Sedibeng Water to finalise the terms of the Implementation Agreement.

Harry Gwala (formerly Sisonke) District Municipality

TCTA was approached by Harry Gwala District Municipality to provide advisory services with respect to arranging funding and implementation of the planned bulk water infrastructure projects such as the Steve Dlamini (formerly Bulwer) Dam, the Greater Mbulweleni/Donnybrook water supply project. Construction of the Steve Dlamini Dam and the emergency bulk water distribution scheme will be undertaken as a first priority, followed by the other schemes. The feasibility study of the Steve Dlamini Dam is complete and the Record of Decision is in place.

Umgeni Water Board

Support was given to Umgeni Water to explain to Harry Gwala and Illembe District Municipalities the rationale behind Umgeni Water charging a common tariff across all the municipalities in their area of supply, rather than each scheme being charged on an individual basis. The approach of Umgeni Water compensates for the distortions in the delivery of infrastructure, caused by apartheid planning, which kept large sections of the population in an under-served rural environment while resources were concentrated in the urban areas.

Department of Water and Sanitation

The main thrust of the engagement with the Department involved how to achieve a sustainable water sector and the necessary governance structures going into a future where there will be no clear separation between national and local responsibilities and between raw and potable water. This engagement was extensive and has resulted in TCTA playing a leading role in support of a number of strategic and technical task teams.

South African Local Government Association

This engagement complements the engagement with the Department. The South African Local Government Association sought advice on the impact of the Vaal River Systems tariff on Magareng Local Municipality (a large proportion of which is attributable to the capital unit charge). The engagement showed the unduly complex governance arrangements and the impact of high levels of non-revenue water involving the municipality.

Gauteng Provincial Government

The Gauteng Provincial Government is developing an Infrastructure Master Plan with the objective of co-ordinating the different municipalities and ensuring that

infrastructure is provided in the most efficient manner possible. The main input, together with other water sector partners, was to raise awareness around the issues facing the water sector with regard to financial sustainability and reaching the limits of allocable water.

Mpumalanga Provincial Government

The Mpumalanga Provincial Government has recognised the need to approach the provision of water services differently from past practice, particularly in the economically under-resourced municipalities, and sought input on institutional arrangements for service provision.

Berg Water Project

The project, which was officially inaugurated in March 2009, comprises the Berg River Dam and the supplementary scheme that augments water supply to the City of Cape Town. It is currently operational as part of the Western Cape Water Supply System.

Management of Debt

Tariff revenue was less than expected due to the City of Cape Town having not revised their expected demand downwards when the tariff models were run and the budgets prepared. Nonetheless, outstanding debt was reduced and the project remains on course to retire debt within the specified time, with no major deviation from the forecasted cash flows.

Construction of Infrastructure

During the reporting period only minor close out items on the project were attended to. These were as follows:

- The La Motte Houses were transferred to Stellenbosch Municipality
- As part of Phase III of the heritage programme a service provider is in the process of being appointed to design the Skuifraam Ruins interactive display centre.
- The transfer of properties from Department of Public Works (DPW) to TCTA's name is in the process of registration; confirmation from DPW is being awaited in order for the State Attorney to effect the registration.
- The project close-out report is being prepared and will be finalised at the end of the 2015/16 financial year.

Vaal River Subsystem Augmentation Project

The project comprises the abstraction works in the Vaal Dam with low-lift pumps, a high-lift pump station and approximately 121 km of pipeline to Secunda, to deliver an additional 160 Million m³/a of water to the Vaal River Eastern Subsystem (VRESS). The VRESS supplies water to the coalfields of Eastern Mpumalanga, through a complex system of interconnected water transfer schemes. Most of Eskom's thermal power stations and Sasol's petrochemical installations are strategic users of water from this system. The project has been delivering water since June 2009 as an integrated component of the VRESS, and revenue has been received from this date.

Management of Debt

The funding requirement was higher due to the settlement with Covec and Mathe Construction, which was not factored in during the preparation of the budgets in the Corporate Plan.

Construction of Infrastructure

The project is still in close-out phase as the insurance claims against the Engineer have not been resolved. The insurer claims that the Professional Indemnity claims have prescribed. TCTA is following the contractual route of mediation/arbitration to resolve these claims.

Mooi-Mgeni Transfer Scheme: Phase 2

The project comprises the construction of a 37.7-m-high dam with a storage capacity of 139.5 Million m³ and augmentation of the existing water transfer system through the building of a pump station and pipeline. The project will increase the current yield of the Mooi-Mgeni System by 60 Million m³/a to 394 Million m³/a.

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

Management of Debt

TCTA started to receive the tariff receivable from 1 July 2012 whilst the project is still incurring construction expenses. The tariff receivable was R25.5 million higher than expenditure whilst construction expenditure was R3.5 million lower, hence the debt being R30 million lower than expected.

Construction of Infrastructure

Spring Grove Dam

Construction is complete and the dam was commissioned and handed over to DWS for operation and maintenance on 3 March 2014.

The dwellings for the households displaced by the construction of the dam are being built but were delayed by lack of planning approval by the municipality. All but two of the land claims have been finalised and the implementation plan for the biodiversity off-set areas is currently being concluded.

Augmentation of the Water Transfer Scheme

The pipeline and pump station are in the detailed design and construction phase.

Construction began on 21 October 2013 (site handover) and, as of 31 March 2015, 13.3 km of the 14.5 km of the pipeline had been laid.

The construction of the pipeline for Umgeni Water has yet to commence.

Olifants River Water Resources Development Project: Phase 2C

The project comprises a 40-km distribution pipeline from De Hoop Dam, which feeds the De Hoop Water Treatment Works at Steel Bridge, and a pump station near Steelpoort, where it will interconnect with the Lebalelo Water User Association infrastructure and continue on to the Mooihoek Water Treatment Works. The water from the dam is for the mining industry along the eastern limb of the Bushveld Complex as well as for domestic users in the Sekhukhune District Municipality.

Construction of Infrastructure

The project is in detailed design and construction phase.

In January 2014 the first 10 km of pipeline was completed, which enabled water to be delivered to the De Hoop Water Treatment Works that serves user on the Nebo Plateau.

The remainder of the pipeline will only be able to be used by local users when Section 2D is constructed (the directive in this respect was issued only on 25 February 2015). As a result, there has been no necessity to instruct the contractor to accelerate their construction activities to make up for lost time.

For the overall Scheme progress is as follows:

- 39 km of the 40 km of the Phase 2C pipeline has been laid.
- The pump station is 83% complete with the main building with installations (pumps and pipes) complete. Ancillary works (chambers, wiring and manual controls) are lagging behind.

The construction delays have been caused by production rates being slower than tendered rates, access delays and disruptions, design changes and lately by challenges encountered on the Steelpoort river crossing.

Phase 2C has an estimated cost at completion of R2 267 million, which is fully funded through transfers from DWS. The funding is provided annually to TCTA in accordance with the construction programme.

Komati Water Scheme Augmentation Project

The project augments the Komati Water Scheme through water transferred from the Vaal River, for the sole benefit of Eskom. The project entails the delivery of approximately 57 Million m³/a of water at Eskom's Duvha and Matla power stations in Mpumalanga.

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

Management of Debt

The outstanding debt at the end of the financial year fell more than predicted due to higher than expected tariff receivable as DWS sold more water out of the VRESS system and from interest payments on investments.

Construction of Infrastructure

The project is in the close-out phase.

The cathodic protection was taken over by DWS in July 2014 and the pipeline servitude in February 2015.

Mokolo and Crocodile River (West) Water Augmentation Project

Management of Debt

Although the capacity of the scheme has been increased and it is able to deliver 57% more water, billing did not commence in September 2014 as Medupi Power Station was not ready to receive water. Billing is only likely to start in April 2015. This late commencement of billing was countered by slower than anticipated construction.

A total amount of R1 189 million has been utilised on the MCWAP long-term facilities, of which R500 million was drawn in the 2014/15 financial year.

Construction of Infrastructure

Phase 1

The project comprises a pump station and a 43-km pipeline from Mokolo Dam, parallel to and tying into existing infrastructure supplying Exxaro's Grootegeluk Mine, Eskom's Matimba and Medupi (under construction) power stations, and the Lephalale Local Municipality. The augmentation will increase the capacity of the scheme by 30 Million m³/a.

Construction began in September 2011. Interconnections were commissioned at 6.6 km on 19 May 2013 and at 10.3 km on 29 October 2013, thereby increasing the capacity of the scheme by 57%. This gave sufficient capacity to enable Eskom to commission four of the six generating units at Medupi and to meet the forecast high water demand scenarios until December 2015.

As at 31 March 2015, 43.0 km of pipeline has been completed and the pump station is functionally commissioned and can reliably deliver water.

The delay in completion was caused by flood damage in March 2014. TCTA is in the process of recovering the costs of repairs from the insurance. At this point, the insurer has paid a sum of R5.1 million as an interim payment for the claim, which is approximately 5% of the expected total insurance claim.

The final water delivery date (ready for trial operation) is planned for 30 April 2015.

Phase 2

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

The project comprises an abstraction weir, pump stations and a 160-km pipeline to transfer water from the Crocodile River to the Lephalale area.

Agreement was reached with National Treasury on a funding strategy whereby Government commits to MCWAP-2 until the full offtake has been realised. The funding strategy involves binding other national departments and SOEs to the development of the third coal field power station in the Waterberg area, to the related coal mining activities for existing operations in Mpumalanga and the third coal-fired power station as well as the railing infrastructure required to provide coal to the existing coal-fired power stations in Mpumalanga.

Until commitments are received from other Departments the Minister of Finance will not give concurrence to the Minister of Water and Sanitation and the Water Supply and Implementation Agreements cannot be finalised and signed.

Acid Mine Drainage

This project is aimed at implementing the short-term intervention plan for the Western, Central and Eastern Basins of the Witwatersrand Goldfields, as recommended to the Inter-Ministerial Committee by a

panel of experts. The short-term intervention plan was to stop decant in the Western Basin and to protect the environmental critical level in the Central and Eastern Basins.

The project entails the implementation of infrastructure comprising water treatment plants, pumps and pipelines to pump, process and release the treated water into the natural river systems for each of the basins.

Construction of Infrastructure

Each basin is discussed separately.

Western Basin

A High Density Sludge Treatment plant with a current capacity of 32 Ml/day has been successfully implemented and has been operational since June 2012. This was achieved by refurbishing three of the four trains at an existing plant belonging to Rand Uranium. However, some uncontrolled decant has been experienced in the Western Basin even during the dry season.

The plant achieved a 98% compliance, that is where treated water is discharged from the CPS pit, except on three days when the pH was exceeded (i.e. the water became too alkaline) and on two days when the manganese limit was exceeded. With regard to pH, the limit is 9.5 whereas the maximum recorded pH was 9.87. This was caused by over-correcting the pH in the treatment process and was rectified. High alkalinity is associated only with hardness in the water and does not have any environmental impact.

With regard to manganese, the most likely cause was the rainfall event immediately prior to the limit being exceeded, which mobilised manganese in the mine void. Such spikes are common in all sources of water at the start of the rainy season (the event occurred in November 2014), when the accumulated pollution from the dry season is mobilised.

During the reporting period a new temporary pump was installed in Shaft No. 8 to increase the pumping capacity to 32 Ml/day, and the construction of the new pump station at No. 9 shaft began. Co-disposal of sludge into the West Wits Pit continued.

Further upgrades of the Western Basin plant are on hold until DWS/TCTA has completed the evaluation of the Mogale Gold proposal, which if implemented would see Mintails treating 45 Ml/day.

Central Basin

The project is in project close out phase.

The overall desired objective was to prevent the breach of the environmentally critical level and thus to avoid any possibility of contamination of groundwater. This level is still a matter of debate, with the long-term feasibility study recommending a level some 50 m higher than that recommended in the due diligence report for the short-term intervention.

On 5 December 2012, TCTA concluded the contract with Group 5 for the construction of an 84-Ml/d High Density Sludge Treatment plant. However, the DEA issued the Environmental Authorisation only on 7 January 2013, which allowed for the handover of the site to the Contractor on 8 January 2013.

The plant was declared operational in December 2014. The Contractor was late in completing the work, which was not unexpected given the emergency conditions under which the plant was constructed; the plant began operation in June 2014.

The trial operation period was considerably extended due to problems, one of them being the design of the sludge scraper mechanism. A remedial solution has been finalised, which entails the installation of new scrapers, which will be completed by the end of December 2015. The plant is currently able to treat 72 Ml/d, which is sufficient to hold or reduce (if required) the water level in the mine void.

As an interim measure, DWS has requested TCTA to operate the plant on a month-to-month basis until a decision is finalised on who will operate it for the long-term.

Although the lower, recommended environmental critical level has been breached, there have been no reports of contamination of borehole water, suggesting that the safety margin is adequate.

Eastern Basin

The project is in detailed design and construction phase.

The overall desired objective in the Eastern Basin is to prevent contamination of groundwater in the dolomitic aquifer that overlies the reef.

The 95% target for completion was based on the original programme, which envisaged the commencement of construction in January 2015.

Only after agreement was reached with DWS on how to fund the capital works could TCTA award the construction contract to CMC/PG Mavundla Joint Venture, comprising CMC di Ravenna SA Branch and PG Mavundla Engineering (Pty) Ltd for the construction of a new High Density Sludge Treatment plant. Site establishment activities started on 17 June 2014, which represented a 6-month delay in the original programme.

Construction is scheduled to be ready-for-trial-operations in December 2015. This probably means that the environmental critical level will be breached. DWS, however, has given no instruction to accelerate construction.

Mooi-Mgeni Transfer Scheme: Phase 1

The project comprises the refurbishment of the existing transfer scheme from Mearns Weir.

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

Construction of Infrastructure

The project is in the project close out phase.

The work was substantially completed in November 2014.

Third Strategic Integrated Programme

The Third Strategic Integrated Programme (SIP-3) consists of the strategic projects forming part of the catalytic interventions in the Eastern Cape, Northern Cape, and KwaZulu-Natal provinces. SIP-3 aims to leverage infrastructure to unlock economic opportunities in the Eastern Cape by supporting industrialization, agricultural development, tourism, mining and the auto sectors.

The programme focuses on the upgrade and improvement of the logistics and transport network to connect the Eastern Cape with the Northern Cape and KwaZulu-Natal. SIP-3 is guided by three objectives:

- Strengthening economic development in the Nelson Mandela Bay Metropolitan area through an upgrade of the manganese rail capacity from the Northern Cape, and by mineral beneficiation involving a manganese sinter plant in the Northern Cape and a smelter in the Eastern Cape.
- Unlocking the industrial and export potential of the Eastern Cape region through the Ngqura trans-shipment hub, the Mthombo refinery, and upgrade of electricity supply.
- Promoting rural development in the Eastern Cape through the Mzimvubu Water Project, and improved access into KwaZulu-Natal and national supply chains by means of an upgrade of the N2-Wild Coast Highway.

During the year under review, TCTA hosted the May 2014 session of the PICC SIPs Coordinators Forum chaired by Minister Patel, the Chairman of the PICC Secretariat.

Building on its previous years' work, the organisation continued to engage the programme's key partners and implementing agents to maintain closer working relations as well as to gain granular knowledge of the key elements of each project, including challenges requiring unblocking. In this regard, TCTA engaged the Kgalagadi Manganese leadership on their flagship project, and Eskom to establish power requirements for all SIP-3 projects.

Furthermore, the organisation established the SIP-3 Programme Technical Committee (PTC), a forum for broader technical engagement with key stakeholders and project partners. Three PTC meetings were subsequently held. TCTA also conducted site visits to seven of the programme's projects during the year to verify progress with project construction as well as to identify, document, and work to resolve identified bottlenecks.

In addition, TCTA prepared and submitted to the PICC and the Ministerial SIP Chair four quarterly reports. In support of accelerated project delivery, TCTA assisted the National Department of Transport to overcome obstacles pertaining to the operation and maintenance of the Mthatha Airport.

Mzimvubu Water Project

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

It is proposed that this will be achieved by the construction of two multi-purpose dams, a hydropower station, a potable water treatment plant, primary and secondary water distribution systems with reservoirs, and ancillary infrastructure.

TCTA received a directive from the Minister of Water and Sanitation, dated 10 February 2014, to support DWS in the implementation of the project. The respective roles and responsibilities of each party are still to be agreed. A joint document in this regard was submitted to the Acting Director General in August 2014 and a decision is pending.

TCTA is currently participating in only the Project Steering Committee, which monitors the feasibility study and the environmental impact assessment.

Eighteenth Strategic Integrated Programme

The Eighteenth Strategic Integrated Programme (SIP-18) consists of national strategic water and sanitation projects located across the country. Essentially, the programme includes projects across the full water value chain, that is, from source to tap and back to source.

The programme is designed to address water and sanitation backlogs estimated to embrace about 1.4 million and 2.1 million households, respectively. Furthermore, it involves providing a sustainable supply of water to meet social needs and support economic growth. Projects will provide for new infrastructure, rehabilitation and upgrading of existing facilities, as well as improving the management of water and sanitation infrastructure.

The scope of SIP-18 requires collaboration with not only the Department of Water and Sanitation (DWS), but also the Department of Cooperative Governance and Traditional Affairs (CoGTA) and the Department of Human Settlements (DHS). Moreover, the programme includes a multitude of water and sanitation projects

over an extensive range of scale and type, with project owners that could be national departments, water boards or local authorities.

Over the reporting period, TCTA submitted four quarterly reports to the PICC. Further, the organisation instituted an extensive stakeholder engagement exercise, reaching out to all major programme partners, including DWS, the Municipal Infrastructure Support Agency, CoGTA and Department of Human Settlements (DHS). These engagements were designed to explore opportunities for closer collaboration, define potential areas of support and leverage synergies.

To improve stakeholder relations, insight into projects and reporting integrity, TCTA established a SIP-18 Programme Technical Committee and held three meetings.

The organisation also supported the PICC Management Committee through active participation in three of its meetings held during the year.

Finally, over the period, TCTA conducted five site visits to selected strategic projects and hotspots to improve

its understanding of the projects as well as to identify bottlenecks for resolution. Each site visit was followed by a detailed site visit report submitted to the PICC.

CONCLUSION

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

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

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



**AS GUIDED BY THE NATIONAL DEVELOPMENT
PLAN, ANC MANIFESTO AND THE SECOND
NATIONAL WATER RESOURCES STRATEGY,
WE WILL CONTINUE TO APPLY A SEAMLESS
INTEGRATED APPROACH TO MANAGING OUR
WATER RESOURCES**

by Minister:
Ms. Nomvula Mokonyane

PART C:
SUSTAINABILITY AND TRANSFORMATION



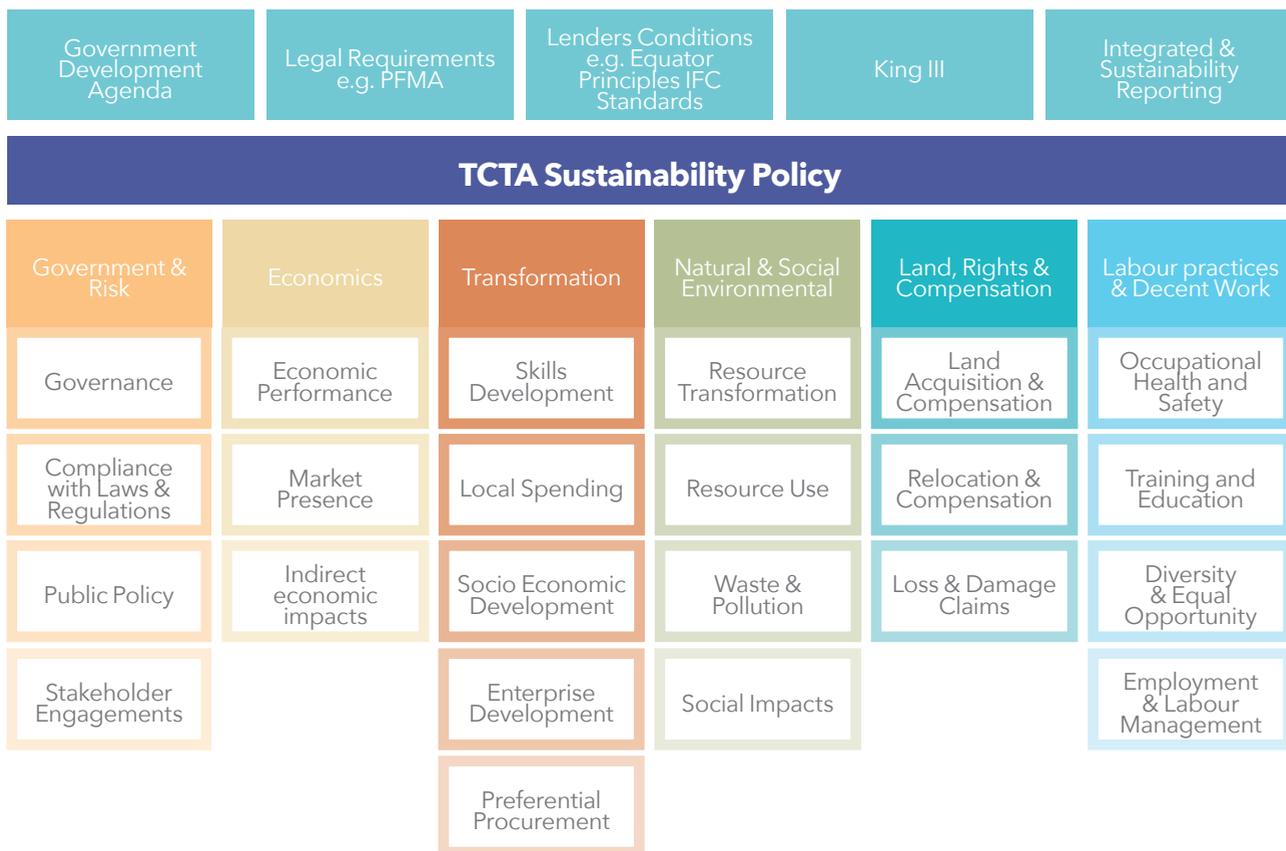
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INTRODUCTION

In October 2014, the approval of TCTA's Sustainability Policy marked a significant milestone on TCTA's journey towards improved sustainability and integrated reporting. The TCTA Sustainability Policy, whose framework is

depicted in Figure 6, provides a strategic reference that informs and supports the alignment of operational policies with the sustainability-related requirements of government, lenders, legislation and good practice.

Figure 6: Sustainability Policy Framework:



TCTA recognises that biophysical and social environmental changes are unavoidable in the construction of infrastructure. The organisation, therefore, prioritises the avoidance and, where unavoidable, the limiting of adverse impacts on the biophysical and social environments in conjunction with the identification and pursuit of opportunities that beneficially affect the outcome for the receiving communities and ecosystems.

Environmental objectives include the demonstration of sound corporate citizenship and the application of integrated environmental management practices with regard to all environmental aspects including the use

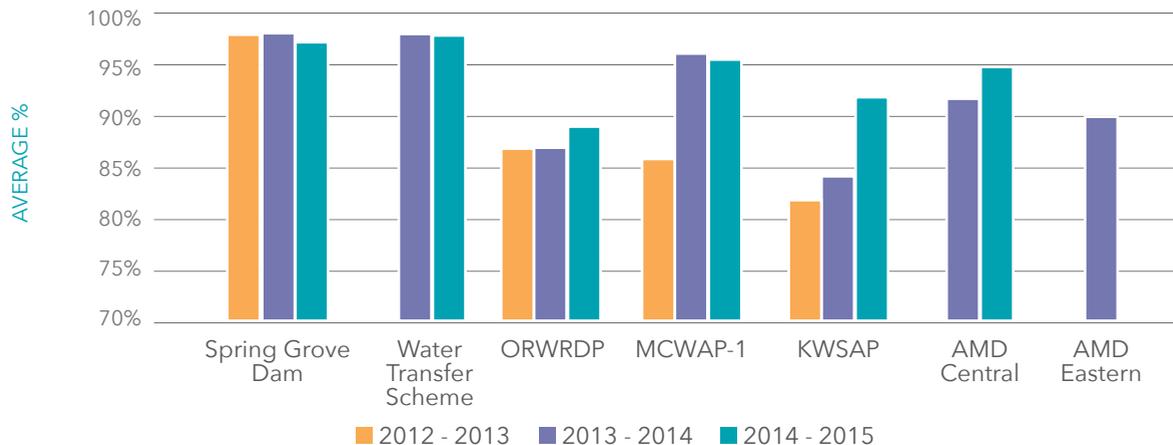
and transformation of natural resources, waste and pollution prevention, and social factors. Social aspects include the protection of the rights and interests of people, affected directly and indirectly, as well as their health and livelihoods.

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

MITIGATION OF ENVIRONMENTAL IMPACTS

High levels of environmental compliance, as verified through independent audits and inspections, for all active projects for the duration of the reporting period, as depicted in Figure 7.

Figure 7: Environmental compliance results for active projects over the past three years.



Progress on the individual projects is as follows:

VRESAP

Owners of the 167 portions of land affected by the project are able to enjoy the use of the permanent and temporary servitude as the affected land has been successfully rehabilitated. Three potential claims relating to land rehabilitation were addressed during the year. Two have been successfully concluded but a legal process is under way to finalise the third. The survey diagrams for the registration of the permanent servitudes and land rights have been completed and are being submitted to the Surveyor-General's office.

MMTS-2

Spring Grove Dam

The Spring Grove Dam rehabilitation has been finalised and was accepted by the Environmental Monitoring Committee (EMC) in March 2015. The Environmental Control Officer closure report and the final EMC report have been submitted to the Department of Environmental Affairs. The identification and planning for the implementation of the biodiversity offsets requirement of the Record of Decision issued for the Spring Grove

Dam project has been completed and submitted to the DEA for approval. The existing TCTA mandate excludes the implementation of the biodiversity offset plan. This has been referred to DWS and DEA for resolution.

The Resource Management Plan (RMP) is one of the first to be prepared for a new dam. The focus of the RMP, therefore, was on preventative, proactive management and the application of best practices, as opposed to addressing historic problems. Through the RMP process it was concluded that in light of the encumbrances that exist, no recreational use of the dam and shoreline area can be accommodated in the RMP. This recommendation will be submitted to the Minister of Water and Sanitation for a final decision.

Augmentation of the Water Transfer System

Environmental protection measures for the construction of the Water Transfer System have been implemented and maintained at a high standard over the construction period. Land portion specific rehabilitation efforts are being implemented as soon as practically possible to ensure minimal erosion, compaction and other impacts on the soil. Natural re-growth has been supported with re-seeding and special measures were adopted where the topography and land use required them.

ORWRDP-2C

The environmental challenges associated with the implementation of this project include the significant erosion and drainage management risks due to the nature of the landscape and its highly dispersive soils.

The ingress of poor quality groundwater into project excavations has presented a challenge for dewatering activities, which are being addressed in conjunction with the relevant authorities. Rehabilitation work has begun where possible and is being monitored to ensure that the servitude is effectively reinstated.

KWSAP

The servitude rehabilitation efforts of the contractor were accepted in January 2015, marking the beginning of a one year maintenance period. No complaints or claims have been received from landowners who elected to reincorporate the servitude areas into their fields.

Assistance and support were provided in the form of additional fertiliser, as required, on a case-by-case basis. Land portion specific sign-off packs, are being compiled by the PSP.

Monthly ECO inspections of the rehabilitation were maintained until January 2015 and have been reduced to quarterly inspections in line with the requirements of the environmental authorisation for the rehabilitation maintenance period.

MCWAP-1

Rehabilitation has progressed well in all areas where it has been undertaken. Most of the borrow areas have been prepared for closure. In all areas care was exercised to ensure that the landscaping, soil preparation, seeding practices and post-seeding maintenance activities were carried out to a high standard.

Marula trees that were transplanted onto private property adjacent to the pipeline servitude established successfully and continue to be monitored. Of the 31 transplanted trees, 30 survived the first three growing seasons and no longer require additional support as they are deemed to have been satisfactorily relocated.

AMD

The eventual objective of this project, for DWS, is to ensure that untreated acid mine drainage does not impact on the ground or surface-water resources. This will be achieved ultimately by preventing ingress as much as possible, maintaining the level in the mine void at a fixed distance below the surface, and pumping and treating, to a level fit for purpose, the volume that cannot be prevented from entering the mine void.

TCTA has been directed by DWS to undertake certain interventions towards achieving that objective.

Western Basin

The immediate intervention was to try and prevent decant while the short-term intervention was implemented. In this respect it has not been totally successful as the capacity of the refurbished plant has been insufficient to cater for the flows and untreated decant has still entered the environment. The effluent from the plant complied with the discharge specification 98% of the time. As a first step in creating sufficient capacity to draw down to the environmental critical level, a new pump station is being built that will more than double the volume that can be abstracted.

Central Basin

The construction of the short-term intervention was completed in December 2014. Since then 100% compliance with the discharge standard has been achieved with the sludge being co-disposed of in Durban Roodepoorts Deep's Brakpan tailings facility. The plant has demonstrated that it has sufficient capacity to enable the water level in the mine void to be drawn down, if required.

In the completion of the construction phase, it was not possible to rehabilitate fully the route from the works to the Elsbergspruit, due to the continued illegal dumping of waste.

Eastern Basin

The commencement of works in June 2014 on the Eastern Basin site required special security measures to ensure the safety of employees as the project activities disrupted illegal mining operations that were taking place on the unoccupied mining land. The Environmental Impact Assessment (EIA) process is currently underway to obtain authorisation for the construction of a tailings facility for the disposal of the sludge.

MITIGATION OF SOCIAL IMPACTS

The social impact of infrastructure constructed by TCTA is taken very seriously. The consequences of building these projects includes disruptions to people's daily lives, the need to move graves and in some cases the requirement to transfer people to new homes and to re-establish their livelihoods. TCTA and its project implementation partners work hard to minimise the negative effects, address concerns and identify areas of opportunity to make a difference for the better. The construction lifespan of TCTA projects is short-lived but these initiatives provide the opportunity to interact in a way that makes a lasting positive difference in the lives of individuals and communities.

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

VRESAP

TCTA is in the process of concluding its commitments to the communities that hosted the VRESAP project. Construction activities were completed in earlier years but TCTA continued to support communities in the project area in a number of small ways.

The provision of stationery for the operation of the Trauma Counselling Centre, established by the project in Charl Cilliers during the early stages of the project, has been ongoing but was concluded in March 2015.

The 2014/2015 contributions to the Mamello Day Care Centre include the donation of fencing, a two-roomed converted container, construction of two new toilets, the repainting of existing classrooms, and replacing of floors.

TCTA has approved a sizeable donation of computer equipment to Dipaleseng Local Municipality for use in public libraries during 2015/2016. This is intended to address the growing need for students and the youth to acquire improved computer skills and internet access.

MMTS-2

SPRING GROVE DAM

Resettlement

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

Five families sought relocations to Ingonyama Trust land. Permission-to-Occupy the land has been granted for four of the five families, whilst the final application is in progress. Construction of the 33 new homes near Mooi River is being carried out by local enterprises and provides employment for some of the subjects of the resettlement process. The homes are programmed for occupation during the second half of 2015. The houses have been designed to ensure that the new title holders remain exempted from paying rates and taxes, so as to limit the financial impact of becoming a homeowner.

Graves

The final elements of the graves relocation process are nearing completion. This will mark the culmination of a transparent and consultative process that saw the registration of 227 potential graves, 157 of which were identifiable for full investigation with only 107 yielding remains that were exhumed and reburied. The South African Heritage Resources Agency and Amafa aKwaZulu-Natali requirements have been met in full.

Other programmes

The construction servitude encroached on sportsgrounds used by the inhabitants of Zenzani Village. The project has replaced the sportsfields affected with a significantly improved netball court and soccer field. Equipment and sporting goods were also donated in support of the local teams. The Bruntville Primary school has, furthermore, been the recipient of computer resources to improve students' access to technology.

ORWRDP-2C

Resettlement

The relocation of the ten families that were affected by the pipeline installation, to newly constructed homes outside of the construction servitude, has been concluded. This process was conducted in line with the ORWRDP-2C Resettlement Action Plan that was independently reviewed.

Rehabilitation of the disturbed land and its production potential is ongoing to ensure that there are no lasting adverse effects on livelihoods.

Social Projects

Social projects in the ORWRDP-2C project areas are undertaken in collaboration with the local authorities, project service providers and the receiving communities.

Many inhabitants of villages adjacent to the pipeline construction project rely on river water to meet their basic needs as a result of critical water shortages, insufficient and dilapidated boreholes and a lack of support infrastructure.

The completion of the feasibility study for "Borehole Project", being implemented in conjunction with the Sekhukhune District Municipality, has seen the start of the next phase of work for the refurbishing or re-equipping of existing boreholes and storage facilities, installation of connecting pipe works and the necessary electrical and mechanical installations.

The "Passport to Future" project provided a group of 287 job-seeking graduates and matriculants with skills to improve their chances of securing employment.

The project served as a basis for further development of the youth and attracted the interest of potential employers. To date, 30 of the participants have secured permanent employment and 20 have been enrolled for learnerships.

TCTA, in partnership with the Department of Education, South African Institution of Civil Engineering (SAICE) and Sci-Bono, hosted a Career Day for 2000 Grades 11 and 12 learners from within the project area. Speakers raised awareness regarding career opportunities in the fields of science, engineering and environmental management.

MCWAP-1

The project regularly keeps the stakeholders, especially affected landowners, abreast with the latest information on the project via a newsletter. Consultations with landowners happen on a one-on-one basis to address specific individual's concerns and also to brief them on project progress. Consultations with authorities also happen on a regular basis.

In the reporting period, substantive consultations were held on the matter of the new incidental water users' agreement that all landowners need to enter into with the DWS. This consultation process was also extended to alert the landowners of potential pipeline refurbishment of the existing pipe. Landowners' concerns raised during these consultations were recorded and discussed with the DWS for further consideration.



ENTERPRISE DEVELOPMENT

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

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

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

KWSAP and the Spring Grove Dam construction contracts were concluded in the previous year and final audit reports were received and accepted in the current reporting period. Summary results based on the final audited performance are presented for completeness.

Performance results presented for all active projects should be interpreted in light of their progress to date and in view of their completion status. These projects are AMD Eastern Basin, AMD Central Basin, ORWRDP-2C, MCWAP-1 and the MMTS-2 Water Transfer Scheme.

RECENTLY FINALISED CONSTRUCTION CONTRACTS

KWSAP

The Contractor's final independent Socio-economic Development (SED) audit for KWSAP, confirming that all contracted targets had been exceeded, was accepted by TCTA in September 2014. The audited results are shown in Table 6.

Table 6: Expenditure on Transformation on KWSAP

| Description | Enterprise development | Skills development | Preferential procurement |
|-------------------|------------------------|--------------------|--------------------------|
| Contract target | R60 million | R0.3 million | R64 million |
| Contract progress | R45 million | R0.4 million | R137 million |
| Contract progress | 75% | 118% | 213 |

MMTS 2 - Spring Grove Dam

An independent audit of the Contractor's final socio-economic development completion report confirmed the exceedance of the contractual targets in all specified spheres of SED.

Table 7: Expenditure on Transformation on MMTS-2 (Spring Grove Dam)

| Description | Enterprise development | Skills development | Preferential procurement |
|-------------------|------------------------|--------------------|--------------------------|
| Contract target | R87 million | R1.3 million | R229 million |
| Contract progress | R88 million | R1.7 million | R239 million |
| Contract progress | 101% | 136% | 105% |

ACTIVE CONSTRUCTION CONTRACTS

MMTS 2 - Augmentation of Water Transfer Scheme

The Contractor's enterprise development programme for this project is on track for attaining the contracted performance targets and continues to support the beneficiaries of enterprise development. These beneficiaries worked on the housing infrastructure, pump station, break pressure tank and valve chambers.

Targets set for preferential procurement, skills development and employment were exceeded during the highly productive peak construction period.

Table 8: Expenditure on Transformation on MMTS-2 (Augmentation of Water Transfer Scheme)

| Description | Enterprise development | Skills development | Preferential procurement |
|-----------------------------|------------------------|--------------------|--------------------------|
| Contract target | R156 million | R2.3 million | R100 million |
| Contract progress 2013-2014 | R4 million | R1.5 million | R6 million |
| Contract progress 2014-2015 | R79 million | R1.3 million | R208 million |
| Contract progress | 50% | 56% | 207% |
| Annual forecast | R67 million | R1.1 million | R175 million |
| Annual progress | R75 million | R1.2 million | R194 million |
| Annual progress | 112% | 108 | 111% |

ORWRDP-2C

All contracted SED targets have been exceeded and the project is demonstrating sound commitment to maximising opportunities to benefit local and emerging enterprises. This is shown by the use of goods and services from 20 additional local entities to bolster participation of local emerging companies. Four of these are construction business enterprises that were contracted to build 10 houses that have been occupied by resettled families.

One independent external SED audit was completed on behalf of the Contractor and has been accepted by TCTA.

Table 9: Expenditure on Transformation on ORWRDP-2C

| Description | Enterprise development | Skills development | Preferential procurement |
|-------------------|------------------------|--------------------|--------------------------|
| Contract target | R142 million | R12.5 million | R301 million |
| Contract progress | R 232 million | R13.2 million | R 379 million |
| Contract progress | 163% | 106% | 126% |
| Annual target | R 75 million | R 1.2 million | R 75 million |
| Annual progress | R 109 million | R 0.9 million | R 172 million |
| Annual progress | 146% | 82% | 230% |

MCWAP-1

The MCWAP-1 SED targets for the project have been significantly exceeded despite the initial teething challenges related to the beneficiaries of enterprise development. The performance to date was verified by the annual independent SED audit conducted in February 2015.

A positive outcome of the collaboration between the Contractor and the developing enterprises is demonstrated by the news that Boikamo, the Main Nominated Enterprise Development Beneficiary (MNEDB), will be working for the Contractor on an Eastern Cape project in future.

Table 10: Expenditure on Transformation on MCWAP-1

| Description | Enterprise development | Skills development | Preferential procurement |
|-------------------|------------------------|--------------------|--------------------------|
| Contract target | R56 million | R4 million | R67 million |
| Contract progress | R64 million | R7 million | R137 million |
| Contract progress | 113% | 188% | 204.9% |

AMD Central Basin

SED performance targets for the Central Basin construction works were exceeded.

Table 11: Expenditure on Transformation on AMD Central Basin

| Description | Enterprise development | Skills development | Preferential procurement |
|-------------------|------------------------|--------------------|--------------------------|
| Contract target | R65 million | R1.6 million | R87 million |
| Contract progress | R81 million | R1.8 million | R116 million |
| Contract progress | 125% | 112% | 133% |
| Annual target | R8 million | R1.2 million | R4 million |
| Annual progress | R15 million | R0.9 million | R9 million |
| Annual progress | 200% | 82% | 235% |

AMD Eastern Basin

Work began on site in June 2014. Two MNEDBs have started work and a third enterprise development beneficiary will be able to begin with electrical work once the buildings are suitably advanced. Enterprise development expenditure is at approximately 30% but this is considered to be acceptable in relation to the project's progress. Skills development expenditure is currently at 39% of the target whereas preferential procurement performance is at approximately 98%.

Table 12: Expenditure on Transformation on AMD Eastern Basin

| Description | Enterprise development | Skills development | Preferential procurement |
|-------------------|------------------------|--------------------|--------------------------|
| Contract target | R73 million | R4 million | R163 million |
| Contract progress | R22 million | R1.5 million | R160 million |
| Contract progress | 30% | 39% | 98% |
| Annual target | R76 million | R1.6 million | R262 million |
| Annual progress | R22 million | R1.6 million | R159 million |
| Annual progress | 28% | 100% | 61% |

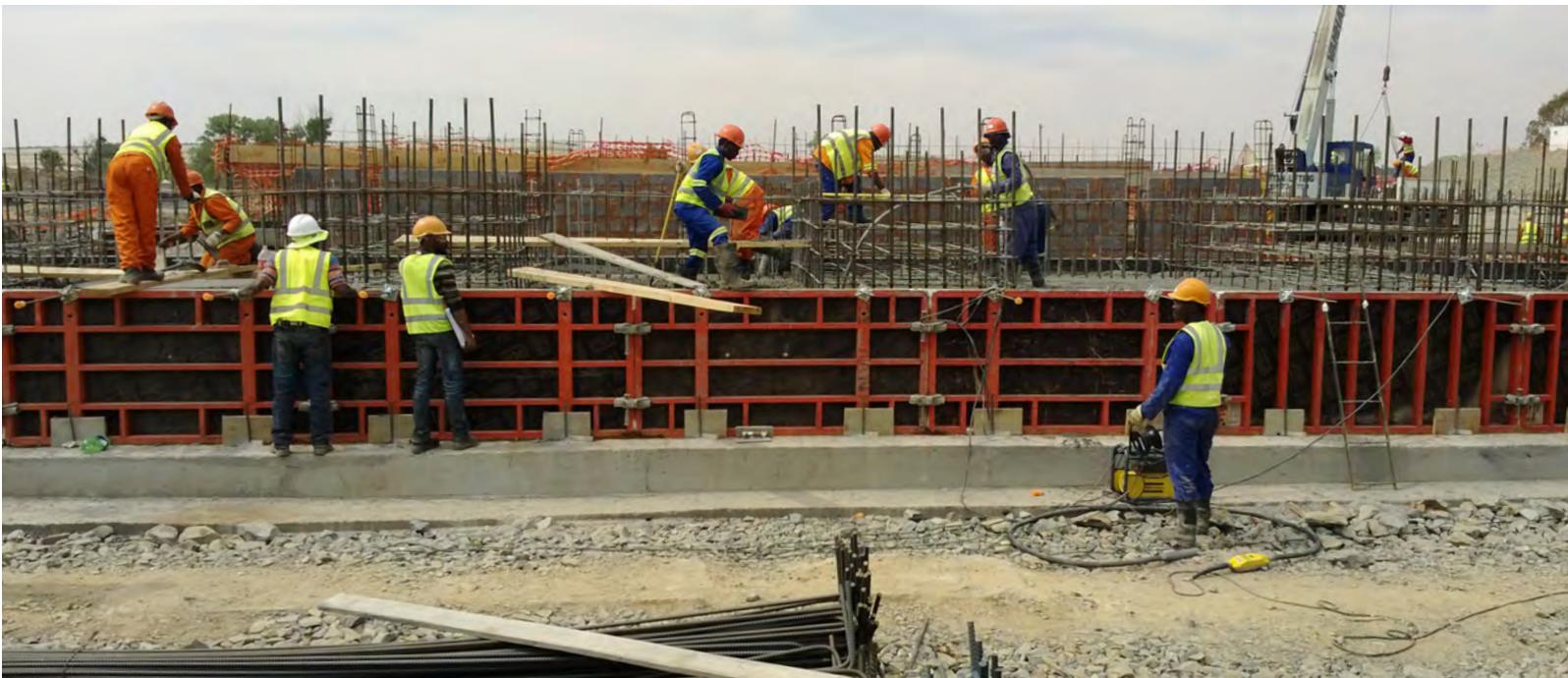
HEALTH AND SAFETY

TCTA strives to ensure that it maintains a safe working environment on its sites. There were no recordable cases, as reflected in Table 13, on any of TCTA's sites in the financial year, which was a significant improvement on the previous year.

A health and safety compliance score of 90% is the minimum acceptable requirement. The statistics in respect of ORWRDP-2C and MCWAP-1 are a cause for concern and an assessment will be carried out to identify the reasons.

Table 13: Recordable Cases

| Project | Year | Recordable cases | Recordable case rate | H & S compliance score |
|--------------|------|------------------|----------------------|------------------------|
| MMS-2 (AWTS) | 2013 | NA | NA | NA |
| | 2014 | 1 | 0.8 | 84% |
| | 2015 | 0 | 0 | 98% |
| ORWRDP-2C | 2013 | 0 | 0.00 | 79% |
| | 2014 | 2 | 0.19 | 91% |
| | 2015 | 0 | 0.10 | 89% |
| MCWAP-1 | 2013 | 1 | 0.1 | 86% |
| | 2014 | 5 | 0.2 | 92% |
| | 2015 | 0 | 0.14 | 90% |
| AMD | 2013 | 2 | 0.5 | 94% |
| | 2014 | 0 | 0.35 | 94% |
| | 2015 | 0 | 0 | 91% |



EMPLOYMENT AND EMPLOYMENT EQUITY ON PROJECTS

Employment as of 31 March 2015 is shown in Table 14. Employment is starting to decline as projects are completed and no new projects are at construction-ready stage.

In terms of Historically Disadvantaged Individuals and employment of local labour, targets are being met but women are significantly under-represented in the construction industry.

Table 14: Employment at end of reporting period

| Employment group | Origin | | Gender | | Ethnic group | | Total March-15 | Total Mar-14 |
|--------------------------------------|--------|------------|--------|------|--------------|---------|----------------|--------------|
| | Local | Else-where | Female | Male | HDI | Non-HDI | | |
| MMTS-2 Water Transfer System | | | | | | | | |
| Unskilled | 123 | 0 | 94 | 29 | 123 | 0 | 123 | 32 |
| Semi-skilled | 35 | 34 | 7 | 62 | 68 | 1 | 69 | 10 |
| Other (skilled & staff) | 15 | 43 | 5 | 53 | 33 | 25 | 58 | 43 |
| Total | | | | | | | 250 | 85 |
| ORWRDP-2C | | | | | | | | |
| Unskilled | 497 | 0 | 124 | 373 | 497 | 0 | 497 | 358 |
| Semi-skilled | 320 | 446 | 71 | 695 | 751 | 15 | 766 | 441 |
| Other (skilled & staff) | 53 | 214 | 45 | 222 | 133 | 134 | 267 | 193 |
| Total | | | | | | | 1530 | 902 |
| MCWAP-1 | | | | | | | | |
| Unskilled | 159 | 0 | 38 | 121 | 159 | 0 | 159 | 352 |
| Semi-skilled | 74 | 99 | 11 | 162 | 173 | 0 | 173 | 394 |
| Other (skilled & staff) | 1 | 23 | 3 | 21 | 17 | 7 | 24 | 81 |
| Total | | | | | | | 356 | 827 |
| AMD (Central Basin-Completed) | | | | | | | | |
| Unskilled | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 40 |
| Semi-skilled | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other (skilled & staff) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 63 |
| Total | | | | | | | 0 | 103 |
| AMD (Eastern Basin) | | | | | | | | |
| Unskilled | 62 | 0 | 32 | 30 | 49 | 13 | 62 | 0 |
| Semi-skilled | 230 | 94 | 14 | 310 | 317 | 7 | 324 | 0 |
| Other (skilled & staff) | 10 | 58 | 12 | 56 | 29 | 39 | 68 | 0 |
| Total | | | | | | | 454 | 0 |
| TOTAL | | | | | | | | |
| Unskilled | 841 | 0 | 288 | 553 | 828 | 13 | 841 | 1016 |
| Semi-skilled | 659 | 673 | 103 | 1229 | 1309 | 23 | 1332 | 1179 |
| Other (skilled & staff) | 79 | 338 | 65 | 352 | 212 | 205 | 417 | 582 |
| Total | | | | | | | 2590 | 2777 |

EMPLOYMENT AND EMPLOYMENT EQUITY AT TCTA (STAFF COMPLEMENT)

Table 15 below reflects TCTA's employment numbers for the year ended 31 March 2015. Although 175 positions were approved, only 144 were filled as the organisation adopted a resource strategy that allows flexibility when filling positions as and when

projects are confirmed. This reflects a cautious approach when appointing people with the objective to manage administrative cost and ensuring that the right employees are placed in the right position at the right time.

Table 15: Employment and Vacancies

| Level | Employment at beginning of period | Appointments* | Terminations | Employment at end of period |
|--------------------------|-----------------------------------|---------------|--------------|-----------------------------|
| Top management | 1 | - | - | 1 |
| Senior management | 8 | - | - | 8 |
| Professionally qualified | 68 | 4 | 6 | 66 |
| Skilled | 56 | 3 | 2 | 57 |
| Semi-skilled | 13 | 1 | 2 | 12 |
| Unskilled | - | - | - | - |
| Total | 146 | 8 | 10 | 144 |

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

It is important to note that during the 2014/2015 financial year, the following talent optimisation actions were successfully implemented:

- One employee was promoted from management to a senior management level

- Three employees were placed on internal developmental contracts in order to redeploy them when the required levels of competency have been achieved.

The breakdown of employment by and personnel cost by salary band are given in Tables 16 and 17.

Table 16: Employment by Category

| Level | 2013/2014 Number of employees* | 2014/2015 Approved posts | 2014/2015 Number of employees | 2014/2015 Vacancies | Vacancies as percentages |
|--------------------------|--------------------------------|--------------------------|-------------------------------|---------------------|--------------------------|
| Top management | 1 | 1 | 1 | - | - |
| Senior management | 8 | 10 | 8 | 2 | 20 |
| Professionally qualified | 68 | 82 | 66 | 16 | 19.51 |
| Skilled | 56 | 67 | 57 | 10 | 14.92 |
| Semi-skilled | 13 | 15 | 12 | 3 | 20 |
| Unskilled | - | - | - | - | - |
| Total | 146 | 175 | 144 | 31 | 17.71 |

*Approved headcount for the financial year 2013/14 was 175; however, TCTA filled 146 positions on a permanent basis.

Table 17: Personnel Cost by Employment Category*

| Level | Personnel expenditure (guaranteed package) R'000 | Percentage of personnel expenditure to total personnel cost | Number of Employees | Average personnel cost per employee R'000 |
|--------------------------|--|---|---------------------|---|
| Top management | 4 012 | 3.29 | 1 | 4 012 |
| Senior management | 18 851 | 15.47 | 8 | 2 356 |
| Professionally qualified | 69 581 | 57.08 | 71 | 980 |
| Skilled | 26 774 | 21.96 | 58 | 461 |
| Semi-skilled | 2 678 | 2.20 | 14 | 191 |
| Unskilled | - | - | - | - |
| Total | 121 898 | 100 | 152 | 801 |

*The Table does not reflect the appreciation-award payments made to employees during the 2014/2015 financial year.

TCTA is mid-way through the current three-year Employment Equity Plan, which covers the period from 1 October 2012 to 30 September 2015. The organisation has shown fairly good results in this regard, as reflected in Tables 18 to 20, against targets, except for the employment of people with disabilities, as this has decreased from the previous financial year.

Table 18: Overall Employment Equity (%)

| Actual / Target | Black African | Female | Disabled |
|----------------------------|---------------|--------|----------|
| Actual | 85.4 | 50.0 | 1.4 |
| Target (30 September 2015) | 88.1 | 45.4 | 2.5 |

Table 19: Breakdown of Employment Equity by Employment Category

| Classification | African | | | | Coloured | | | | Indian | | | | White | | | | Foreign nationals | | | | |
|--------------------------|---------|----|--------|----|----------|---|--------|----|---------|---|--------|---|---------|---|--------|----|-------------------|---|--------|---|---|
| | Current | | Target | | Current | | Target | | Current | | Target | | Current | | Target | | Current | | Target | | |
| | M | F | M | F | M | F | M | F | M | F | M | F | M | F | M | F | M | F | M | F | |
| Top management | 1 | - | 1 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Senior management | 2 | 3 | 3 | 4 | - | - | - | - | - | 1 | - | 1 | 1 | 1 | 1 | 1 | - | - | - | - | |
| Professionally qualified | 30 | 11 | 36 | 20 | 3 | 1 | 3 | 2 | 4 | 2 | 3 | 2 | 7 | 4 | 8 | 5 | 4 | - | - | - | |
| Skilled | 13 | 31 | 14 | 33 | 1 | 6 | 1 | 7 | - | 2 | 2 | 3 | - | 4 | - | 6 | - | - | - | - | |
| Semi-skilled | 6 | 6 | 8 | 7 | - | - | 3 | 1 | - | - | - | 1 | - | - | - | - | - | - | - | - | |
| Unskilled | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Total | 52 | 51 | 62 | 64 | 4 | 7 | 7 | 10 | 4 | 5 | 5 | 7 | 8 | 9 | 9 | 12 | 4 | - | - | - | |

Table 20: Disabled Staff

| Level | Current: 2014/2015 | Target: 2014/2015 |
|--------------------------|--------------------|-------------------|
| Top management | - | - |
| Senior management | - | - |
| Professionally qualified | - | 2 |
| Skilled | 1 | 2 |
| Semi-skilled | - | 2 |
| Unskilled | - | - |
| Total | 1 | 6 |

HUMAN CAPITAL PRACTICES

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

- The optimal design of the organisational structure with a strategic resource plan to accompany it
- The attraction and selection of new employees
- The ongoing performance management at organisational, team and individual levels, which results in an annual appraisal process
- The adoption of an appropriate rewards and recognition programme which drives a culture of performance
- Employee learning and development activities which complement the skills base required for the realization of TCTA's mission.

In the 2014/15 financial year the organisation focused its energies on the following priorities:

- Embedding a culture of performance excellence
- The strategic optimisation of resources
- Implementing a fit for purpose, total rewards framework
- Capacitating employees through targeted learning and development programmes
- Implementing targeted employee engagement programmes as part of change management towards a healthy work climate.

The Total Rewards Framework was adopted in August 2014, with emphasis placed on a newly approved performance Incentive scheme. The second part of the Total Rewards Framework, which has witnessed significant progress, is the integration of the employee benefits portfolio. This has added great value to TCTA's employee value proposition in terms of attracting and retaining employees.

Another element which has carried much of the focus in the 2014/2015 financial year was the design of a fit for purpose competency framework. This articulation of skills, knowledge and expertise, as required by the business, is now completed and will strongly guide how we recruit and develop employees in the future.

Through the ongoing implementation of the various project plans associated with each of these priorities, TCTA is making progress towards the desired levels of employee engagement. The priorities listed above have been carried over from the 2013/2014 financial year into the 2014/2015 financial year, as part of the medium-term Human Resource Strategy.

Table 21 categorises the reasons why TCTA employees left the organisation as a place of work. Five of ten employees resigned with the main reason being better career prospects elsewhere. This has much to do with the size of TCTA, as there is little room for career advancement within the organisation.

Table 21: Reasons for Staff Leaving

| Reason | Number | Reason as proportion of staff leaving (%) |
|---------------------|-----------|---|
| Death | 0 | - |
| Resignation | 5 | 50 |
| Dismissal | 1 | 10 |
| Retirement | 0 | 0 |
| Ill health | 0 | 0 |
| Expiry of contract* | 3 | 30 |
| Other** | 1 | 10 |
| Total | 10 | 100 |

*Expiry of contract refers to fixed-term contracts ending not consultants as per Table 12 above.

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

Table 22 is a reflection of the culture within the organisation, which generally remains positive.

Table 22: Labour Relations: Cases of Misconduct and Disciplinary Action

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

From an employee engagement perspective, the financial year ended on a high note with the hosting of the second VUMA Ambassadors Ceremony, on 27 March 2015.

Employees who displayed the desired behaviour in association with the TCTA values, were acknowledged and honoured. This annual ceremony is hosted with a view of embedding a positive work climate.

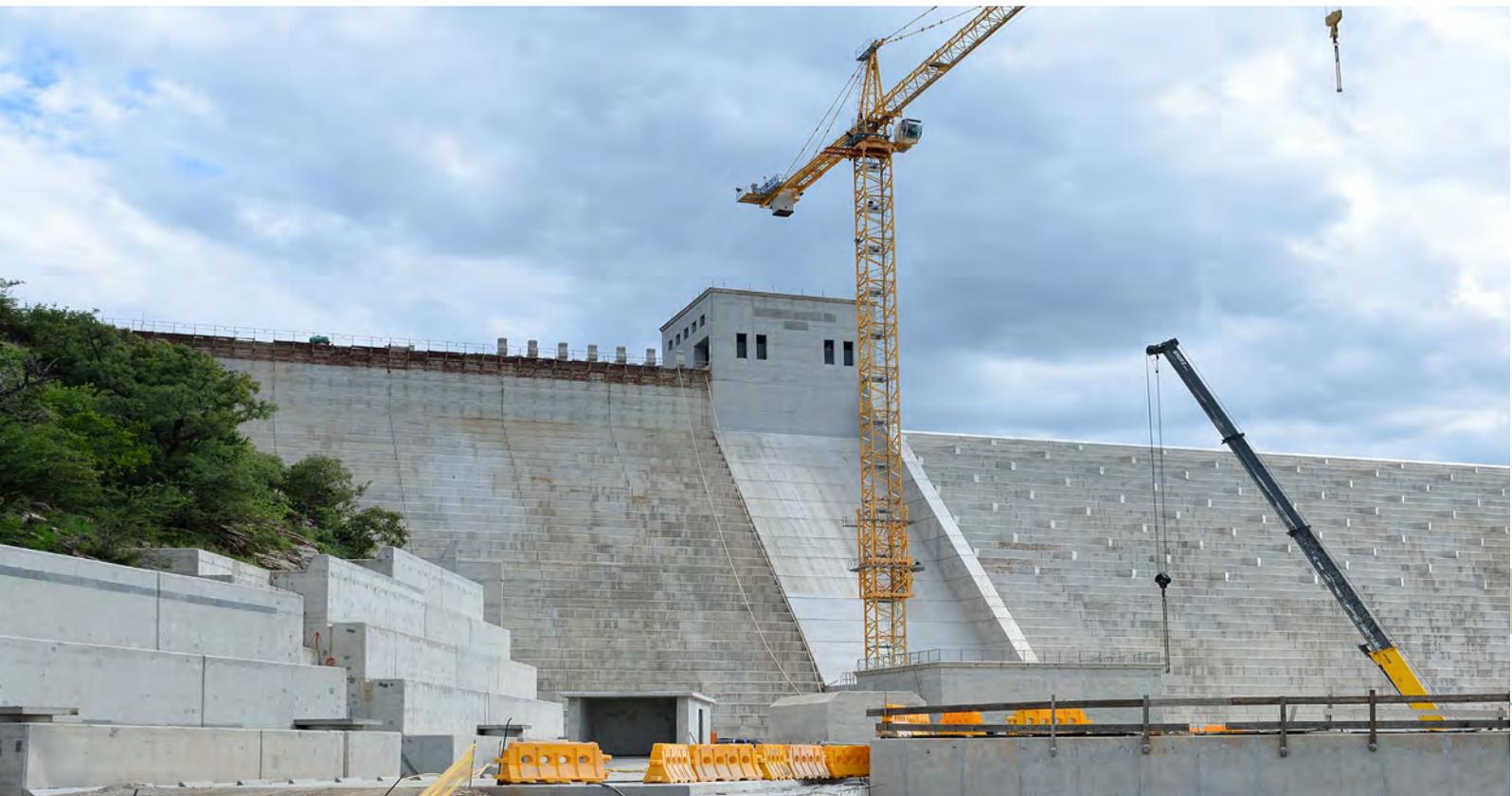
In December 2013, the TCTA Board approved a learning and development strategy supported by a three-year implementation plan. Implementation started in January 2014.

The strategy and implementation plan is based on developing competencies that have been identified as necessary for the realisation of the TCTA mission. Additionally, the plan allows for flexibility to ensure employees have the opportunity to remain at the forefront of their areas of specialty.

The costs associated with this learning and development strategy are as per Table 23.

Table 23: Training Costs

| | |
|---|--------------|
| Personnel expenditure | R121 898 000 |
| Training Expenditure | R 2 674 908 |
| Training expenditure as a percentage of personnel | 2.19% |
| Number of employees trained | 135 |
| Average training cost per employee | R19 814 |



KNOWLEDGE AND LEARNING

Implementing the Knowledge Agenda

The financial year under review marked the last of a five-year period to implement the Knowledge Strategy approved by the TCTA Board in 2010.

In terms of that pioneering strategy, the organisation has witnessed a broad spectrum of extensive and robust knowledge initiatives, including: entrenching a learning culture within the organisation; undertaking advisory services in critical areas of need in the water value chain; reinforcing TCTA's role in the policy and advocacy domain; and positioning the entity as a thought leader in the sustainable management of water.

In view of its expanded responsibility for strategic cross-sector initiatives on critical infrastructure and an associated business-related advisory functions, as well as for the development and sustainability of the knowledge organisation and architecture, TCTA looks forward to refining its knowledge agenda in the course of the new year.

It is anticipated that the updated strategy will carefully couple important aspects of managing knowledge and strategic programmes in the context of a cost-effective environment, while leveraging their mutually reinforcing dimensions for advancing the organisation.

During the reporting year, TCTA continued to apply its knowledge assets to research and innovate solutions to water infrastructure challenges; to foster partnerships for promoting best practice in water management; and to advance a corporate environment that values learning and the generation of evaluative knowledge to add value to business.

Research, Publications and Partnerships

In the period under review, TCTA continued to contribute to the water management body of knowledge through sector-related research and the publication of papers, as well as presentations at national and international conferences.



In particular, professional articles prepared and published by TCTA specialists straddled five different business areas. The themes revolved around: the comparative analysis of approaches to infrastructure planning and roll-out; strategies for sustainable investment in critical infrastructure; the varied experiences of small enterprises in large-infrastructure, project-based enterprise development; the intricacies of change management processes within the frame of global organizational change models; and the demand-side risks of large-scale seawater desalination projects.

As part of efforts to reinforce existing institutional partnerships for advancing desalination project planning and implementation in the near future, TCTA has finalized the establishment of a partnership forum on large-scale desalination with several significant stakeholders in the public sector.

Efforts in the new financial year will focus on leveraging the platform for project-based collaboration and the sharing of subject-matter knowledge, thereby contributing to the development of local capacity for implementing large-scale desalination projects.

Thought Leadership in the Water Sector

During the financial year under review, TCTA continued its pursuit of thought leadership in the water sector, by convening regular sector-wide forums that addressed key challenges to the sustainable management of water, and through broadening and strengthening specialized advisory inputs to the effective coordination and integration of strategic infrastructure projects.

TCTA convened and facilitated discussions at four highly-subscribed community of practice forums, exploring several critical water and infrastructure dimensions.

The issues engaged included: the impact of climate change on the design, operation and maintenance of water infrastructure; global benchmarking of the planning and roll-out of mega-infrastructure projects; the dynamics of centralized coordination of multi-sector mega-infrastructure initiatives; and meeting the ever-growing water demand through desalination.

During the year, TCTA continued to provide thought leadership for ensuring the fast-tracking of two significant national infrastructure programmes, within the context of its mandate to coordinate SIP-18 as part of National Water and Sanitation Infrastructure, as well as SIP-3, which deals with the South-Eastern Node and Corridor Development.

Some of the strategic specialized contributions relate to refining the implementation options for the Mzimvubu Water Project (SIP-3) and the assessment of water security in the country (SIP-18).

Building a Learning Organisation

In the year under review, TCTA continued to give prominence to evaluative work to build a learning organisation, as well as to pursuing the effective management of results and to promote accountability. In this light, drawing on a mega-infrastructure project, a significant change initiative, and its pivotal strategy on knowledge management, the organisation generated a wide spectrum of valuable lessons for its partners, stakeholders and employees. The lessons captured were as follows:

- **KWSAP:** this project focuses on the various aspects of the planning and implementation of a water transfer scheme, and highlights management achievements and challenges, incorporating inputs from technical and environmental professional service providers, contractors, off-takers and project managers.
- **Project Bosele:** this initiative demonstrates the effectiveness of the different dimensions of a major organisational change initiative, with recommendations for sustaining change into the future, including the role of leadership in charting direction and the reinforcement of participatory platforms for championing change.
- **Knowledge strategy:** this experience allows assessment of the outputs and strategies of the TCTA knowledge agenda since 2010, based on four knowledge pillars, namely: water sector thought leadership; organizational business value-add; synergistic partnerships; and organisational learning.

In the future, the consolidation of evaluative work will afford TCTA an objective assessment of contributions to national development enterprises and outcomes, through the systematic review of its programmes and operations, including a wide variety of internal and external projects and strategic initiatives.



THE DEPARTMENT HAS WORKED CLOSELY WITH THE DEPARTMENT OF CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS AND NATIONAL TREASURY TO DEVELOP THE BACK TO BASICS PROGRAMME TO ADDRESS CHALLENGES FACED BY LOCAL GOVERNMENT, STRENGTHENING MUNICIPALITIES AND INSTALLING A SENSE OF URGENCY TOWARDS IMPROVING CITIZENS LIVES.

by Minister:
Ms. Nomvula Mokonyane

PART D: GOVERNANCE



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INTRODUCTION

Governance Framework

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

Application of the King III Report

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

In terms of King III the role of the Chief Executive Officer and Chairman of the Board must be fulfilled by separate individuals. King III, however, does not give guidance where there is a single shareholder and they have exercised their right not to appoint a Board.

PORTFOLIO COMMITTEE

The Parliamentary Portfolio Committee on Water and Sanitation has oversight on TCTA.

EXECUTIVE AUTHORITY

TCTA is a Schedule 2 entity in terms of the PMFA. The Accounting Authority, reports to the Minister of Water and Sanitation, who is the Executive Authority and has ultimate responsibility for TCTA. The Accounting Authority regulates its strategic deliverables and performance with the Minister of Water and Sanitation by way of a Shareholder's Compact. The Corporate Plan and Budget for the year is also submitted to the Minister of Water and Sanitation and National Treasury annually, whereas the organisational performance is reported on a quarterly basis.



CHIEF EXECUTIVE OFFICER

(1 SEPTEMBER 2014 TO DATE)



MR JAMES NDLOVU
CHIEF EXECUTIVE OFFICER

Qualifications

- BA
- MSc Development Planning
- Short course in Micro-Computing Options in Monitoring and Evaluation
- Short course in Monitoring and Evaluation of Public Sector Projects and Programmes

Other Directorships

- None

Other Board Committee Memberships

- None

Current Position

- Chief Executive Officer

Date Appointed

- 1 November 2008

Age

- 46 years

ACCOUNTING AUTHORITY

In terms of the PFMA the “accounting authority” means a body or person mentioned in section 49. This can be either a Board appointed by the Minister, or in the absence of a Board, the Chief Executive Officer in terms of section 49 (2)(b).

For the year under review, TCTA had as an Accounting Authority, a Board for the period 1 April to 31 August 2014 (when the Board’s term of office came to an end) and for the period 1 September 2014 to 31 March 2015 the Chief Executive Officer.

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

Chief Executive Officer

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

Powers and Responsibilities of the Board

When the Board was in place it derived its powers and responsibilities from the Notice of Establishment, directives received from the Minister, the Shareholder’s Compact, the PFMA and Board Charter.

Composition of the Board

As at 1 April 2014, the Board comprised 12 directors, of whom 10 were independent and non-executive, a non-executive Director representing National Treasury, and a Chief Executive Officer, who is appointed by virtue of his office. The qualifications of the Board Members and the positions on the different Board Committees were as follows:

THE BOARD (UNTIL 31 AUGUST 2014)





6

1. MR SIMPHIWE KONDLO CHAIRMAN

Qualifications

- BSc Agric Eng.
- Dip Civil Eng.
- MSc Eng. Management

TCTA Board Committees

- VRESAP (Chairman)

Other Directorships

- None

Current Position

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

Date Appointed

- 1 July 2006
- 4 February 2013
(Chairman)

Age

- 48 years

2. MS MAKANO MOSIDI DEPUTY CHAIRMAN

Qualifications

- Dip Ed.
- BCom

TCTA Board Committees

- REMCO (Chairman)
- ICT & KM
- TC

Other Directorships

- Relational Database
Consulting (Pty) Ltd
- Bitanium

Current Position

- Public Sector Executive:
Dimension Data (Pty) Ltd

Date Appointed

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

Age

- 51 years

3. MR MONALE RATSOMA NATIONAL TREASURY REPRESENTATIVE

Qualifications

- BCom
- BCom (Hons)
- MCom Economics

TCTA Board Committees

- ALCO
- A & R

Other Directorships

- Corporation of Public
Deposits (CPD)

Current Position

- Chief Director: National
Treasury, Asset and
Liability Management

Date Appointed

- 1 January 2012

Age

- 37 years

4. MR LEBOHANG THOTANYANA

Qualifications

- CA (L)
- International
Qualification, Capital
Markets
- BCom (Hons)

TCTA Board Committees

- A & R (Chairman)
- REMCO
- ALCO

Other Directorships

- Mafube Investment
Holdings
- Thotanyana Mining
- Standard Bank Lesotho
- Lesotho Flour Mills
- Lesotho State Oil
Company
- Lesotho Premier League

Current Position

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

Date Appointed

- 1 July 2006

Age

- 41 years

5. MR JAN-WILLEM GEENEN

Qualifications

- CA (SA)
- BCom
- Postgraduate Dip
Accountancy

TCTA Board Committees

- ALCO (Chairman)
- REMCO
- A & R

Other Directorships

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

Current Position

- Head of Treasury, Tax and
Risk: Lonmin Platinum

Date Appointed

- 27 August 2008

Age

- 43 years

6. MR GREGORY WHITE

Qualifications

- BA Economics
- BAdmin (Hons)
Development Studies

TCTA Board Committees

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

Other Directorships

- Ithala Development
Finance Corporation
- Ithala Bank Ltd

Current Position

- Consultant (independent)

Date Appointed

- 27 August 2008

Age

- 55 years

THE BOARD (UNTIL 31 AUGUST 2014)



7. MS DORIS DONDUR

Qualifications

- BAccounting
- BCompt. (Hons)
- Cert. Theory of Accounting
- CA (SA)
- Business Administration (Hons)
- MBA
- Certif. Labour Relations
- International Executive Development Programme
- Executive Development Programme

TCTA Board Committees

- ALCO
- A & R
- HR & TR

Other Directorships

- Gautrain Management Agency
- Suidwes Holdings Ltd
- South African National Blood Service
- Gauteng Growth and Development Agency
- Civil Aviation Authority
- Doris Dondur cc

Current Position

- Freelance consultant

Date Appointed

- 1 September 2010

Age

- 49 years

8. MR MUSA FURUMELE

Qualifications

- BSc
- GDE (Water Eng.)
- MSc (Eng.)
- PrEng.
- MEng. (Civil)
- PrCPM

TCTA Board Committees

- TC (Chairman)
- REMCO
- VRESAP

Other Directorships

- Gandlati Strategic Equity (Pty) Ltd

Current Position

- Director: Gandlati Strategic Equity (Pty) Ltd

Date Appointed

- 1 September 2010

Age

- 50 years

9. MS SIMANGELE SEKGOBELA

Qualifications

- Certificate in Corporate Governance
- Senior Secondary Teachers' Certificate
- BCom
- BCom
- MSc Economics Public Policy

TCTA Board Committees

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

Other Directorships

- Mugamusi cc

Current Position

- CEO: Johannesburg Fresh Produce Market

Date Appointed

- 1 September 2010

Age

- 54 years

10. MR SIPHO SONO

Qualifications

- Advanced Banking Dip.
- CA (SA)
- Cert. Theory of Accounting
- BAccounting Sci. (Hons)
- BCom Accounting

TCTA Board Committees

- HR & TR
- ALCO
- A & R

Other Directorships

- Chemical Specialties Limited

Current Position

- CEO: OPIS Advisory (Pty) Ltd

Date Appointed

- 1 September 2010

Age

- 49 years

11. MR TYOTYO JAMES

Qualifications

- Diploma HR Management

TCTA Board Committees

- HR & TR

Other Directorships

- None

Current Position

- 1st Deputy President of Cosatu

Date Appointed

- 1 December 2011

Age

- 57 years

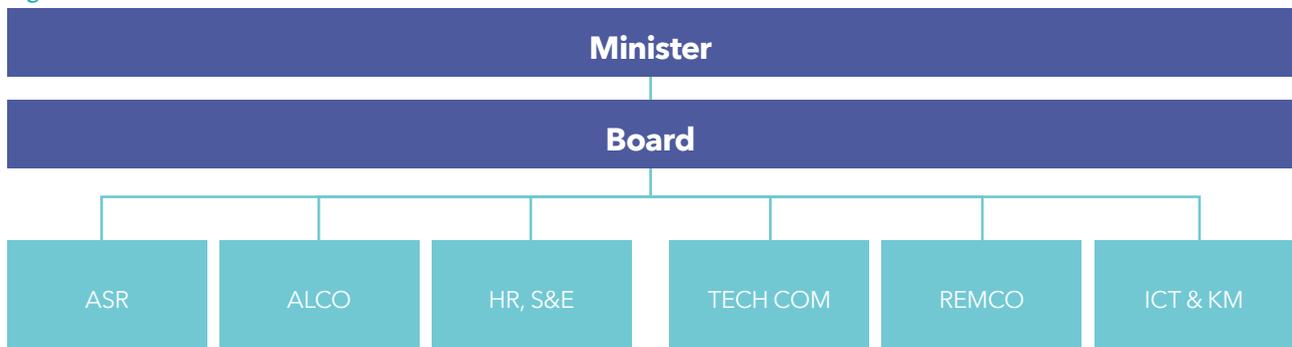
Board Leadership

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

The Board and its Committees

In order to discharge its duties and responsibilities effectively, the Board established various Committees that attend to specific aspects of the affairs of the organisation, as per Figure 8.

Figure 8: Board Committees



REMCO (Remuneration and Nominations Committee)

A & R (Audit and Risk Committee)

ALCO (Assets and Liability Committee)

HR, S & E (Human Resources, Social & Ethics Committee)

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

TECH COM (Technical Committee)

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

Table 24 sets out directors' attendance at Board meetings and its committees.

Table 24: Attendance at Board Meetings and Board Committees

| Member | Board | REMCO | ALCO | ICT & KM | TC | HR & TR | A & R |
|---------------|------------|------------|------------------------|------------|------------|------------|------------|
| S. Kondlo | 2 out of 2 | 2 out of 2 | | | | | |
| M. Mosidi | 2 out of 2 | 2 out of 2 | | 1 out of 1 | 3 out of 3 | | |
| J. Geenen | 1 out of 2 | 1 out of 2 | 1 out of 2 | | | | 0 out of 1 |
| G. White | 2 out of 2 | 2 out of 2 | | 1 out of 1 | | 1 out of 1 | |
| M. Furumele | 2 out of 2 | 2 out of 2 | | | 3 out of 3 | | |
| L. Thotanyana | 2 out of 2 | 2 out of 2 | 2 out of 2 | | | | 1 out of 1 |
| D. Dondur | Resigned | | 1 out of 1 Resigned | | | 1 out of 1 | 1 out of 1 |
| S. Sono | 2 out of 2 | | 2 out of 2 | | 2 out of 3 | | 1 out of 1 |
| S. Sekgobela | 1 out of 2 | 1 out of 2 | | 1 out of 1 | 1 out of 3 | 0 out of 1 | |
| M. Ratsoma | 2 out of 2 | | 1 out of 2 | | | | 0 out of 1 |
| T. James | 0 out of 2 | | | | | 0 out of 1 | |
| J. Ndlovu | 2 out of 2 | 2 out of 2 | 1 out of 2 | 1 out of 1 | 2 out of 3 | 1 out of 1 | 1 out of 1 |

Board Performance Assessment

The Board performance was evaluated at the end of its term office by the office of the Company Secretary. The outcome confirmed that the TCTA Board was functional, effective and efficient to execute the mandate of the Shareholder, to lead the strategic business of the organisation and to comply with the statutory, legislative and regulatory requirements.

Directors' Liability Insurance

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

Board Remuneration

The directors were remunerated in line with the non-executive directors' remuneration policy framework and procedures, as approved by the then Minister of Water and Environmental Affairs in 2008.

The policy ensures that the remuneration of directors is appropriate to the level, skill and expertise required from the directors, and in accordance with current market practices and the guidelines of state-owned entities for chairpersons and non-executive directors, as published by Government from time to time. TCTA's board fees

were aligned with a Category A State Owned Entity at the median level.

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

Minimising Conflict of Interests

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

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

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



COMPANY SECRETARY AND EXECUTIVE MANAGER: CORPORATE GOVERNANCE

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

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

MS LAHLANE MNISI

Qualifications

- BProc
- LLB
- Admitted Attorney

Other Directorships

- None

Other Board Committee Memberships

- None

Current Position

- Company Secretary and Executive Manager: Governance

Date Appointed

- 1 November 2008

Age

- 44 years



RISK MANAGEMENT

Overview

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

Risk Governance Structure

A sound risk governance structure provides a solid foundation for embedding an effective risk management culture within the organisation. TCTA recognises that risk management requires a team-based approach for effective application across the organisation. In terms of section 51(1)(a)(i) of the PFMA and in line with the principles of the King III Code of Good Governance, the Board has the ultimate responsibility for the management of risk within TCTA. In ensuring that risk is embedded within all levels of the organisation, the Board delegates the responsibility of managing risks to management. Management then ensures that all risks affecting their areas of responsibility are identified and mitigated to acceptable tolerance levels. Up to 31 August 2014, the Board exercised its oversight through the Audit and Risk Committee, Asset and Liability Committee and Technical Committee and the Accounting Authority there after.

Risk Appetite

TCTA's risk appetite as determined and recommended by the Board is conservative. This means that as soon as risks are above the low risk level as determined by the ERM framework, strategies should be put in place to reduce such risks to acceptable levels. In addition, any risk which exceeds the total materiality level as approved by the Audit and Risk Committee from year to year requires immediate attention. In order to achieve effective monitoring of the risk profile, the risk appetite incorporates impact in terms of both quantitative and qualitative measures as set out below:

Quantitative measures

Impact on TCTA's financial well-being as affected by cost-effectiveness, water income volatility, liability management, fund raising ability and credit rating.

Qualitative measures

- Regulatory compliance
- Reputational standing
- Service delivery
- Environmental, health and safety concerns
- Key stakeholder relations.

An understanding of TCTA's risk management philosophy and recognition of its risk appetite allows the organisation to act in line with its risk appetite.

Approach to Risk Management

A continuous, proactive and systematic way of identifying potential hazards that may affect the organisation is in place and embedded in the Enterprise Risk Management processes. This approach enables TCTA to manage risks within acceptable tolerance levels in order to ensure that organisational goals are achieved. Risks are thereby not only adequately identified, evaluated and managed at the appropriate level in each division, but their collective impact on the entity is also taken into account. The process identifies critical business, operational, strategic, financial and compliance risks facing the organisation and assesses the effectiveness of controls in place to manage them.

Over the past financial year, the Risk Management Department continued to ensure that a risk management culture is embedded in all TCTA operations. This was achieved by engaging in the following activities:

- Proactive engagement with divisions and departments.
- Providing tools and guidelines for identifying, assessing, managing, and reporting of risks.
- Monitoring the implementation of risk mitigation plans by the divisions and departments.
- Reporting material risk to management and the Audit and Risk Committee up to the 31 August 2014 and the Accounting Authority there after.

During the year under review, TCTA was exposed to events falling into different risk categories, which were mitigated to

an acceptable level of tolerance, in line with the strategies derived from the Risk Management Framework.

Risk Categories

TCTA's core business comprises implementation of bulk water projects as well as the management of environmental components of project implementation, funding, and liability management. To this end, TCTA is exposed to certain risks in executing its activities. Some of the risks are defined in the following broad categories:

Strategic risks

TCTA views strategic risks as those that prevent the organisation from achieving its business objectives as a result of 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, formulating a vision and the allocation of resources for achieving, implementing, and monitoring strategic objectives. The risks are further mitigated by strong governance and reporting structures which ensure delivery against the corporate plan.

Operational risks

These risks arise from the possibility of variance between expected and actual performance, and of the reliability, quality and efficiencies of the TCTA's internal operations and systems. Such risks may emanate from potential loss caused by fraud, error or systems failure that may be due to a breakdown in internal controls. Such risks are unique to the internal operations of the organisation and concern employees, processes, systems and events. These are day-to-day issues that TCTA is confronted with as it strives to deliver on its strategic objectives. Operational risks can be caused by external conditions such as regulation and culture and internally by factors such as accounting controls, information systems, recruitment and supply chain management. Such risks are managed by policies and procedures and a comprehensive system of internal controls, such as segregation of duties and proper Delegation of Authority.

Project risks

Since a significant part of TCTA's business is related to project implementation, project risks are inherent in construction projects. For example, they may involve delays in the completion of the construction of the dams and pipelines that might have an adverse impact on the ability to deliver water to stakeholders on time and further

result in the delay of tariff payments. Some of the key project risks are:

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

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

Treasury-related risks

Debt management exposes the organisation to financial risks that have implications for the organisation's asset and liability management strategies. ALCO monitored TCTA's exposure to Treasury risks for the first quarter and the Accounting Authority there after. The Risk Management Department regularly monitors Treasury risks in order to ensure that controls are working effectively and in line with the approved Risk Management Framework and Treasury Risk Management policy. Some of the key Treasury risks are:

- Liquidity risk: This relates to the risk that TCTA could fail to secure sufficient funds, in the right currency at the right time, to meet financial obligations. The risk is managed by, amongst others, maintaining sufficient government-guaranteed facilities with domestic banks to act as a liquidity buffer, regular cash-flow forecasting, as well as conducting repos and reverse repo transactions. Liquidity risk management is intended to ensure that TCTA has the appropriate funds and contingency plans to meet maturing obligations.
- Interest rate risk: This relates to the influence of fluctuations in interest rates due to volatile market conditions, which results in increased funding costs and unpredictable interest cash-flows. TCTA manages this risk by complying with a predetermined ALCO-approved optimal capital structure of fixed to floating

rate debt and effective debt management strategies.

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

Project Funding Risk

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

Information and Communication Technology Risk

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

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 taken on insurance covers to manage these risks. The organisation has various corporate policies in place with AON Insurance Brokers as well as some project insurance with Alexander Forbes. 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 rolled out. A business continuity policy, framework and plan have been developed and approved by the relevant committee. The organisation is in the process of implementing the business continuity plan as well as a disaster strategy and plan.

Status of Risks

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

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

The top five risks for TCTA are as per Table 25:

Table 25: Top five Risks to which TCTA is exposed.

| | Risk | Control |
|----|--|--|
| 1. | Failure to secure new directives (future pipeline) | The risk is mitigated through continual implementation of the stakeholder engagement strategy and execution of action plans. Responsibilities for following up on an identified potential pipeline are allocated to EXCO members. |
| 2. | Unsustainability of the current business model | The risk is mitigated by improving efficiencies of the current business systems and processes and exploring alternative sources of finance for unfunded mandates. |
| 3. | Failure to deliver on existing mandates according to stakeholder expectations | The risk is managed through application of best practice methodologies, application of contractual remedies and timely decision making. |
| 4. | Failure to raise cost-effective funding | The risk is mitigated through the sound bankability structure of our projects, implicit guarantees from National Treasury making use of the global facility to fund the social components of projects, exploring alternative sources of funds for unfunded mandates, and the funding strategy approved by the Board. |
| 5. | Risk relating to expiry of the Board's term in August 2014 and associated corporate governance failure | Currently the CEO is the Accounting Authority in terms of the PFMA. |

INTERNAL AUDIT

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

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

During the year, one area (SED Projects) was identified as having a major control weakness. A forensic investigation was conducted by an external service provider, which revealed wrong-doing by an employee through improper record-keeping so that a sanction of dismissal was undertaken as a corrective measure.

Internal Audit Quality Assurance

In accordance with the Institute of Internal Auditors' standards, TCTA commissioned an independent quality assurance review of the internal audit function. In 2013 the major objectives of the Internal Self-assessment were to:

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

The conclusion was that TCTA's internal audit generally conforms to the ISPPA. The maturity capability level was assessed to be at level three with room for continuous improvement. During the 2014/15 financial year, some recommendations from the quality review were implemented in preparation for another external review in 2018.

COMPLIANCE WITH APPLICABLE LEGISLATION AND ADHERENCE TO NON-BINDING RULES, CODES AND STANDARDS

TCTA recognises its accountability to all its stakeholders under the regulatory requirements applicable to its business and is committed to high standards of integrity in the conduct of its operations. In view of the importance of complying with the ever-increasing universe of regulatory requirements, and the growing national and international emphasis placed on their supervision, the Board of Directors (up to 31 August 2014), Executive Committee and employees are regularly appraised of the compliance requirements; internal controls are constantly being developed and tested to ensure compliance and continuous training is implemented.

As a Schedule 2 major public entity, TCTA supports government initiatives to strengthen public sector governance and deter any form of negative impact on stakeholders and financial management due to legislative non-compliance. As a responsible organisation, TCTA makes decisions that not only enable its strategy for efficient implication of its mandate, but also decisions that consider directives the risks to which it is exposed, the legitimate interest and expectations of its stakeholders and funders, and strives always to be socially and environmentally responsible.

The responsibility of supporting business operations to conduct their activities in line with the relevant legislations vests with the Chief Risk Officer, who reports to the Chief Executive Officer and consequently to the Audit and Risk Committee (up to 31 August 2014). For implementation purposes the Chief Risk Officer has delegated the responsibility to the Compliance Officer, who is responsible for the day-to-day running of the compliance.

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

The Compliance Policy, Framework, Universe and Programme are reviewed annually in line with the Compliance Institute's standards and are approved by the Audit and Risk Committee (up to 31 August 2014 and the CEO as the Accounting Authority there after). The Compliance Universe highlights the primary, secondary and topical legislation to assist in prioritising legal risks in business areas that need more attention. The Compliance Programme, on the other hand, guides the monitoring activities to be conducted for the financial year in relation to all primary and secondary legislation.

Among the core legislation with which TCTA complies, are the PFMA and its Treasury Regulations, the Securities Services Act (which has since been repealed in its entirety by the Financial Markets Act (No. 19 of 2012)), anti-money laundering legislation, environmental legislation, the National Water Act, and the Notice of Establishment. TCTA also monitors compliance with its obligations in terms of the loan covenants concluded with the individual funders of its projects. During the reporting year, TCTA has fairly complied with its applicable legislation and loan covenants.

However, instances of irregular expenditures, expenditures not complying with the operational policies of TCTA and losses resulting from criminal conduct were identified and reported. Irregular expenditure incurred was condoned by the CEO.

In relation to losses resulting from criminal conduct, a disciplinary hearing was pursued and appropriate sanctions were applied. Furthermore, the matter was reported to the police in terms of Section 34 of the

Prevention and Combating of Corrupt Activities Act (No. 71 of 2004) and the matter is still under investigation.

External Auditors have raised a reportable irregularity pertaining to the non-existence/appointment of an Audit and Risk Committee for the period 1 September 2014 to 31 March 2015.

EXECUTIVE MANAGEMENT

The management structure is set out in Figure 9.

The roles and responsibilities of Executive Management are to execute the day-to-day operations of the organisation in line with the powers delegated to it by the Chief Executive Officer.

The CEO and Executive Management constitute the Executive Committee (EXCO), which meets formally every second week to consider and make decisions on business operations of the organisation. Additional meetings (formal or informal) are scheduled on an ad hoc basis, subject to urgent and special projects informed by new developments.

Other management committees have been established in terms of the relevant legislation, regulations or to promote good governance on the projects. These meetings are set out in Table 26.

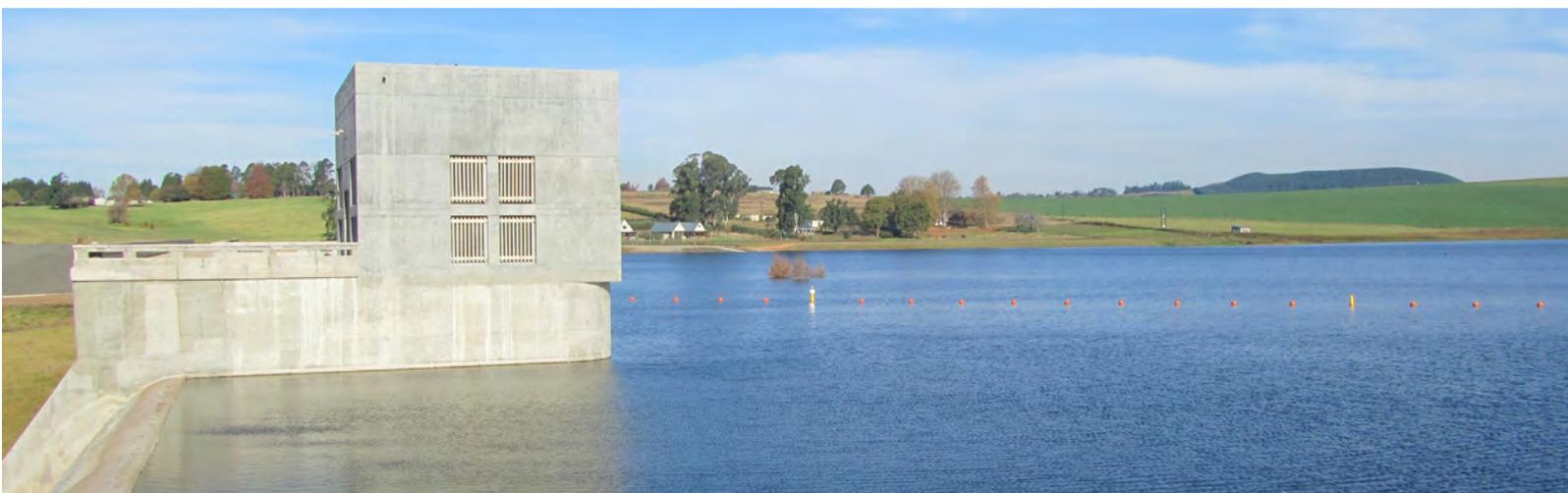
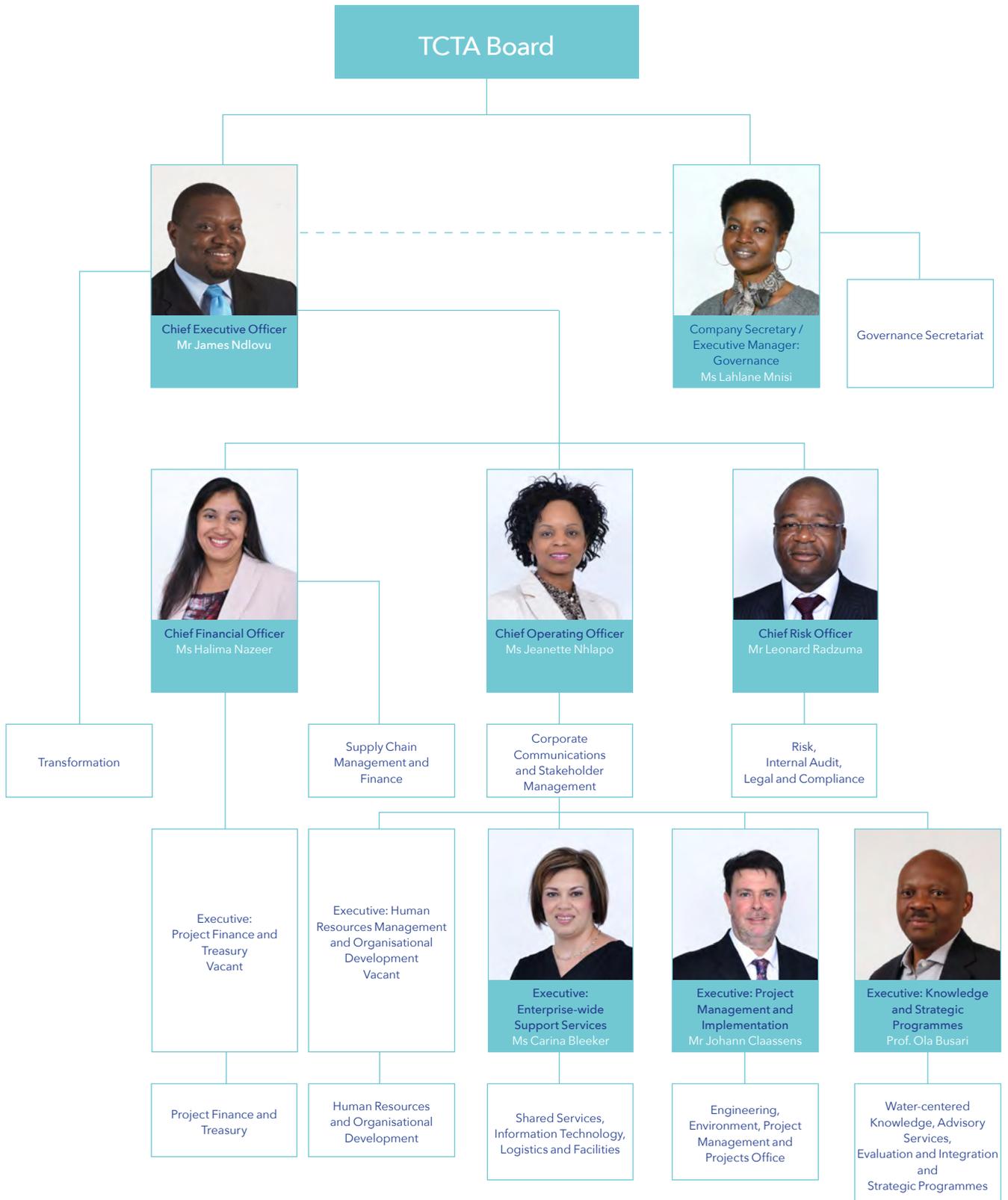


Table 26: Management meetings held

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



Figure 9: Management structure



PROFILES OF OTHER MEMBERS OF EXECUTIVE MANAGEMENT



1. MR JOHANN CLAASSENS
EXECUTIVE MANAGER:
PROJECT
MANAGEMENT AND
IMPLEMENTATION

Qualifications

- BCompt.
- BCompt. (Hons)
- CA (SA)
- Executive Development Programme

Other Directorships

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

Other Board Committee Memberships

- None

Current Position

- Executive Manager: Project Management and Implementation

Date Appointed

- 1 April 2007

Age

- 54 years

2. MS HALIMA NAZEER
CHIEF FINANCIAL
OFFICER

Qualifications

- BCom
- BCompt (Hons)
- CA (SA)
- Executive Development Programme

Other Directorships

- None

Other Board Committee Membership

- Gauteng Provincial Government Audit Committee Member

Current Position

- Chief Financial Officer

Date Appointed

- 1 November 2007

Age

- 47 years

3. MR LEONARD RADZUMA
CHIEF RISK
OFFICER

Qualifications

- BCom (Accounting)
- MBL

Other Directorships

- None

Other Board

- None

Current Position

- Chief Risk Officer

Date Appointed

- 1 July 2010

Age

- 41 years

4. MS JEANETTE NHLAPO
CHIEF OPERATING
OFFICER

Qualifications

- BA (Soc Sci)
- Senior Executive Development Programme
- MBA
- MSc Corporate Governance

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)

Current Position

- Chief Operating Officer

Date Appointed

- 6 August 2007

Age

- 45 years

5. PROF OLA BUSARI
EXECUTIVE:
KNOWLEDGE
AND STRATEGIC
PROGRAMMES

Qualifications

- BSc (Hons)(Civil Eng.)
- MSc Eng. Hydro-Geology
- PhD Water Resource Management
- Advanced (Env) Isotopes Programme
- MBA

Other Directorships

- None

Other Board Committee Memberships

- None

Current Position

- Executive: Knowledge Management

Date Appointed

- 1 November 2009

Age

- 53 years

6. MS CARINA BLEEKER
EXECUTIVE
MANAGER:
ENTERPRISE-WIDE
SUPPORT SERVICES

Qualifications

- BBibl (Ed)
- BBibl (Hons)
- MBibl
- Executive Development Programme
- Snr Manager Dev. Progr.

Other Directorships

- None

Other Board Committee Memberships

- None

Current Position

- Executive Manager: Enterprise-wide Support Services

Date Appointed

- 1 September 2010

Age

- 45 years

IN SUPPORT OF THE NATIONAL DEVELOPMENT PLAN, IN REGARD TO FORWARD STRATEGIC PLANNING, WE SHALL PRIORITISE THE IMPLEMENTATION OF THE NATIONAL WATER RESOURCE STRATEGY. MOVING FORWARD THE STRATEGIC FRAMEWORK ARTICULATED HEREIN, SHALL SERVICE AS A GUIDING DOCUMENT FOR ALL STAKEHOLDERS, IN THE WATER SECTOR, IN PURSUIT OF EFFECTIVE AND EFFICIENT DELIVERY OF SERVICE.

by Minister:
Ms. Nomvula Mokonyane

PART E:
INFORMATION AND
COMMUNICATION TECHNOLOGY



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ICT GOVERNANCE, RISK AND COMPLIANCE FRAMEWORK

Due to a rigorous implementation of the ICT Governance, Risk and Compliance (GRC) Framework, approved by the ICT & KM Committee in June 2014, TCTA achieved its objective

of strengthening IT governance and progress from entry-level Stage 3 maturity to exit-level Stage 3 as demonstrated in Figure 10.

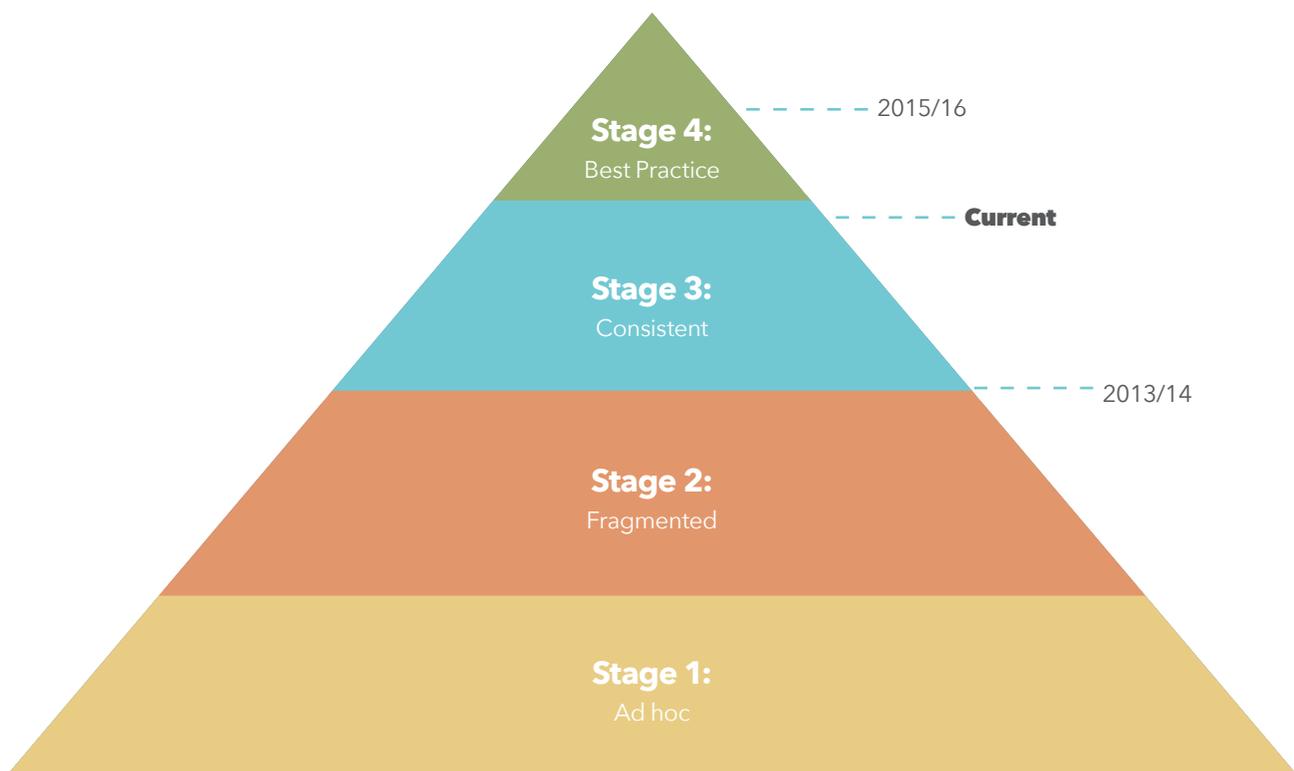


Figure 10: Forrester's IT Governance Maturity Model

COMPLIANCE

As was the case in previous years, TCTA applied the Institute of Directors' Governance Assessment Instrument to determine the extent of compliance to the King III Report, as one of the key compliance requirements adopted in the Information and Communication Technology Government

Risk and Compliance (ICT GRC) Framework. The output of this assessment assists in identifying appropriate controls for reducing or eliminating risks in the ICT environment. Table 27 gives a snapshot of the assessment results for the period under review, comparing it to the previous period.

Table 27: Institute of Directors Governance Assessment Instrument

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

| Board role and duties Issues | Responses | | | |
|--|-----------|----|--------------------------------------|--|
| | Yes | No | Status feedback from previous period | Means of verification |
| F. IT Governance | | | | |
| 9. A Chief Information Officer (CIO) or other senior employee responsible for IT has been appointed and meets both the following requirements: the CIO or senior employee is a suitably experienced person; and the CIO or senior employee has access to and regular interaction on strategic matters with the Accounting Authority, and executive management. | √ | | Compliant | The Executive Manager: ESS is designated as the CIO and is a member of the Executive Committee. |
| 10. The Accounting Authority both oversees the value delivery of IT, and monitors the return on investment from significant IT projects. | √ | | Compliant | Quarterly reports submitted to the Accounting Authority. |
| 11. The role of IT in achieving business strategies and objectives is clear. | √ | | Compliant | Approved ICT Strategy. |
| 12. Good governance principles apply to all parties in the supply chain or channel for the acquisition and disposal of IT goods or services. | √ | | Compliant | ICT GRC Framework; Delegation Matrix; Supply Chain Management Policy; records of tender processes. |
| 13. IT risks form an integral part of the entity's risk management process. | √ | | Compliant | Risk register; agenda and minutes of the Risk Forum. |
| 14. Management regularly demonstrates to the Accounting Authority that the entity has adequate business resilience arrangements in place for IT disaster recovery. | √ | | * Noncompliant > now compliant | Quarterly reports submitted to the Accounting Authority; disaster recovery testing reports. |
| 15. The Accounting Authority ensures that the entity complies with IT laws and that IT-related rules, codes and standards are considered. | √ | | Compliant | ICT GRC Framework; compliance reports; quarterly reports. |
| 16. The Accounting Authority ensures that the entity identifies all personal information and treats it as an important business asset. | √ | | * Noncompliant > now compliant | Compliance reports; audit reports. |
| 17. The following two statements are correct: The Accounting Authority ensures that an Information Security Management System is developed, recorded and implemented; and- the Information Security Management System ensures security, confidentiality, integrity and availability of information. | √ | | Compliant | Twenty one Information Security Management Policies that comply with ISO 27000 and approved by the ICT and KM Committee. |

* The two areas that were reported as being not fully compliant in the previous reporting period have improved to full compliance. As a result, management can report full compliance with all IT governance codes in the King III Report. In order to further improve risk management within the IT environment, six key risk indicators were identified and monitored on a continual basis. This is in addition to a comprehensive risk register that is reviewed and updated on a monthly basis.

KEY RISK INDICATORS

Table 28: Key Risk Indicators

| Risk event | Risk driver | Key risk effect | KRI | Mitigating measures |
|--|---|---|-----------------------------------|---|
| 1. IT system failure | <ul style="list-style-type: none"> Poor system maintenance | <ul style="list-style-type: none"> Negative impact on employees' productivity | System downtime | <ul style="list-style-type: none"> Documentation and implementation of Standard Operating Procedures completed in December 2013 New integrated ICT infrastructure strategy finalised and submitted to EXCO for approval |
| 2. Failure to restore backup information and IT continuity plan | <ul style="list-style-type: none"> Lack of testing of backup information and BCP Damaged backup files Lack of annual update and review of the continuity plan | <ul style="list-style-type: none"> Inability to perform key processes (e.g. Treasury, Finance) Loss of data/information Business disruption Reputation damage | DRP and BCP tests results | <ul style="list-style-type: none"> Online backup to disk done on a daily basis to an off-site storage facility Restore tests are conducted and signed-off on a regular basis A Disaster Recovery site in place and tests conducted |
| 3. IT security threats (e.g. viruses, extraction of company confidential data, etc.) | <ul style="list-style-type: none"> Security breaches by internal staff Unauthorised access to system by external people Lack of reporting of security incidents | <ul style="list-style-type: none"> Financial loss Loss of information Reputational damage Fraud | IT security incidents | <ul style="list-style-type: none"> Antivirus software updated on a daily basis Access to corporate data restricted and access rights reviewed on a regular basis |
| 4. Damage, theft and misuse of IT equipment | <ul style="list-style-type: none"> Lack of security controls Lack of procedures for the movement of IT equipment Lack of update of the asset register | <ul style="list-style-type: none"> Financial loss Employees' productivity | IT equipment losses and damages | <ul style="list-style-type: none"> Physical security improved during the office renovation project Asset management significantly improved Physical asset verification conducted on a regular basis |
| 5. Ineffective IT controls | <ul style="list-style-type: none"> Staff not following required internal processes Management overriding controls Controls not in line with best practices, laws and regulations, etc. | <ul style="list-style-type: none"> Non-achievement of the departmental objectives/goals. | Number of internal audit findings | <ul style="list-style-type: none"> ICT Governance, Risk and Compliance Framework in place Compliance monitored and reported on a regular basis |
| 6. Under/over-investment in IT | <ul style="list-style-type: none"> Non-alignment between organisational strategy and IT strategy | <ul style="list-style-type: none"> Over-investment (fruitless and wasteful expenditure)/ under-investment (outdated technology) | Actual spending on IT | <ul style="list-style-type: none"> Internal ICT Steering Committee established to monitor ICT investments (among others) ICT & KM Committee at Board level provides strategic guidance on major ICT investments |

STRATEGIC OBJECTIVES

The table below presents a status report on progress made, during the reporting period, towards the achievement of ICT strategic objectives set out in the ICT Strategy, approved by the ICT & KM Committee in 24 June 2014.

Table 29: ICT Strategic Objectives

| Key strategic objective | Action items | Target | Progress report |
|---|---|------------|--|
| Rebuild the ICT infrastructure so as to provide for predictability, agility and scalability | Develop a single strategy to address cloud computing, server infrastructure refresh, improved connectivity, and disaster recovery (adopting Cloud Computing as the driver for change) | 31/09/2015 | A strategy for integrated Information & Communication infrastructure has been developed and submitted to EXCO for approval. Furthermore, EXCO approved a temporary solution for improved connectivity, which is currently being implemented. |
| | Review the Disaster Recovery Plan after approval of the consolidated infrastructure strategy | 31/03/2015 | A disaster recovery solution is in place until September 2015, and the DRP will be reviewed to align with the new strategy after approval. |
| | Develop a new specification and strategy for procuring end-user computing infrastructure, ahead of expiry of the current contract for the supply of computer equipment | 30/05/2015 | This has been completed and is part of the integrated ICT infrastructure strategy referred to above. |
| Build new efficient systems and seamlessly integrate with existing solutions, with Business Intelligence | Implement the Sage X3 project in Finance and SCM | 31/03/2015 | The Sage X3 project was cancelled and a new tender was issued, which is currently at technical evaluation stage. |
| | Integrate new systems with existing solutions | 31/03/2016 | No progress made; integration will begin after implementation of all systems. |
| | Find alternative solution for HRM | 31/06/2015 | A tender was issued and is currently at technical evaluation stage. |
| Review the ICT organisation and resource planning order to ensure high calibre and the correct resources for the right jobs, and improve capacity | Assess findings of the skills audit and organisational design assessment conducted in 2012 by external consultants | 31/09/2014 | This was put on hold, pending the outcome of the HR-led process to develop a competency framework. |
| | Redesign ICT organisation | 31/03/2015 | A comprehensive review and redesign process has been completed. The management team is currently redrawing role profiles before implementation. |
| | Identify skills gap and implement measures to close the gap | 31/03/2016 | An organisational competency framework process is currently under way. |

| Key strategic objective | Action items | Target | Progress report |
|---|--|------------|---|
| Build Research and Development capacity in order to provide information leadership and innovation | Establish a Research and Development function to promote innovation (use current resources) | 31/03/2016 | A research culture is being inculcated, especially before procurement of new solutions, services and goods. |
| | Create budget for Research and Development and develop a strategy within the confines of the Supply Chain Management policies | 31/03/2015 | The budget is based on specific and approved programmes and projects. |
| | Research technology solutions to support the Operations and Maintenance function, and in preparation for the Agency | 31/03/2017 | In progress. |
| | Research the possibility of using current and new bulk raw water infrastructure to roll out internet fibre to connect communities along the infrastructure | 31/03/2017 | In progress. |
| Improve controls and streamline internal processes to address changing business needs proactively | Fully implement ICT GRC Framework | 31/03/2015 | ICT GRC Framework fully implemented. |
| | Review and fully implement all internal policies | 31/03/2015 | Policies are implemented and reviewed where appropriate. |
| | Create awareness through training and other means | 31/03/2016 | Various awareness programmes are implemented annually. |



IN THIS SUMMIT, WE NEED TO BEGIN ASKING THE HARD QUESTIONS, FOR AN EXAMPLE, HOW DOES INFRASTRUCTURE PAY FOR ITSELF? WHY IS IT THAT MUNICIPALITIES SEEM NOT TO BE ABLE TO DEAL WITH OPERATIONS AND MANAGEMENT RELATED MATTERS OF INFRASTRUCTURE; AND LASTLY WHY ARE WE ALWAYS STUCK ON THE MINDSET OF PLANNING FOR NEW INFRASTRUCTURE, RATHER THAN FINDING WAYS OF IMPROVING WHAT WE ALREADY HAVE.

by Minister:
Ms. Nomvula Mokonyane

PART F: FINANCIAL INFORMATION



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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

We have audited the financial statements of Trans-Caledon Tunnel Authority set out on pages 96 to 253 which comprise the aggregated statement of financial position as at 31 March 2015, and the aggregated statement of comprehensive income, aggregated statement of changes in equity and aggregated statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's Responsibility for the Financial Statements

The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) and for such internal control as the accounting authority determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or

error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Trans-Caledon Tunnel Authority as at 31 March 2015, 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

Auditing Profession Act

In accordance with our responsibilities in terms of section 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified an unlawful act or omission committed by persons responsible for the management of TCTA that constitutes a reportable irregularity in terms of the Auditing Profession Act. We have reason to believe that that term of the Board of Directors expired during August 2014. The Chief Executive Officer has been appointed by the Minister of Water and Sanitation as the Accounting Authority in the interim; however, a new audit committee has not yet been appointed as required in terms of Treasury Regulation 27.1. We have reported this matter to the Independent Regulatory Board for Auditors.

Public Audit Act Requirements (PAA)

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

Predetermined objectives

We performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented as per Table 5 (commencing on page 28) in the annual report of Trans-Caledon Tunnel Authority for the year ended 31 March 2015:

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

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

We evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting

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

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

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

Additional matter

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

Achievement of planned targets

Refer to the annual report on pages 26 to 43 for information on the achievement of planned targets for the year.

Compliance with legislation

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

Audit committee

The audit committee was only in place for the first five months of the year under review. Consequently, the committee was unable to perform the following responsibilities required by Treasury Regulation 27.1.1 in the remainder of the year:

- have regular meetings with the executive
- monitor compliance with laws and regulations
- provide guidance on rectifying internal control deficiencies
- monitor implementation of internal and external audit recommendations and
- exercise any oversight of the implementation of the matters reported by the internal audit

Procurement and Contract Management

Instances of non-compliance with the Delegation of Authority were detected by management during the period under review. These resulted in the entity incurring irregular expenditure amounting to R11 023 067 as reported in Note 23. The Accounting Authority did not take the necessary steps to prevent all irregular expenditure from occurring as required by Section 51 (b) (ii) of the PFMA No 1 of 1999.

Consequence Management

Effective and appropriate disciplinary steps were not taken against officials who incurred and/or permitted irregular and fruitless expenditure as required by section 51(1)(e)(iii) of Public Finance Management Act.

Internal control

We considered internal control relevant to our audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on non-compliance with legislation included in this report.

Governance

The absence of an audit committee, as discussed above, impeded the promotion of accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations.

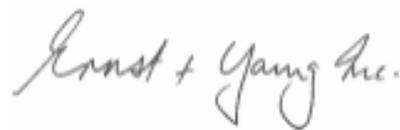
Other reports

Audit Related Services and Special audits

National Treasury reporting template
As requested by the Trans-Caledon Tunnel Authority, an audit engagement was conducted concerning the Trans-Caledon Tunnel Authority's completion of the National Treasury reporting template.

Investigations

An independent consulting firm performed an investigation at the request of the entity, which covered the period 1 March 2013 to 31 July 2014. The investigation was initiated based on an allegation of possible misappropriation of the entity's assets. The investigation concluded on 29 August 2014 and details of the incident and action taken by TCTA have been disclosed in Note 23.2 to the financial statements.



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

Date: 31 August 2015



AGGREGATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2015

| | Notes | Total March 2015 R million | Restated total March 2014 R million | Restated total March 2013 R million |
|---|-------|----------------------------------|---|---|
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 6 | 13 | 23 | 7 |
| Tariff receivable | 7.4 | 23 104 | 23 690 | 25 784 |
| Long-term financial market investments | 7.5 | 306 | 818 | 706 |
| Current assets | | | | |
| Tariff receivable | 7.4 | 3 352 | 3 303 | 3 105 |
| Loans and other receivables | 8 | 2 320 | 1 089 | 357 |
| Derivative financial instruments | 7.11 | - | - | 4 |
| Short-term financial market investments | 7.5 | 3 705 | 2 649 | 2 553 |
| Prepaid expenditure | 9 | 211 | 114 | 193 |
| Non-contractual amounts | 11 | 48 | 25 | 15 |
| Cash and cash equivalents | 13 | - | - | 23 |
| TOTAL ASSETS | | 33 059 | 31 711 | 32 747 |
| EQUITY AND LIABILITIES | | | | |
| Reserves | | | | |
| Accumulated surplus/(deficit) | | 2 084 | 2 274 | 3 919 |
| TOTAL EQUITY | | 2 084 | 2 274 | 3 919 |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Long-term financial market liabilities | 7.6 | 27 180 | 26 123 | 25 750 |
| Provision | 12 | 26 861 | 25 773 | 25 492 |
| | | 319 | 350 | 258 |
| Current liabilities | | | | |
| Trade and other payables | 10 | 3 795 | 3 314 | 3 078 |
| Non-contractual amounts | 11 | 2 618 | 2 009 | 1 720 |
| Provisions | 12 | 109 | 86 | 111 |
| Derivative financial instruments | 7.11 | 48 | 37 | 24 |
| Short-term financial market liabilities | 7.6 | - | 3 | - |
| | | 1 020 | 1 179 | 1 223 |
| TOTAL LIABILITIES | | 30 975 | 29 437 | 28 828 |
| TOTAL EQUITY AND LIABILITIES | | 33 059 | 31 711 | 32 747 |

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

AGGREGATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2015

| | Notes | Total March 2015 R million | Restated total March 2014 R million |
|---|-------|----------------------------------|---|
| CONSTRUCTION REVENUE | 14 | 1 748 | 1 996 |
| CONSTRUCTION COSTS | 14 | (1 748) | (1 996) |
| OTHER INCOME | 15 | 799 | 962 |
| EXPENSES | | (799) | (962) |
| Legal fees and litigation costs | | (1) | (9) |
| Depreciation | | (11) | (12) |
| Operating costs for the work in Lesotho | 16 | (99) | (106) |
| Lesotho Highlands Water Commission costs | | (18) | (13) |
| Staff costs | | (146) | (132) |
| Directors' emoluments | | (4) | (7) |
| Royalties paid | 18 | (612) | (687) |
| Other operating expenses | 19 | 92 | 4 |
| OPERATING SURPLUS/(DEFICIT) | | - | - |
| NET FINANCE COSTS | | (190) | (1 645) |
| Finance income | 17.1 | 2 906 | 2 067 |
| Finance costs | 17.2 | (3 096) | (3 712) |
| DEFICIT FOR THE YEAR | | (190) | (1 645) |
| OTHER COMPREHENSIVE INCOME | | - | - |
| TOTAL COMPREHENSIVE DEFICIT FOR THE YEAR | | (190) | (1 645) |

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 2015

| | Accumulated surplus R million | Total R million |
|--|----------------------------------|--------------------|
| Balance at 31 March 2013 | 6 274 | 6 274 |
| Restatement | (2 355) | (2 355) |
| Restated balance at 31 March 2013 | 3 919 | 3 919 |
| Net deficit for the year | (1 645) | (1 645) |
| Total comprehensive deficit for the year | (1 645) | (1 645) |
| Balance at 31 March 2014 | 2 274 | 2 274 |
| Net deficit for the year | (190) | (190) |
| Total comprehensive deficit for the year | (190) | (190) |
| Balance at 31 March 2015 | 2 084 | 2 084 |

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

AGGREGATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 MARCH 2015

| | Notes | Total March 2015 R million | Restated total March 2014 R million |
|--|-------|----------------------------------|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Cash receipts on tariff receivable | | 5 005 | 5 393 |
| Cash paid to suppliers and employees | | (2 760) | (2 969) |
| Cash generated from project activities | A | 2 245 | 2 424 |
| Interest paid | C | (2 299) | (2 147) |
| Net cash (outflow)/inflow from operating activities | | (54) | 277 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Payments to acquire financial assets | | (651) | (648) |
| Proceeds on the sale of financial assets | | 109 | 440 |
| Interest received | B | 248 | 170 |
| Addition to property, plant and equipment | | (1) | (20) |
| Net cash (outflow) from investing activities | | (295) | (58) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Proceeds from long-term borrowings | | 1 348 | 352 |
| Repayments on long-term borrowings | | (675) | (521) |
| Proceeds from short-term borrowings | | 359 | 558 |
| Repayments on short-term borrowings | | (683) | (631) |
| Net cash inflow/(outflow) from financing activities | | 349 | (242) |
| Net (decrease) in cash and cash equivalents | | - | (23) |
| Cash and cash equivalents at beginning of period | | - | 23 |
| Cash and cash equivalents at end of period | D | - | - |

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

NOTES TO THE AGGREGATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2015

| | Total March 2015 R million | Restated total March 2014 R million |
|--|----------------------------------|---|
| A. CASH GENERATED FROM PROJECT ACTIVITIES | | |
| Net deficit for the year | (190) | (1 645) |
| Adjustments for non cash flow items and amounts separately disclosed: | | |
| Depreciation on non-current assets | 11 | 12 |
| Finance cost recognised in profit or loss/construction costs | 2 613 | 2 498 |
| Foreign exchange gains | (3) | (11) |
| Foreign exchange losses | 6 | 18 |
| Gain on Net Present Value of financial asset | (2 386) | (933) |
| Construction revenue | (1 748) | (1 997) |
| Other income | (799) | (962) |
| Non cash flow in opex | (68) | 40 |
| Changes in working capital: | | |
| (Increase) in loans and other receivables | (1 257) | (742) |
| (Increase)/decrease in prepayments | (96) | 80 |
| Increase in payables and provisions (excluding interest payable) | 638 | 284 |
| Capitalised to Tariff Receivable | 4 343 | 4 610 |
| Non cash flow item in accounts receivable | 1 181 | 1 188 |
| Non cash flow item in accounts payable | - | (16) |
| Cash generated from project activities | 2 245 | 2 424 |
| B. INTEREST RECEIVED | | |
| Amount due at beginning of the year | 19 | 14 |
| Income during the year adjusted for non-cash items | 251 | 175 |
| Interest accrued | 414 | 312 |
| Bond premium amortised | (109) | (102) |
| Imputed interest on compensation | (51) | (33) |
| Interest on Republic of South Africa (RSA) account | (3) | (2) |
| Amount due at the end of the year | (22) | (19) |
| Interest received | 248 | 170 |

NOTES TO THE AGGREGATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2015

| | Total March 2015 R million | Restated total March 2014 R million |
|--|----------------------------------|---|
| C. INTEREST PAID | | |
| Amount not paid at beginning of the year | (548) | (553) |
| Expensed during the year adjusted for non-cash items | (2 308) | (2 142) |
| Amount expensed | (3 027) | (2 810) |
| Less: Bond discount amortised | 2 | 2 |
| Foreign loan payments | (1) | (1) |
| Loss on switch auction | 1 | 1 |
| Capital adjustment to inflation-linked liability | 438 | 340 |
| Concessionary portion - on European Investment Bank (EIB) loan | 1 | 1 |
| Interest on compensation | 37 | 25 |
| Imputed interest on compensation | - | 70 |
| Interest capitalised | 241 | 230 |
| Amount not paid at the end of the year | 557 | 548 |
| Interest paid | (2 299) | (2 147) |
| D. CASH AND CASH EQUIVALENTS AT END OF PERIOD | | |
| Cash and cash equivalents consist of cash on hand and balances with banks | - | - |

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

1. GENERAL INFORMATION

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

2. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

TCTA has applied the revised International Financial Reporting Standards (IFRS) which is mandatorily effective for the 2015 financial year end and which has not previously been applied. IFRSs include (a) International Financial Reporting Standards; (b) International Accounting Standards (IAS); (c) International Financial Reporting Interpretations Committee (IFRIC) Interpretations; and (d) Interpretations as issued by the International Accounting Standards Board (IASB) or its predecessor body. All new and amendments to IFRSs possible impact on TCTA's policies and accounting have been assessed. Mandatorily effective new and revised IFRSs which affected amounts reported and/or disclosures in the financial statements are discussed in note 2.1.

Those mandatorily effective new and revised IFRSs adopted with no impact on TCTA's amounts and/or disclosure in the financial statements, are summarised in note 2.2 for completeness sake. TCTA is required to disclose the potential impact of new and revised IFRSs that have been issued but are not yet effective. The disclosures in note 2.3 summarises the new and revised IFRSs that have been issued but are not yet effective which TCTA has elected to early adopt. TCTA has not applied some of the new IFRSs that have been issued but are not yet effective. The note also summarises any known or reasonably estimable information relevant to assessing the possible impact that application of the new IFRS will have on the TCTA's financial statements in the period of initial application.

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

New or revised standards or pronouncements:

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

Effective for annual periods beginning on or after:

1 January 2014

Impact:

Amendments to IAS 36 *Impairment of Assets* removes the requirement to disclose the recoverable amounts where there have been no impairment or reversal of impairment. The amendments require the following additional disclosures when an impairment is recognised or reversed and the fair value is based on the fair value less cost of disposal:

- The level of the IFRS 13 "fair value hierarchy" of fair value measurement of the asset or Cash-Generating-Unit (CGU) has been determined;
- For fair value measurements at level 2 and 3 of the fair value hierarchy, a description of the fair value technique used (or changes in the technique used), should be disclosed with the key assumptions used in determining the fair value including the discount rate used if the fair value less cost of disposal is based on present value techniques (and any changes therein).

TCTA does calculate the recoverable amount of property, plant and equipment for purposes of impairment testing using the present value technique where the fair value less cost of disposal cannot be determined.

TCTA's accounting policy regarding the disclosure requirements for the impairment testing has been amended to take into account the amendments to IAS 36.

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

| |
|---|
| New or revised standards or pronouncements: IFRIC 21 <i>Levies</i> |
| Effective for annual periods beginning on or after: 1 January 2014 |
| Impact: Provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> and those where the timing and amount of the levy is certain. The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. The scope of the interpretation is very broad and the nature of the payment should be considered when determining if the interpretation should be applied to any payments imposed by governments pursuant to legislation. The interpretation provides a broad definition of government including, municipal, provincial, state, federal or international governments or government agencies or organisations controlled or administered by government. Any payment which falls within the scope of another IFRS standard (e.g. IAS 12 <i>Income tax</i> or IAS 19 <i>Employee benefits</i>) is excluded from the scope of IFRIC 21. Payments of fines or penalties imposed for breaches of legislation is also excluded. Any payment for acquisition of an asset, or rendering of services under a contractual agreement with a government is also excluded. It provides the following guidance on recognition of a liability to pay levies: - The liability is recognised progressively if the obligating event occurs over a period of time. - If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached. Government imposed levies that are applicable to TCTA are minimal and include fees that are progressive in nature. The application of the interpretation had no impact on the disclosures or amounts recognised in the financial statements presented. |

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

| |
|--|
| New or revised standards or pronouncements: Investment Entities: Applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 27) |
| Effective for annual periods beginning on or after: 1 January 2016 |
| Impact: The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities under IFRS 10. The following points are clarified: - The exemption (in IFRS 10) from preparing consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value. - A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity. - The amendments to IAS 28 allow the investor to retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries, when said investor applies the equity method. - An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12. The application of the amendment had no impact on the disclosures or amounts recognised, as TCTA has no interests in other entities or investments in joint ventures or associates. |

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

New or revised standards or pronouncements:

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

Effective for annual periods beginning on or after:

1 January 2016

Impact:

The amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* address the conflict between the standards in dealing with the loss of control of a subsidiary when it is either sold or the assets contributed by an investor to its associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

The amendment clarify that gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 *Business Combinations*) requires full recognition in the investor's financial statements.

Any gains and losses where the assets do not constitute a business is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

The application of the amendment had no impact on the disclosures or amounts recognised, as TCTA has no joint ventures or associates.

New or revised standards or pronouncements:

IFRS 11 - *Joint Operations: Accounting for Acquisitions of Interests in Joint Operations*

Effective for annual periods beginning on or after:

1 January 2016

Impact:

The amendment clarifies accounting for acquisitions of interests in Joint Operations.

The amendment details that when an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3, it shall apply, to the extent of its share in accordance with IFRS 11, all of the principles on business combinations accounting in IFRS 3, and other IFRSs, that do not conflict with the guidance in this IFRS and disclose the information that is required in those IFRSs in relation to business combinations. This applies to the acquisition of both the initial interest and additional interests in a joint operation in which the activity of the joint operation constitutes a business.

The amendment further clarifies that should a party of the joint operation increase its interest in the Joint Arrangement, the previously held interests in the joint arrangement are not remeasured, provided joint control is still maintained.

This has no impact on the TCTA Annual financial statements, as TCTA does not have any joint arrangements. The TCTA business model is such that the entity issues tenders to service providers and the service providers are subsequently remunerated for such services.

New or revised standards or pronouncements:

Disclosure Initiative (Amendments to IAS 1)

Effective for annual periods beginning on or after:

1 January 2016

Impact:

The amendments to IAS 1 does not significantly change the standard but clarifies the following:

- Materiality requirements: the entity shall decide how it aggregates information in the financial statements and notes to ensure the understandability of the financial statements. The entity may not aggregate information in order to obscure material information with immaterial information or by aggregating material items that have different natures or functions.
- The specific line items in the statement(s) of profit or loss and Other Comprehensive Income (OCI) and the statement of financial position may be disaggregated. The additional information should:
 - comprise items made up of amounts recognised and measured in accordance with IFRS;
 - be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable;
 - be consistent from period to period, and
 - not be displayed with more prominence than the subtotals and totals required in IFRS for the statement(s) presenting profit or loss and other comprehensive income.
- Entities have flexibility as to the order in which they present the notes to financial statements.
- The share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

TCTA discloses material items separately on the face of the financial statements such as the Royalties Paid, Lesotho Highlands Water Commission (LHWC) costs and operating costs to the work done in Lesotho on the statement of comprehensive income. TCTA will disaggregate material information either on the statements or in the notes to the financial statements if such disaggregation will contribute to the understanding of the financial statements presented.

TCTA orders its notes as follows:

- (a) statement of compliance with IFRSs;
- (b) summary of significant accounting policies applied;
- (c) individual project's results as TCTA has to account for each project separately as directed by the Minister of Water and Sanitation;
- (d) non-financial disclosures, e.g. the entity's financial risk management objectives and policies as one of TCTA's primary functions is financial services (structuring and raising of project finance, debt management and tariff setting);
- (e) supporting information for items presented in the statements of financial position and in the statement(s) of profit or loss and other comprehensive income, the statements of changes in equity and of cash flows, in the order in which each statement and each line item is presented; and
- (f) other disclosures, including capital commitments, irregular, fruitless and wasteful expenditure as required by the PFMA; contingent assets and liabilities.

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

New or revised standards or pronouncements:

IAS 16 - *Property, Plant and Equipment* and IAS 38 - *Intangible Assets*: Clarification of Acceptable Methods of Depreciation and Amortisation.

Effective for annual periods beginning on or after:

1 January 2016

Impact:

The amendment clarifies the questions surrounding the use of a depreciation/amortisation method that is based on revenue that is generated by an activity that includes the use of the asset.

The clarification states that a depreciation/amortisation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits of the asset. This is because revenue is affected by for example other inputs and processes, selling activities and changes in sales volumes and prices. The price component of revenue may be affected by inflation, which has no bearing upon the way in which an asset is consumed.

This has no impact on the TCTA annual financial statements as all property, plant and equipment and intangible assets are not amortised or depreciated based on the revenue generated by these assets. The method used is based on the consumption of those assets. Therefore no amendments to accounting policies and/or restatements are required.

New or revised standards or pronouncements:

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)

Effective for annual periods beginning on or after:

1 January 2016

Impact:

The amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* results in a scope amendment in IAS 16 as agricultural produces which meets the definition of 'bearer plants' will now be accounted for as property, plant and equipment. On initial application of the amendment, entities are permitted to use the fair value of the bearer plants as its costs in the earliest period presented and any adjustment to the previous carrying amount to fair value should be reflected in the opening balance of the retained earnings of the earliest period presented.

In terms of these amendments, bearer plants may be measured using either the cost model or revaluation model set out in IAS 16. 'Bearer plants' are defined as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produces, except for incidental scrap sales.

The produce of the bearer plants remain within the scope of IAS 41.

The adoption of this standard has no impact on TCTA's disclosure or amounts recognised as TCTA does not have any biological assets.

New or revised standards or pronouncements:

Equity Method in Separate Financial Statements (Amendments to IAS 27)

Effective for annual periods beginning on or after:

1 January 2016

Impact:

IAS 27 is amended to allow equity accounting as described in IAS 28 to account for investments in subsidiaries, joint ventures and associates in its separate financial statements. The entity must apply the same accounting for each category of investments and account for these investments either:

- at cost; or
- in accordance with IFRS 9; or
- using the equity method.

The application of the amendment had no impact on the disclosures or amounts recognised as TCTA has no investments in subsidiaries, joint ventures or associates.

New or revised standards or pronouncements:

Annual Improvements 2012 - 2014 Cycle

Effective for annual periods beginning on or after:

1 January 2016

Impact:

Makes amendments to the following standards:

IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations: Changes in methods of disposal

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. A change in the disposal method also does not change the date of classification.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and: [IFRS 5.32]

- represents either a separate major line of business or a geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale and the disposal involves loss of control.

TCTA does not have any non-current assets classified as held for sale or operations classified as discontinued and the application of the amendments had no impact on the disclosures or amounts recognised. TCTA does not publish interim financial statements but will cross-reference between the interim financial statements and wherever information is included within the interim financial report as required by this amendment should TCTA be required to prepare interim financial statements in terms of IAS 34 in any future period.

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

New or revised standards or pronouncements:

Annual Improvements 2012 - 2014 Cycle

Effective for annual periods beginning on or after:

1 January 2016

Impact:

IFRS 7 - Financial Instruments: Disclosures: Servicing contracts and applicability of the offsetting disclosures to condensed interim financial statements

The amendments to IFRS 7 gives additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements

Servicing contracts

- The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Therefore an entity must assess the nature of the fee and the arrangement against the guidance in IFRS 7 to determine whether the disclosures are required.
- The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

Applicability of the offsetting disclosures to condensed interim financial statements

- The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.

The application of the amendment had no impact on the disclosures or amounts recognised.

IAS 19 - Employee Benefits: Discount rate: regional market issue

IAS 19 requires an entity to recognise a post-employment benefit obligation for its defined benefit plans. This obligation must be discounted using market rates on high quality corporate bonds or using government bond rates if a deep market for corporate bonds does not exist. The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

The amendment must be applied prospectively.

The application of the amendment had no impact on the disclosures or amounts recognised as TCTA has no defined benefit plans.

IAS 34 - Interim Financial Reporting: Disclosure of information 'elsewhere in the interim financial report'

IAS 34 requires entities to disclose information in the notes to the interim financial statements "if not disclosed elsewhere in the interim financial report". The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g, in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

TCTA does not publish interim financial statements but will cross-reference between the interim financial statements and wherever information is included within the interim financial report as required by this amendment should TCTA be required to prepare interim financial statements in terms of IAS 34 in any future period.

2.4 Standards in issue but not yet applied

New or revised standards or pronouncements:

IFRS 9 - *Financial Instruments*

Effective for annual periods beginning on or after

1 January 2018

Impact:

IFRS 9 introduces a single classification and measurement model for financial assets, dependent on both:

- The entity's business model objective for managing financial assets; and
- The contractual cash flow characteristics of financial assets.

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

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

Initial recognition and measurement of financial assets and financial liabilities

At fair value plus directly attributable transaction costs for when the financial assets and liabilities are not classified at fair value through profit or loss:

- Fair value - is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
- Directly attributable transaction costs - incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Classification and measurement of financial assets

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

Subsequent classification and measurement of financial liabilities

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

b) Impairment methodology

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

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

2.4 Standards in issue but not yet applied (continued)

New or revised standards or pronouncements:

IFRS 9 - *Financial Instruments*

Effective for annual periods beginning on or after

1 January 2018

Impact:

c) Hedge accounting

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

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

Derecognition

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

TCTA will assess the impact of the standard on the financial reporting in the near future. This assessment will occur to ensure that at such point that the effective date is finalised the reporting for this amendment has been finalised.

New or revised standards or pronouncements:

IFRS 15 - *Revenue from Contracts with Customers*

Effective for annual periods beginning on or after

1 January 2017

Impact

IFRS 15 provides a single, principles based five step model to be applied to all contracts with customers and will replace all existing revenue Standards and Interpretations. It also provides a model for the recognition and measurement of disposal of non-financial assets such as property plant and equipment and intangible assets. The core principle in the standard is that the entity will recognise revenue that reflects the consideration to which the entity expects to be entitled for transferring goods or services to the customer. The IASB announced in April 2015, it plans to issue an exposure draft on its decision to propose a one-year deferral of the effective date for its new revenue standard, IFRS 15 *Revenue from Contracts with Customers*.

The five steps in the model are as follows:

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

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

TCTA will assess the impact of this Standard on the financial reporting in the near future. This assessment will occur to ensure that at such point that the effective date is finalised the reporting for this amendment has been finalised.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Statement of compliance

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

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 24. TCTA presents financial information on an individual project basis about the financial position, financial performance and cash flows of TCTA which will be useful to the users of these financial statements.

3.3 Summary of significant accounting policies

3.3.1 Property, plant and equipment

3.3.1.1 Recognition and measurement

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

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

3.3.1.2 Subsequent costs

The costs of day-to-day servicing of assets are not recognised as property, plant and equipment, but are expensed as repairs and maintenance in the year incurred. Costs of replacing or upgrading components of an asset can be capitalised, provided that the recognition criteria have been met. The costs of replacement/upgrading are capitalised to the carrying amount of the component of property, plant and equipment when that cost is incurred, while the carrying amounts of components replaced, are derecognised. Costs of improvements are also capitalised when it meets the recognition criteria.

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

3.3.1.3 Furniture, vehicles, computer and office equipment

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

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

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

3.3 Summary of significant accounting policies (continued)

3.3.1.4 Assets held under finance leases

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

3.3.1.5 Leasehold improvements

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

3.3.1.6 Disposals of property, plant and equipment

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

3.3.1.7 Impairment

IAS 36: *Impairment of assets*, is applied to all property, plant and equipment. At each reporting date, TCTA reviews the carrying amounts of its assets to determine whether there is any indication that those assets may be impaired. An asset's recoverable amount is the higher of an asset's or CGU fair value less costs of disposal and its value in use. The impairment losses are recognised in surplus or deficit.

A reversal of an impairment loss for an asset is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount. Any reversal of a revalued asset shall be credited directly to equity. This occurs if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Recoverable amount

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

Fair value less costs of disposal

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

Value in use

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

3.3.2 Foreign currency translation

3.3.2.1 Functional and presentation currency

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

3.3.2.2 Transactions and balances

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

3.3.3 Financial assets

3.3.3.1 Classification

TCTA recognises a financial asset in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. Financial assets are classified based on TCTA's business model (IFRS 9, (2009, 2010)). TCTA considers if it holds the financial assets to collect contractual cash flows or to sell it prior to maturity to realise fair value changes. TCTA holds its' financial assets to maturity and thus elected to collect the cash flows from holding the asset.

TCTA considers the characteristics of the contractual cash flows of the financial assets to determine whether the conditions for amortised cost have been met as detailed below. Assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs. Assets are subsequently measured at amortised cost or fair value.

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

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

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

3.3.3.2 Redemption assets

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

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

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

3.3.3.3 Tariff receivable

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

3.3 Summary of significant accounting policies (continued)

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

TCTA revises its estimates of costs and water tariff annually and adjusts the carrying amount of the Tariff receivable to reflect actual and revised estimated cash flows. TCTA recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate calculated in accordance with paragraph AG8 of IAS 39. The adjustment is recognised in surplus or deficit. The critical accounting estimates and judgements from management is included in note 24.2.

3.3.3.4 Derivative instruments

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

3.3.3.5 Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

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

3.3.3.6 Derecognition of financial assets

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

If TCTA retains substantially all the risks and rewards of ownership of a transferred financial asset, TCTA continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. A transfer occurs when the entity transfers the contractual rights to receive the cash flows of the financial asset or assumes a contractual obligation to pay cash flows to one or more recipients in terms of an arrangement that meets the requirements of IFRS 9 3.2.5.

3.3.3.7 Effective interest method

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

3.3.3.8 Cash and short-term deposits

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

3.3.4 Financial liabilities

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

3.3.4.1 Financial liabilities at FVTPL

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

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

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

3.3.4.2 Short-term financial market liabilities*Funding portfolio*

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

Strategic portfolio

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

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

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

3.3.4.3 Other financial liabilities

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

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

3.3 Summary of significant accounting policies (continued)

3.3.4.4 Long-term financial market liabilities

Funding portfolio

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

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

3.3.4.5 Trade and other payables

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

3.3.4.6 Derecognition of financial liabilities

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

3.3.4.7 Gains and losses on subsequent measurement of financial instruments

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

3.3.5 Fair value estimation

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

The fair values of the listed bonds are the closing rate of the Johannesburg Securities Exchange Limited’s bond market closing rate as at the reporting date. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. TCTA uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

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

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

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

3.3.6 Offsetting

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

3.3.7 Borrowing costs

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

3.3.8 Employee benefits

3.3.8.1 Short term employee benefits

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

Leave benefits

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

3.3.8.2 Termination benefits

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

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

3.3.9 Provisions

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

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

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

3.3.9.1 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. The LHDA is directly responsible for the management and payment of the underlying contracts. TCTA annually receive estimates of the future cash flows payable on these contracts from the LHDA.

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

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

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

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

3.3 Summary of significant accounting policies (continued)

3.3.11 Construction contracts

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

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

3.3.11.1 Contract costs

Contract costs comprise:

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

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

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

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

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

3.3.11.2 Contract revenue

Contract revenue comprises:

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

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

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

3.3.12 Royalties

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

In terms of Article 12, Paragraph (10) of The Treaty between Governments of the Republic of South Africa and the Kingdom of Lesotho, royalties comprise of a fixed and a variable component. The fixed component relating to the investment element of the net benefit of LHWP compared to the OVTS and adjusted on a monthly basis in accordance with the Production Price Index (PPI) published in the Republic of South Africa. The compensation will be for fifty years and commenced in January 1995.

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

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

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

3.3.13 Interest income

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

3.3.14 Leasing

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

3.3.14.1 Finance leases

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

3.3.14.2 Operating leases

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

3.3.15 Related party transactions

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

3.3.16 Fruitless and wasteful and irregular expenditure

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

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

Both fruitless and wasteful expenditure and irregular expenditure are recognised as expenditure in the aggregated statement of comprehensive income.

4 SEGMENTAL INFORMATION

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

4.1 Operating segments

Each segment is identified in terms of separate directives received from the Minister of Water and Sanitation. Each of these segments (projects) meets the criteria as an identifiable component of TCTA's business as

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

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

4.2 Identification of operating segments

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

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

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

In terms of IFRS two or more operating segments may be aggregated into a single operating segment if aggregation is consistent with the core principle of the standard, have similar economic characteristics, and if the segments are similar in certain aspects. TCTA does not aggregate segments together as is defined in this IFRS for reporting purposes.

The aggregated financial statements are merely a sum total of TCTA's assets, liabilities, income and expenses. TCTA therefore includes a full statement of financial position and statement of comprehensive income in note 4.4 below as well as the segmental cash flows as an annexure to these financial statements to fulfil its obligation of separate reporting.

4.3 Entity-wide disclosures

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

| ACRONYM | DESCRIPTION | CURRENT WORK |
|---------|---|---|
| VRS | <p>Vaal River System The Income Agreement, signed in 2001 between DWS and TCTA, established the principle of using water use charges on the Vaal River System (VRS) to enable TCTA to meet its financial obligations incurred when carrying out a directive of the Minister, where no alternative source of income was provided (transfers or separate income streams).</p> <p>TCTA separately accounts for the expenses incurred on each project in accordance with the Notice of Establishment, and recovers these costs through the water use charges on the VRS.</p> | |
| LHWP | <p>Lesotho Highlands Water Project Phase I comprised the water transfer component in Lesotho (Katse and Mohale Dams and the transfer tunnel) and the delivery tunnel in South Africa from the Caledon River to the Ash River outfall north of Clarens.</p> <p>Phase II comprises Polihale Dam in Lesotho and a water conveyance tunnel connecting Polihali Reservoir with Katse Reservoir.</p> <ol style="list-style-type: none"> Phase 1 Delivery Tunnel North. To fulfil the RSA financial obligations in terms of or resulting from the Treaty. | <p>Management of debt</p> <p>Operations and maintenance Royalty payments Funding of: - the operation and maintenance of the water transfer component by LHDA, - funding of Phase II and - funding of LHWC costs</p> |
| | <p>Advisory services Advice to institutions on various matters pertaining to the construction of infrastructure and the viability of the water sector</p> | <p>Advisory services to six institutions</p> |
| AMD | <p>Acid Mine Drainage This project comprise the installation of pumps to extract water from the Western, Central and Eastern Basins in the Witwatersrand gold fields and its neutralisation before discharge into the river system.</p> | <p>Implementation and funding</p> |
| SIP-3 | <p>Strategic Integrated Programme No. 3 ⁽¹⁾ Coordination and, where applicable, provide strategic advice to this suite of projects to ensure timeous project delivery.</p> | <p>Advisory</p> |
| SIP-18 | <p>Strategic Integrated Programme No. 18 ⁽¹⁾ Technical co-ordination of all water and sanitation projects.</p> | <p>Advisory</p> |

⁽¹⁾ No material amounts have been incurred in these projects to date.

4.3 Entity-wide disclosures (continued)

| ACRONYM | DESCRIPTION | CURRENT WORK |
|----------|--|--|
| BWP | Berg Water Project The Berg River Dam and supplement scheme located in the upper reaches of the Berg River near Franschhoek, Western Cape. | Management of debt, close-out of the project |
| VRESAP | Vaal River Eastern Sub-system Augmentation Project The project involves the installation of a system to convey water 121 km from the Vaal Dam to the Secunda area. | Management of debt, close-out of the project |
| MMTS-2 | Mooi Mgeni Transfer Scheme 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 |
| KWSAP | Komati Water Scheme Augmentation Project This project extends the VRESS system. The project entails water supply to Eskom's Duvha and the new Kusile power stations in Mpumalanga. | Management of debt, close-out of the project |
| ORWRDP | Olifants River Water Resource Development Project Consists of: Phase 2C comprises of a 40 km pipeline from De Hoop Dam to Steelpoort. All future phases: The scope of work is currently under discussion with DWS. | Implementation Pre-implementation phase |
| BOREHOLE | Metsi Bophelo BOREHOLE Water Supply Project This is a DWS-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. | Close-out of the project |
| MCWAP | Mokolo - Crocodile Water Augmentation Project Phase 1 comprises a pump station and a 43-km pipeline. The project will deliver an additional 30 million m ³ water per year from the Mokolo Dam to Medupi Power Station and its associated developments. Phase 2 comprises an abstraction weir, pump stations and a 160 km pipe line to transfer water from the Crocodile River to the Lephale area. | Funding and implementation Pre-implementation phase |

| ACRONYM | DESCRIPTION | CURRENT WORK |
|---------|---|----------------|
| MMTS-1 | Mooi Mgeni Transfer Scheme (Phase I) This project comprises the refurbishment of the existing transfer scheme from Mearns Weir into the Mgeni system. | Implementation |
| UMGENI | Umgeni The MMTS-2 directive was amended on 20 March 2014 to include the construction of a potable water pipeline for Umgeni water as part of the water transfer project. | Implementation |
| | Mzimvubu Water Project ⁽¹⁾ Support to DWS in planning and implementation of the project. | Advisory |
| VGS | Vaal Gamagara Scheme ⁽¹⁾ Phase 1 comprises the refurbishment and upgrading of the existing scheme to ensure that it can keep pace with the increasing demands from mining, municipal and agricultural use in the area between Postmasburg and Black Rock in the Northern Cape. | Planning phase |

⁽¹⁾ No material amounts have been incurred in these projects to date.

4.4 Operating segments: financial results

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

SEGMENTAL STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015

| Notes | LHWP R million | BWP R million | VRESAP R million | MCWAP R million |
|---|-------------------|------------------|---------------------|--------------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| | 16 082 | 727 | 3 546 | 874 |
| Property, plant and equipment | 6 | 13 | - | - |
| Tariff receivable | 7.4 | 15 763 | 727 | 874 |
| Long-term financial market investments | 7.5 | 306 | - | - |
| Current assets | | | | |
| | 6 788 | 295 | 376 | 176 |
| Tariff receivable | 7.4 | 2 723 | 186 | - |
| Loans and other receivables | 8 | 995 | - | - |
| Short-term financial market investments | 7.5 | 2 980 | 109 | 169 |
| Prepaid expenditure | 9 | 90 | - | 1 |
| Non-contractual amounts | 11 | - | - | 6 |
| TOTAL ASSETS | 22 870 | 1 022 | 3 922 | 1 050 |
| EQUITY AND LIABILITIES | | | | |
| Reserves | | | | |
| | 2 499 | (26) | 65 | (203) |
| Cumulative surplus/(deficit) | | 2 499 | (26) | 65 |
| TOTAL EQUITY | 2 499 | (26) | 65 | (203) |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| | 19 302 | 847 | 3 426 | 1 193 |
| Long-term financial market liabilities | 7.6 | 18 983 | 847 | 1 193 |
| Provision | 12 | 319 | - | - |
| Current liabilities | | | | |
| | 1 069 | 201 | 431 | 60 |
| Trade and other payables | 10 | 660 | 6 | 52 |
| Non-contractual amounts | 11 | 97 | 2 | - |
| Provisions | 12 | 48 | - | - |
| Derivative financial instruments | 7.11 | - | - | - |
| Short-term financial market liabilities | 7.6 | 264 | 193 | 8 |
| TOTAL LIABILITIES | 20 371 | 1 048 | 3 857 | 1 253 |
| TOTAL EQUITY AND LIABILITIES | 22 870 | 1 022 | 3 922 | 1 050 |

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

FOR THE YEAR ENDED 31 MARCH 2015

| MMTS-2 R million | ORWRDP R million | KWSAP R million | BOREHOLE R million | AMD R million | MMTS-1 R million | UMGENI R million | Total R million |
|---------------------|---------------------|--------------------|-----------------------|------------------|---------------------|---------------------|--------------------|
| 1 323 | - | 871 | - | - | - | - | 23 423 |
| - | - | - | - | - | - | - | 13 |
| 1 323 | - | 871 | - | - | - | - | 23 104 |
| - | - | - | - | - | - | - | 306 |
| 223 | 469 | 96 | 1 | 1 149 | 2 | 61 | 9 636 |
| - | - | 89 | - | - | - | - | 3 352 |
| 33 | 260 | - | - | 969 | 2 | 61 | 2 320 |
| 162 | 190 | 7 | 1 | 65 | - | - | 3 705 |
| 21 | 10 | - | - | 89 | - | - | 211 |
| 7 | 9 | - | - | 26 | - | - | 48 |
| 1 546 | 469 | 967 | 1 | 1 149 | 2 | 61 | 33 059 |
| (29) | - | (224) | 1 | - | - | 1 | 2 084 |
| (29) | - | (224) | 1 | - | - | 1 | 2 084 |
| (29) | - | (224) | 1 | - | - | 1 | 2 084 |
| 1 244 | - | 1 168 | - | - | - | - | 27 180 |
| 1 244 | - | 1 168 | - | - | - | - | 26 861 |
| - | - | - | - | - | - | - | 319 |
| 331 | 469 | 23 | - | 1 149 | 2 | 60 | 3 795 |
| 174 | 469 | 4 | - | 1 149 | 2 | 60 | 2 618 |
| - | - | 2 | - | - | - | - | 109 |
| - | - | - | - | - | - | - | 48 |
| - | - | - | - | - | - | - | - |
| 157 | - | 17 | - | - | - | - | 1 020 |
| 1 575 | 469 | 1 191 | - | 1 149 | 2 | 60 | 30 975 |
| 1 546 | 469 | 967 | 1 | 1 149 | 2 | 61 | 33 059 |

4.4 Operating segments: financial results (continued)

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

RESTATED SEGMENTAL STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014

| | Notes | LHWP R million | BWP R million | VRESAP R million | MCWAP R million |
|---|-------|-------------------|------------------|---------------------|--------------------|
| ASSETS | | | | | |
| Non-current assets | | | | | |
| | | 18 484 | 777 | 3 460 | 469 |
| Property, plant and equipment | 6 | 23 | - | - | - |
| Tariff receivable | 7.4 | 17 643 | 777 | 3 460 | 469 |
| Long-term financial market investments | 7.5 | 818 | - | - | - |
| Current assets | | | | | |
| | | 5 217 | 228 | 379 | 25 |
| Tariff receivable | 7.4 | 2 725 | 183 | 328 | - |
| Loans and other receivables | 8 | 330 | - | 6 | - |
| Short-term financial market investments | 7.5 | 2 126 | 44 | 44 | 15 |
| Prepaid expenditure | 9 | 36 | - | - | 1 |
| Non-contractual amounts | 11 | - | 1 | 1 | 9 |
| TOTAL ASSETS | | 23 701 | 1 005 | 3 839 | 494 |
| EQUITY AND LIABILITIES | | | | | |
| Reserves | | | | | |
| | | 3 463 | (76) | (8) | (343) |
| Cumulative surplus/(deficit) | | 3 463 | (76) | (8) | (343) |
| TOTAL EQUITY | | 3 463 | (76) | (8) | (343) |
| LIABILITIES | | | | | |
| Non-current liabilities | | | | | |
| | | 19 206 | 925 | 3 409 | 711 |
| Long-term financial market liabilities | 7.6 | 18 856 | 925 | 3 409 | 711 |
| Provision | 12 | 350 | - | - | - |
| Current liabilities | | | | | |
| | | 1 032 | 156 | 438 | 126 |
| Trade and other payables | 10 | 709 | 3 | 156 | 126 |
| Non-contractual amounts | 11 | 83 | - | - | - |
| Provisions | 12 | 37 | - | - | - |
| Derivative financial instruments | 7.11 | 3 | - | - | - |
| Short-term financial market liabilities | 7.6 | 200 | 153 | 282 | - |
| TOTAL LIABILITIES | | 20 238 | 1 081 | 3 847 | 837 |
| TOTAL EQUITY AND LIABILITIES | | 23 701 | 1 005 | 3 839 | 494 |

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

FOR THE YEAR ENDED 31 MARCH 2015

| MMTS-2 R million | ORWRDP R million | KWSAP R million | BOREHOLE R million | AMD R million | MMTS-1 R million | Restated total R million |
|---------------------|---------------------|--------------------|-----------------------|------------------|---------------------|-----------------------------|
| 442 | - | 899 | - | - | - | 24 531 |
| - | - | - | - | - | - | 23 |
| 442 | - | 899 | - | - | - | 23 690 |
| - | - | - | - | - | - | 818 |
| 233 | 418 | 151 | 1 | 519 | 9 | 7 180 |
| - | - | 67 | - | - | - | 3 303 |
| 10 | 231 | - | - | 506 | 6 | 1 089 |
| 171 | 163 | 84 | 1 | 1 | - | 2 649 |
| 50 | 24 | - | - | - | 3 | 114 |
| 2 | - | - | - | 12 | - | 25 |
| 675 | 418 | 1 050 | 1 | 519 | 9 | 31 711 |
| (556) | - | (207) | 1 | - | - | 2 274 |
| (556) | - | (207) | 1 | - | - | 2 274 |
| (556) | - | (207) | 1 | - | - | 2 274 |
| 792 | - | 1 080 | - | - | - | 26 123 |
| 792 | - | 1 080 | - | - | - | 25 773 |
| - | - | - | - | - | - | 350 |
| 439 | 418 | 177 | - | 519 | 9 | 3 314 |
| 44 | 416 | 27 | - | 519 | 9 | 2 009 |
| - | 2 | 1 | - | - | - | 86 |
| - | - | - | - | - | - | 37 |
| - | - | - | - | - | - | 3 |
| 395 | - | 149 | - | - | - | 1 179 |
| 1 231 | 418 | 1 257 | - | 519 | 9 | 29 437 |
| 675 | 418 | 1 050 | 1 | 519 | 9 | 31 711 |

4.4 Operating segments: financial results (continued)

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

RESTATED SEGMENTAL STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013

| | Notes | LHWP R million | BWP R million | VRESAP R million | MCWAP R million |
|---|-------|-------------------|------------------|---------------------|--------------------|
| ASSETS | | | | | |
| Non-current assets | | | | | |
| | | 20 408 | 838 | 3 318 | 113 |
| Property, plant and equipment | 6 | 7 | - | - | - |
| Tariff receivable | 7.4 | 19 695 | 838 | 3 318 | 113 |
| Long-term financial market investments | 7.5 | 706 | - | - | - |
| Current assets | | | | | |
| | | 4 262 | 280 | 588 | 229 |
| Tariff receivable | 7.4 | 2 478 | 182 | 445 | - |
| Loans and other receivables | 8 | 48 | - | 16 | 1 |
| Derivative financial instruments | 7.11 | 4 | - | - | - |
| Short-term financial market investments | 7.5 | 1 707 | 76 | 126 | 228 |
| Prepaid expenditure | 9 | 24 | - | 1 | - |
| Non-contractual amounts | 11 | - | - | - | - |
| Cash and cash equivalents | 13 | 1 | 22 | - | - |
| TOTAL ASSETS | | 24 670 | 1 118 | 3 906 | 342 |
| EQUITY AND LIABILITIES | | | | | |
| Reserves | | | | | |
| | | 4 389 | (120) | 68 | (293) |
| Cumulative surplus/(deficit) | | 4 389 | (120) | 68 | (293) |
| TOTAL EQUITY | | 4 389 | (120) | 68 | (293) |
| LIABILITIES | | | | | |
| Non-current liabilities | | | | | |
| | | 18 953 | 1 002 | 3 636 | 561 |
| Long-term financial market liabilities | 7.6 | 18 695 | 1 002 | 3 636 | 561 |
| Provision | 12 | 258 | - | - | - |
| Current liabilities | | | | | |
| | | 1 328 | 236 | 202 | 74 |
| Trade and other payables | 10 | 742 | 22 | 40 | 74 |
| Non-contractual amounts | 11 | 91 | 3 | 7 | - |
| Provisions | 12 | 24 | - | - | - |
| Derivative financial instruments | 7.11 | - | - | - | - |
| Short-term financial market liabilities | 7.6 | 471 | 211 | 155 | - |
| TOTAL LIABILITIES | | 20 281 | 1 238 | 3 838 | 635 |
| TOTAL EQUITY AND LIABILITIES | | 24 670 | 1 118 | 3 906 | 342 |

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

FOR THE YEAR ENDED 31 MARCH 2015

| MMTS-2 R million | ORWRDP R million | KWSAP R million | BOREHOLE R million | AMD R million | MMTS-1 R million | Restated total R million |
|---------------------|---------------------|--------------------|-----------------------|------------------|---------------------|-----------------------------|
| 783 | - | 1 037 | - | - | - | 26 497 |
| - | - | - | - | - | - | 7 |
| 783 | - | 1 037 | - | - | - | 25 784 |
| - | - | - | - | - | - | 706 |
| 166 | 497 | 25 | 2 | 166 | 35 | 6 250 |
| - | - | - | - | - | - | 3 105 |
| - | 241 | - | 1 | 15 | 35 | 357 |
| - | - | - | - | - | - | 4 |
| 158 | 122 | 21 | 1 | 114 | - | 2 553 |
| 2 | 134 | - | - | 32 | - | 193 |
| 6 | - | 4 | - | 5 | - | 15 |
| - | - | - | - | - | - | 23 |
| 949 | 497 | 1 062 | 2 | 166 | 35 | 32 747 |
| (62) | - | (64) | 1 | - | - | 3 919 |
| (62) | - | (64) | 1 | - | - | 3 919 |
| (62) | - | (64) | 1 | - | - | 3 919 |
| 614 | - | 984 | - | - | - | 25 750 |
| 614 | - | 984 | - | - | - | 25 492 |
| - | - | - | - | - | - | 258 |
| 397 | 497 | 142 | 1 | 166 | 35 | 3 078 |
| 110 | 487 | 43 | 1 | 166 | 35 | 1 720 |
| - | 10 | - | - | - | - | 111 |
| - | - | - | - | - | - | 24 |
| - | - | - | - | - | - | - |
| 287 | - | 99 | - | - | - | 1 223 |
| 1 011 | 497 | 1 126 | 1 | 166 | 35 | 28 828 |
| 949 | 497 | 1 062 | 2 | 166 | 35 | 32 747 |

4.4 Operating segments: financial results (continued)

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

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

| | Notes | LHWP R million | BWP R million | VRESAP R million | MCWAP R million |
|--|-------|-------------------|------------------|---------------------|--------------------|
| CONSTRUCTION REVENUE | 14 | 29 | - | 2 | 171 |
| CONSTRUCTION COSTS | 14 | (29) | - | (2) | (171) |
| OTHER INCOME | 15 | 785 | 4 | 6 | - |
| EXPENSES | | (785) | (4) | (6) | - |
| Legal fees and litigation costs | | - | - | (1) | - |
| Depreciation | | (11) | - | - | - |
| Operating costs for the works in Lesotho | | (99) | - | - | - |
| Lesotho Highlands Water Commission costs | 16 | (18) | - | - | - |
| Staff costs | | (146) | - | - | - |
| Directors' emoluments | | (4) | - | - | - |
| Royalties paid | 18 | (612) | - | - | - |
| Other operating expenses | 19 | 105 | (4) | (5) | - |
| OPERATING SURPLUS/(DEFICIT) | | - | - | - | - |
| NET FINANCE COSTS | | (964) | 50 | 73 | 140 |
| Finance income | 17.1 | 1 344 | 138 | 433 | 243 |
| Finance costs | 17.2 | (2 308) | (88) | (360) | (103) |
| (DEFICIT)/SURPLUS FOR THE YEAR | | (964) | 50 | 73 | 140 |
| OTHER COMPREHENSIVE INCOME | | - | - | - | - |
| TOTAL COMPREHENSIVE (DEFICIT)/ SURPLUS FOR THE YEAR | | (964) | 50 | 73 | 140 |

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

FOR THE YEAR ENDED 31 MARCH 2015

| MMTS-2 R million | ORWRDP R million | KWSAP R million | BOREHOLE R million | AMD R million | MMTS-1 R million | UMGENI R million | Total R million |
|---------------------|---------------------|--------------------|-----------------------|------------------|---------------------|---------------------|--------------------|
| 411 | 514 | 8 | - | 575 | 31 | 7 | 1 748 |
| (411) | (514) | (8) | - | (575) | (31) | (7) | (1 748) |
| - | - | 4 | - | - | - | - | 799 |
| - | - | (4) | - | - | - | - | (799) |
| - | - | - | - | - | - | - | (1) |
| - | - | - | - | - | - | - | (11) |
| - | - | - | - | - | - | - | (99) |
| - | - | - | - | - | - | - | (18) |
| - | - | - | - | - | - | - | (146) |
| - | - | - | - | - | - | - | (4) |
| - | - | - | - | - | - | - | (612) |
| - | - | (4) | - | - | - | - | 92 |
| - | - | - | - | - | - | - | - |
| 527 | - | (17) | - | - | - | 1 | (190) |
| 644 | - | 103 | - | - | - | 1 | 2 906 |
| (117) | - | (120) | - | - | - | - | (3 096) |
| 527 | - | (17) | - | - | - | 1 | (190) |
| - | - | - | - | - | - | - | - |
| 527 | - | (17) | - | - | - | 1 | (190) |

4.4 Operating segments: financial results (continued)

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

RESTATED SEGMENTAL STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2014

| | Notes | LHWP R million | BWP R million | VRESAP R million | MCWAP R million |
|--|-------|-------------------|------------------|---------------------|--------------------|
| CONSTRUCTION REVENUE | 14 | 42 | 1 | 112 | 349 |
| CONSTRUCTION COSTS | 14 | (42) | (1) | (112) | (349) |
| OTHER INCOME | 15 | 920 | 4 | 23 | - |
| EXPENSES | | (920) | (4) | (23) | - |
| Legal fees and litigation costs | | - | - | (9) | - |
| Depreciation | | (12) | - | - | - |
| Operating costs for the works in Lesotho | | (106) | - | - | - |
| Lesotho Highlands Water Commission costs | 16 | (13) | - | - | - |
| Staff costs | | (132) | - | - | - |
| Directors' emoluments | | (7) | - | - | - |
| Royalties paid | 18 | (687) | - | - | - |
| Other operating expenses | 19 | 37 | (4) | (14) | - |
| OPERATING SURPLUS/(DEFICIT) | | - | - | - | - |
| NET FINANCE COSTS | | (926) | 44 | (76) | (50) |
| Finance income | 17.1 | 1 342 | 136 | 377 | 19 |
| Finance costs | 17.2 | (2 268) | (92) | (453) | (69) |
| (DEFICIT)/SURPLUS FOR THE YEAR | | (926) | 44 | (76) | (50) |
| OTHER COMPREHENSIVE INCOME | | - | - | - | - |
| TOTAL COMPREHENSIVE (DEFICIT)/ SURPLUS FOR THE YEAR | | (926) | 44 | (76) | (50) |

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

FOR THE YEAR ENDED 31 MARCH 2015

| MMTS-2 R million | ORWRDP R million | KWSAP R million | BOREHOLE R million | AMD R million | MMTS-1 R million | Restated total R million |
|---------------------|---------------------|--------------------|-----------------------|------------------|---------------------|-----------------------------|
| 262 | 541 | 53 | - | 595 | 41 | 1 996 |
| (262) | (541) | (53) | - | (595) | (41) | (1 996) |
| - | - | 15 | - | - | - | 962 |
| - | - | (15) | - | - | - | (962) |
| - | - | - | - | - | - | (9) |
| - | - | - | - | - | - | (12) |
| - | - | - | - | - | - | (106) |
| - | - | - | - | - | - | (13) |
| - | - | - | - | - | - | (132) |
| - | - | - | - | - | - | (7) |
| - | - | - | - | - | - | (687) |
| - | - | (15) | - | - | - | 4 |
| - | - | - | - | - | - | - |
| (494) | - | (143) | - | - | - | (1 645) |
| 81 | - | 112 | - | - | - | 2 067 |
| (575) | - | (255) | - | - | - | (3 712) |
| (494) | - | (143) | - | - | - | (1 645) |
| - | - | - | - | - | - | - |
| (494) | - | (143) | - | - | - | (1 645) |

5 FINANCIAL INSTRUMENT RISK MANAGEMENT

5.1 Capital management

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

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

TCTA is not subject to any externally imposed capital requirements except for adherence to the debt ceiling as approved by DWS with concurrence from the Minister of Finance. TCTA's Asset and Liability Committee (ALCO) reviewed each project's capital structure for the first quarter and the Accounting Authority thereafter. As part of this review, the committee considers the cost of capital and the risks associated with each class of debt.

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

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

5.2 Financial risk management objectives

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

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

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

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

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

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

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

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

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

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

5.2.1 Liquidity risk

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

Liquidity risk is the risk that TCTA will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is managed through the following:

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

To further manage liquidity risk, counterparty limits have been set on the basis that a single counterparty should not provide more than 40% of callable borrowings. The aim of this is to prevent a concentration of borrowings with a single counterparty.

5.2 Financial risk management objectives (continued)

5.2.1.1 LHWP

a. Financing facilities

Funding sources and utilisation at 31 March:

| | 2015 R million | 2014 R million |
|----------------------------------|-------------------|-------------------|
| Total borrowing authority | | |
| Global limit ⁽¹⁾ | 22 200 | 20 700 |
| Utilisation | 20 677 | 20 476 |
| Available | 1 523 | 224 |

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

⁽¹⁾ The Global limit is as set by National Treasury and governs the total limit of gross liabilities of the project.

The individual limit is set internally from time to time when markets are suitable to move from one instrument to the other.

Total utilisation of capital market and commercial paper facilities

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

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

2015

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

⁽¹⁾ The borrowing limits for bonds is as approved from time to time by the ALCO Meeting.

The borrowing limits for the bonds is governed by the total acceptable issuance limit of R25 billion.

2014

| Approved facilities | Individual limit R million | Issued R million | Available R million | CPI adjusted value R million | Outstanding debt R million |
|--------------------------------------|-------------------------------|---------------------|------------------------|---------------------------------|-------------------------------|
| Total issued to date | | | | | |
| Commercial Paper Programme | 4 000 | 127 | 3 873 | - | 127 |
| Capital Market - WS04 ⁽¹⁾ | 4 900 | 4 900 | - | - | 5 018 |
| Capital Market - WS05 | 7 000 | 3 525 | 3 475 | 7 107 | 5 725 |
| Capital Market - WSP1 | 1 000 | 121 | 879 | - | 120 |
| Capital Market - WSP2 ⁽¹⁾ | 2 436 | 2 436 | - | - | 2 449 |
| Capital Market - WSP3 | 1 000 | 45 | 955 | - | 44 |
| Capital Market - WSP4 | 1 000 | 99 | 901 | - | 95 |
| Capital Market - WSP5 ⁽¹⁾ | 5 083 | 5 083 | - | - | 5 151 |
| | | 16 336 | 10 083 | 7 107 | 18 729 |
| Repurchases | | | | | |
| Repurchases for the year | 1 000 | 229 | 771 | - | 229 |

⁽¹⁾ The borrowing limits for bonds is as approved from time to time by the ALCO Meeting.

The borrowing limits for the bonds is governed by the total acceptable issuance limit of R21 billion.

Loan commitments

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

| Total utilisation of local and foreign loans | 2015 R million | 2014 R million |
|--|-------------------|-------------------|
| Local loans | 171 | 217 |
| Foreign loans | 81 | 112 |
| Total | 252 | 329 |

| Total local and foreign debt outstanding | 2015 R million | 2014 R million |
|--|-------------------|-------------------|
| Local loans | 171 | 217 |
| Foreign loans | 81 | 112 |
| Total | 252 | 329 |

b. Government-guaranteed facilities

TCTA has in place government-guaranteed liquidity facilities of R550 million (2014: R550 million), with commercial banks. These facilities can be drawn upon should the need arise and are, therefore, useful as a liquidity buffer. As at 31 March 2015, these facilities were not utilised (2014: unused).

c. Liquidity and interest risk tables

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

5.2 Financial risk management objectives (continued)

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

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

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

2015

| Non-derivative financial assets/ (liabilities) | Weighted average effective interest rate % | Total un- discounted current financial assets/ (liabilities) R million | Non-current financial assets/(liabilities) | | Total un- discounted non-current financial assets/ (liabilities) R million | Total un- discounted financial assets/ (liabilities) R million |
|---|--|--|---|---------------------------|--|---|
| | | | 1-5 years R million | >5 years R million | | |
| Financial assets | | | | | | |
| Tariff receivable | 4,77% | 2 853 | 9 529 | 10 757 | 20 286 | 23 139 |
| Loans and receivables | Not applicable | 995 | - | - | - | 995 |
| Fixed term investments | 6,31% | 1 032 | - | - | - | 1 032 |
| Variable interest rate investments ⁽¹⁾ | 6,51% | 1 758 | 306 | - | 306 | 2 064 |
| Cash and cash equivalents | Not applicable | - | - | - | - | - |
| Repo borrows | 7,03% | 191 | - | - | - | 191 |
| Financial asset maturities | | 6 829 | 9 835 | 10 757 | 20 592 | 27 421 |
| Financial liabilities | | | | | | |
| Bonds | 9,37% | (1 422) | (9 890) | (5 870) | (15 760) | (17 182) |
| CPI-linked bonds | 11,54% | (398) | (10 204) | - | (10 204) | (10 602) |
| Commercial paper | 5,45% | (77) | - | - | - | (77) |
| Fixed rate loans: local | 10,16% | (13) | (43) | (18) | (61) | (74) |
| Fixed rate loans: foreign | 3,00% | (12) | (24) | - | (24) | (36) |
| Variable rate loans: local ⁽¹⁾ | 6,33% | (63) | (120) | - | (120) | (183) |
| Trade and other payables | Not applicable | (660) | - | - | - | (660) |
| Financial liabilities maturities | | (2 645) | (20 281) | (5 888) | (26 169) | (28 814) |
| Net financial asset/(liabilities) | | 4 184 | (10 446) | 4 869 | (5 577) | (1 393) |

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

2014

| Non-derivative financial assets/ (liabilities) | Weighted average effective interest rate % | Total un- discounted current financial assets/ (liabilities) R million | Non-current financial assets/(liabilities) | | Total un- discounted non-current financial assets/ (liabilities) R million | Total un- discounted financial assets/ (liabilities) R million |
|---|--|--|---|-----------------------|--|---|
| | | | 1-5 years R million | >5 years R million | | |
| Financial assets ⁽²⁾ | | | | | | |
| Tariff receivable | 4,77% | 2 854 | 10 316 | 12 580 | 22 896 | 25 750 |
| Loans and receivables | Not applicable | 330 | - | - | - | 330 |
| Fixed term investments | 5,53% | 674 | - | - | - | 674 |
| Variable interest rate investments ⁽¹⁾ | 5,80% | 1 223 | 818 | - | 818 | 2 041 |
| Cash and cash equivalents | Not applicable | - | - | - | - | - |
| Repo borrows | 7,86% | 229 | - | - | - | 229 |
| Financial asset maturities | | 5 310 | 11 134 | 12 580 | 23 714 | 29 024 |
| Financial liabilities | | | | | | |
| Bonds | 9,33% | (1 313) | (9 870) | (6 386) | (16 256) | (17 569) |
| CPI-linked bonds | 11,54% | (377) | (10 744) | - | (10 744) | (11 121) |
| Commercial paper | 5,20% | (127) | - | - | - | (127) |
| Fixed rate loans: local | 10,09% | (13) | (42) | (31) | (73) | (86) |
| Fixed rate loans: foreign | 3,00% | (14) | (48) | - | (48) | (62) |
| Variable rate loans: local ⁽¹⁾ | 5,90% | (64) | (181) | (3) | (184) | (248) |
| Trade and other payables | Not applicable | (709) | - | - | - | (709) |
| Financial liabilities maturities | | (2 617) | (20 885) | (6 420) | (27 305) | (29 922) |
| Net financial asset/(liabilities) | | 2 693 | (9 751) | 6 160 | (3 591) | (898) |

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

⁽²⁾ Prepayments are no longer included in the contractual maturity analysis report for non-derivative financial assets/(liabilities).

Liquidity analysis for derivative financial instruments

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

5.2 Financial risk management objectives (continued)

| Foreign exchange contracts | 2015 R million | 2014 R million |
|----------------------------|-------------------|-------------------|
| Cash outflows | | |
| 1-3 months | - | - |
| 3-12 months | 37 | 58 |
| | 37 | 58 |

| Foreign exchange contracts | 2015 EUR million | 2014 EUR million |
|----------------------------|---------------------|---------------------|
| Cash inflows | | |
| 1-3 months | - | - |
| 3-12 months | 3 | 4 |
| | 3 | 4 |

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

5.2.1.2 BWP

a. Financing facilities

Funding sources and utilisation at 31 March:

| Total borrowing authority | 2015 R million | 2014 R million |
|---------------------------|-------------------|-------------------|
| Borrowing limit | 1 250 | 1 360 |
| Utilisation | 1 040 | 1 078 |
| Available | 210 | 282 |

2015

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

2014

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

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

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

b. Liquidity and interest risk tables

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

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

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

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

2015

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

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

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

5.2 Financial risk management objectives (continued)

2014

| Non-derivative financial assets/ (liabilities) | Weighted average effective interest rate % | Total un- discounted current financial assets/ (liabilities) R million | Non-current financial assets/(liabilities) | | Total un- discounted non-current financial assets/ (liabilities) R million | Total un- discounted financial assets/ (liabilities) R million |
|---|--|--|---|---------------------------|--|---|
| | | | 1-5 years R million | >5 years R million | | |
| Financial assets | | | | | | |
| Tariff receivable | 9,93% | 200 | 593 | 971 | 1 564 | 1 764 |
| Variable interest rate investments ⁽¹⁾ | 5,45% | 44 | - | - | - | 44 |
| Financial asset maturities | | 244 | 593 | 971 | 1 564 | 1 808 |
| Financial liabilities | | | | | | |
| Commercial paper | 4,75% | (26) | - | - | - | (26) |
| Term paper | 5,56% | (50) | - | - | - | (50) |
| Fixed rate loans ⁽²⁾ | 8,35% | (150) | (519) | (702) | (1 221) | (1 371) |
| Variable rate loans ⁽¹⁾⁽²⁾ | 7,70% | (8) | (37) | (202) | (239) | (247) |
| Trade and other payables | Not applicable | (3) | - | - | - | (3) |
| Financial liabilities maturities | | (237) | (556) | (904) | (1 460) | (1 697) |
| Net financial asset/(liabilities) | | 7 | 37 | 67 | 104 | 111 |

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

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

5.2.1.3 VRESAP

a. Financing facilities

Funding sources and utilisation at 31 March:

| | 2015 R million | 2014 R million |
|----------------------------------|-------------------|-------------------|
| Total borrowing authority | | |
| Borrowing limit | 4 210 | 3 920 |
| Utilisation | 3 807 | 3 691 |
| Available | 403 | 229 |

2015

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

2014

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

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

b. Liquidity and interest risk tables

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

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

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

5.2 Financial risk management objectives (continued)

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

2015

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

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

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

2014

| Non-derivative financial assets/ (liabilities) | Weighted average effective interest rate % | Total un- discounted current financial assets/ (liabilities) R million | Non-current financial assets/(liabilities) | | Total un- discounted non-current financial assets/ (liabilities) R million | Total un- discounted financial assets/ (liabilities) R million |
|---|--|--|---|-----------------------|--|---|
| | | | 1-5 years R million | >5 years R million | | |
| Financial assets | | | | | | |
| Tariff receivable | 9,83% | 361 | 1 657 | 6 077 | 7 734 | 8 095 |
| Loans and receivables | Not applicable | 6 | - | - | - | 6 |
| Variable interest rate investments ⁽¹⁾ | 5,54% | 44 | - | - | - | 44 |
| Financial asset maturities | | 411 | 1 657 | 6 077 | 7 734 | 8 145 |
| Financial liabilities | | | | | | |
| Commercial paper | 4,75% | (34) | - | - | - | (34) |
| Term paper | 6,30% | (100) | - | - | - | (100) |
| Fixed rate loans ⁽²⁾ | 10,06% | (420) | (1 689) | (3 623) | (5 312) | (5 732) |
| Variable rate loans ⁽¹⁾⁽²⁾ | 5,28% | (52) | (228) | (1 233) | (1 461) | (1 513) |
| Trade and other payables | Not applicable | (156) | - | - | - | (156) |
| Financial liabilities maturities | | (762) | (1 917) | (4 856) | (6 773) | (7 535) |
| Net financial asset/(liabilities) | | (351) | (260) | 1 221 | 961 | 610 |

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

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

5.2.1.4 LHWP, BWP, VRESAP, KWSAP, MMTS-2 AND MCWAP: Global facility

a. Financing facilities

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

| Projects | 2015 R million | 2014 R million |
|------------------------------------|-------------------|-------------------|
| Global facility limit | 250 | 250 |
| Utilisation per project: | - | (88) |
| LHWP | - | - |
| BWP | - | - |
| VRESAP | - | - |
| MCWAP | - | (83) |
| MMTS-2 | - | (5) |
| KWSAP | - | - |
| Available from the facility | 250 | 162 |

5.2 Financial risk management objectives (continued)

5.2.1.5 MCWAP

a. Financing facilities

Funding sources and utilisation at 31 March:

| | 2015 R million | 2014 R million |
|----------------------------------|-------------------|-------------------|
| Total borrowing authority | | |
| Borrowing limit | 2 000 | 2 000 |
| Utilisation | 1 201 | 711 |
| Available | 799 | 1 289 |

2015

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

2014

| Utilisation of approved facilities | Individual limit R million | Disbursed R million | Available R million | Outstanding debt R million |
|------------------------------------|-------------------------------|------------------------|------------------------|-------------------------------|
| Loan | 700 | 159 | 541 | 159 |
| Loan | 200 | 17 | 183 | 17 |
| Loan | 600 | - | 600 | - |
| Loan | 700 | 400 | 300 | 452 |
| Global Facility ⁽¹⁾ | 250 | 83 | 167 | 83 |
| | | | | 711 |

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

b. Liquidity and interest risk tables

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

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

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows.

The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in note 7.5 and 7.6.

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

2015

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

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

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

5.2 Financial risk management objectives (continued)

2014

| Non-derivative financial assets/ (liabilities) | Weighted average effective interest rate % | Total un- discounted current financial assets/ (liabilities) R million | Non-current financial assets/(liabilities) | | Total un- discounted non-current financial assets/ (liabilities) R million | Total un- discounted financial assets/ (liabilities) R million |
|---|--|--|---|---------------------------|--|---|
| | | | 1-5 years R million | >5 years R million | | |
| Financial assets ⁽³⁾ | | | | | | |
| Tariff receivable ⁽⁴⁾ | 13,03% | - | - | 2 530 | 2 530 | 2 530 |
| Variable interest rate investments ⁽¹⁾ | 5,53% | 15 | - | - | - | 15 |
| Financial asset maturities | | 15 | - | 2 530 | 2 530 | 2 545 |
| Financial liabilities | | | | | | |
| Fixed rate loans ⁽²⁾ | 8,90% | - | (110) | (957) | (1 067) | (1 067) |
| Variable rate loans ⁽¹⁾⁽²⁾ | 7,35% | (1) | (134) | (527) | (661) | (662) |
| Trade and other payables | Not applicable | (126) | - | - | - | (126) |
| Financial liabilities maturities | | (127) | (244) | (1 484) | (1 728) | (1 855) |
| Net financial asset/(liabilities) | | (112) | (244) | 1 046 | 802 | 690 |

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

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

⁽³⁾ Prepayments are no longer included in the contractual maturity analysis report for non-derivative financial assets/ (liabilities).

⁽⁴⁾ Amounts in relation to the tariff receivable that were reflected as current liabilities in the prior year have been restated to non-current financial assets in subsequent years to more accurately reflect the period during which TCTA will receive tariff reimbursements from the DWS.

5.2.1.6 MMTS-2
a. Financing facilities

Funding sources and utilisation at 31 March:

| | 2015 R million | 2014 R million |
|----------------------------------|-------------------|-------------------|
| Total borrowing authority | | |
| Borrowing limit | 1 590 | 1 538 |
| Utilisation | 1 401 | 1 187 |
| Available | 189 | 351 |

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2015

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

2014

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

⁽¹⁾ These are Euro denominated facilities drawn in Rands.

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

⁽³⁾ Global facility utilised to provide short-term advance funding for expenditure on mandated off-budget water projects and associated advisory services (Refer note 5.2.1.4).

b. Liquidity and interest risk tables

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

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

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

5.2 Financial risk management objectives (continued)

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

2015

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

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

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

2014

| Non-derivative financial assets/ (liabilities) | Weighted average effective interest rate % | Total un- discounted current financial assets/ (liabilities) R million | Non-current financial assets/(liabilities) | | Total un- discounted non-current financial assets/ (liabilities) R million | Total un- discounted financial assets/ (liabilities) R million |
|---|--|--|---|-----------------------|--|---|
| | | | 1-5 years R million | >5 years R million | | |
| Financial assets ⁽³⁾ | | | | | | |
| Tariff receivable ⁽⁴⁾ | 9,31% | - | - | 1 736 | 1 736 | 1 736 |
| Loans and receivables | Not applicable | 10 | - | - | - | 10 |
| Variable interest rate investments ⁽¹⁾ | 5,53% | 171 | - | - | - | 171 |
| Financial asset maturities | | 181 | - | 1 736 | 1 736 | 1 917 |
| Financial liabilities | | | | | | |
| Term paper | 5,53% | (400) | - | - | - | (400) |
| Fixed rate loans | 7,77% | (11) | (198) | (697) | (895) | (906) |
| Variable rate loans ⁽¹⁾⁽²⁾ | 7,53% | (22) | (165) | (557) | (722) | (744) |
| Trade and other payables | Not applicable | (44) | - | - | - | (44) |
| Financial liabilities maturities | | (477) | (363) | (1 254) | (1 617) | (2 094) |
| Net financial asset/(liabilities) | | (296) | (363) | 482 | 119 | (177) |

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

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

⁽³⁾ Prepayments are no longer included in the contractual maturity analysis report for non-derivative financial assets/(liabilities).

⁽⁴⁾ Amounts in relation to the tariff receivable that were reflected as current liabilities in the prior year have been restated to non-current financial assets in subsequent years to more accurately reflect the period during which TCTA will receive tariff reimbursements from the DWS.

5.2.1.7 ORWRDP

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

a. Liquidity and interest risk tables

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

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

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows.

5.2 Financial risk management objectives (continued)

The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in note 7.5 and 7.6.

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

2015

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

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

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2014

| Non-derivative financial assets/ (liabilities) | Weighted average effective interest rate % | Total un- discounted current financial assets/ (liabilities) R million | Non-current financial assets/(liabilities) | | Total un- discounted non-current financial assets/ (liabilities) R million | Total un- discounted financial assets/ (liabilities) R million |
|---|--|--|---|-----------------------|--|---|
| | | | 1-5 years R million | >5 years R million | | |
| Financial assets ⁽²⁾ | | | | | | |
| Loans and receivables | Not applicable | 231 | - | - | - | 231 |
| Variable interest rate investments ⁽¹⁾ | 5,49% | 163 | - | - | - | 163 |
| Financial asset maturities | | 394 | - | - | - | 394 |
| Financial liabilities | | | | | | |
| Trade and other payables | Not applicable | (416) | - | - | - | (416) |
| Financial liabilities maturities | | (416) | - | - | - | (416) |
| Net financial asset/(liabilities) | | (22) | - | - | - | (22) |

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

⁽²⁾ Prepayments are no longer included in the contractual maturity analysis report for non-derivative financial assets/liabilities.

5.2.1.8 KWSAP
a. Financing facilities

Funding sources and utilisation at 31 March:

| Total borrowing authority | 2015 R million | 2014 R million |
|---------------------------|-------------------|-------------------|
| Borrowing limit | 2 140 | 1 755 |
| Utilisation | 1 185 | 1 229 |
| Available | 955 | 526 |

2015

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

2014

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

5.2 Financial risk management objectives (continued)

b Liquidity and interest risk tables

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

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

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

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

2015

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

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

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

2014

| Non-derivative financial assets/ (liabilities) | Weighted average effective interest rate % | Total un- discounted current financial assets/ (liabilities) R million | Non-current financial assets/(liabilities) | | Total un- discounted non-current financial assets/ (liabilities) R million | Total un- discounted financial assets/ (liabilities) R million |
|---|--|--|---|-----------------------|--|---|
| | | | 1-5 years R million | >5 years R million | | |
| Financial assets | | | | | | |
| Tariff receivable | 10,51% | 67 | 489 | 1 777 | 2 266 | 2 333 |
| Variable interest rate investments ⁽¹⁾ | 5,47% | 84 | - | - | - | 84 |
| Financial asset maturities | | 151 | 489 | 1 777 | 2 266 | 2 417 |
| Financial liabilities | | | | | | |
| Term paper | 5,45% | (150) | - | - | - | (150) |
| Fixed rate loans ⁽²⁾ | 9,59% | - | (266) | (1 693) | (1 959) | (1 959) |
| Variable rate loans ⁽¹⁾⁽²⁾ | 7,68% | - | (35) | (959) | (994) | (994) |
| Trade and other payables | Not applicable | (27) | - | - | - | (27) |
| Financial liabilities maturities | | (177) | (301) | (2 652) | (2 953) | (3 130) |
| Net financial asset/(liabilities) | | (26) | 188 | (875) | (687) | (713) |

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

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

5.2.1.9 BOREHOLE

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

a. Liquidity and interest risk tables

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

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

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

5.2 Financial risk management objectives (continued)

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

2015

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

2014

| Non-derivative financial assets/ (liabilities) | Weighted average effective interest rate % | Total un- discounted current financial assets/ (liabilities) R million | Non-current financial assets/(liabilities) | | Total un- discounted non-current financial assets/ (liabilities) R million | Total un- discounted financial assets/ (liabilities) R million |
|---|--|--|---|---------------------------|--|---|
| | | | 1-5 years R million | >5 years R million | | |
| Financial assets | | | | | | |
| Loans and receivables | Not applicable | - | - | - | - | - |
| Variable interest rate investments ⁽¹⁾ | 5,26% | 1 | - | - | - | 1 |
| Financial asset maturities | | 1 | - | - | - | 1 |
| Financial liabilities | | | | | | |
| Trade and other payables | Not applicable | - | - | - | - | - |
| Financial liabilities maturities | | - | - | - | - | - |
| Net financial asset/(liabilities) | | 1 | - | - | - | 1 |

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

5.2.1.10 AMD

There are no financing facilities in this project for the current and 2014 financial year.

a. Liquidity and interest risk tables

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

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

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

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

2015

| Non-derivative financial assets/ (liabilities) | Weighted average effective interest rate | Total un- discounted current financial assets/ (liabilities) R million | Non-current financial assets/(liabilities) | | Total un- discounted non-current financial assets/ (liabilities) R million | Total un- discounted financial assets/ (liabilities) R million |
|---|---|--|---|-----------------------|--|---|
| | | | 1-5 years R million | >5 years R million | | |
| | % | | | | | |
| Financial assets | | | | | | |
| Loans and receivables | Not applicable | 969 | - | - | - | 969 |
| Variable interest rate investments ⁽¹⁾ | 5,58% | 65 | - | - | - | 65 |
| Financial asset maturities | | 1 034 | - | - | - | 1 034 |
| Financial liabilities | | | | | | |
| Trade and other payables | Not applicable | (1 149) | - | - | - | (1 149) |
| Financial liabilities maturities | | (1 149) | - | - | - | (1 149) |
| Net financial asset/(liabilities) | | (115) | - | - | - | (115) |

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

5.2 Financial risk management objectives (continued)

2014

| Non-derivative financial assets/ (liabilities) | Weighted average effective interest rate % | Total un- discounted current financial assets/ (liabilities) R million | Non-current financial assets/(liabilities) | | Total un- discounted non-current financial assets/ (liabilities) R million | Total un- discounted financial assets/ (liabilities) R million |
|---|--|--|---|---------------------------|--|---|
| | | | 1-5 years R million | >5 years R million | | |
| Financial assets | | | | | | |
| Loans and receivables | Not applicable | 506 | - | - | - | 506 |
| Variable interest rate investments ⁽¹⁾ | 5,37% | 1 | - | - | - | 1 |
| Financial asset maturities | | 507 | - | - | - | 507 |
| Financial liabilities | | | | | | |
| Trade and other payables | Not applicable | (519) | - | - | - | (519) |
| Financial liabilities maturities | | (519) | - | - | - | (519) |
| Net financial asset/(liabilities) | | (12) | - | - | - | (12) |

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

5.2.1.11 MMTS- 1

a. Liquidity and interest risk tables

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

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

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

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

2015

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

2014

| Non-derivative financial assets/ (liabilities) | Weighted average effective interest rate | Total un- discounted current financial assets/ (liabilities) R million | Non-current financial assets/(liabilities) | | Total un- discounted non-current financial assets/ (liabilities) R million | Total un- discounted financial assets/ (liabilities) R million |
|---|---|--|---|-----------------------|--|---|
| | | | 1-5 years R million | >5 years R million | | |
| | % | | | | | |
| Financial assets ⁽¹⁾ | | | | | | |
| Loans and receivables | Not applicable | 6 | - | - | - | 6 |
| Financial asset maturities | | 6 | - | - | - | 6 |
| Financial liabilities | | | | | | |
| Trade and other payables | Not applicable | (9) | - | - | - | (9) |
| Financial liabilities maturities | | (9) | - | - | - | (9) |
| Net financial asset/(liabilities) | | (3) | - | - | - | (3) |

⁽¹⁾ Prepayments are no longer included in the contractual maturity analysis report for non-derivative financial assets/(liabilities).

5.2 Financial risk management objectives (continued)

5.2.1.12 UMGENI

a. Liquidity and interest risk tables

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

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

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

As at 31 March 2015, UMGENI had contractual maturities as summarised below:

2015

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

No comparative information is presented as this is a new project in the current year.

5.2.2 Credit risk

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

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

Credit limits are allocated based on the following:

- Limits are allocated to counterparties with a minimum credit rating of F1 and A.
- The allocated limits should not exceed 5% of the counterparty's shareholders' funds.
- The maximum limit allocated to each counterparty is R1 500 million and limited to counterparties where 5% of shareholders' funds exceed R100 million.
- The credit limit consumption of forward exchange contracts (FECs) with commercial banks is determined according to the Risk Policy whereby the maximum of a calculated risk weighting value or the mark-to-market value of an instrument will be used as the consumption against the credit limit of a specific counterparty.

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

The credit limit per counterparty refers to the overall limit for all TCTA projects. Refer to note 5.2.2.1 for further detail.

Concentration risk

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

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

5.2 Financial risk management objectives (continued)

5.2.2.1 LHWP

Financial instruments and cash deposits

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

| Fitch Ratings: | | 2015 | | | 2014 | | |
|----------------|-----------|---------------------------|--|------------------------|---------------------------|--|-------------------------|
| Short-term | Long-term | Credit limit R million | Total utilisation ⁽¹⁾ R million | Available R million | Credit limit R million | Total utilisation ⁽¹⁾ R million | Available R million |
| F1+ | AA | 1 500 | 306 | 1 194 | 1 500 | 329 | 1 171 |
| F1 | A+ | 1 500 | 386 | 1 114 | 500 | 1 | 499 |
| F1+ | AA | 1 500 | 417 | 1 083 | - | - | - |
| F1 | AA | 1 500 | 369 | 1 131 | - | - | - |
| F1+ | AA | - | - | - | 1 500 | 329 | 1 171 |
| F3 | BBB+ | - | - | - | no limit | 199 | no limit ⁽²⁾ |
| F1 | A+ | - | - | - | 1 500 | 241 | 1 259 |
| F1+ | AA | 1 000 | 3 | 997 | 1 500 | 376 | 1 124 |
| F1+ | AA+ | 307 | 102 | 205 | 280 | 251 | 29 |
| F1+ | AA | - | - | - | 1 000 | 25 | 975 |
| F1+ | AAA | 1 500 | 545 | 955 | 1 500 | 338 | 1 162 |
| | AA+ | * | 167 | - | * | 199 | - |
| | AAA | ** | 653 | - | ** | 236 | - |
| | AA+ | * | 100 | - | * | 116 | - |
| | AA+ | * | 84 | - | * | 131 | - |
| F1+ | AA- | 500 | 1 | 499 | 500 | 1 | 499 |

⁽¹⁾ The total utilisation includes derivatives.

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

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

** - There is no credit limit. This is subject to a maximum of 50% of the project funds.

5.2.2.2 BWP

Financial instruments and cash deposits

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

| Fitch Ratings: | | 2015 | | | 2014 | | |
|----------------|-----------|---------------------------|-----------------------------------|------------------------|---------------------------|-----------------------------------|------------------------|
| Short-term | Long-term | Credit limit R million | Total utilisation R million | Available R million | Credit limit R million | Total utilisation R million | Available R million |
| F1+ | AA | - | - | - | 1500 | 12 | 1 488 |
| F1 | A+ | 1 500 | 9 | 1 491 | 1500 | 1 | 1 499 |
| F1+ | AA | 1 500 | 17 | 1 483 | 1500 | 4 | 1 496 |
| F1+ | AAA | - | - | - | 1500 | 3 | 1 497 |
| | AA+ | * | 22 | - | * | 4 | - |
| | AAA | ** | 19 | - | ** | 18 | - |
| | AA+ | * | 7 | - | * | 2 | - |
| F1 | AA+ | * | 2 | - | - | - | - |
| F1 | AA | 1 500 | 17 | 1 483 | - | - | - |
| F1 | AA | - | - | - | - | - | - |
| F1+ | AAA | 1500 | 16 | 1 484 | - | - | - |

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

** - There is no credit limit. This is subject to a maximum of 50% of the project funds.

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5.2.2.3 VRESAP**Financial instruments and cash deposits**

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

| Fitch Ratings: | | 2015 | | | 2014 | | |
|----------------|-----------|---------------------------|-----------------------------------|------------------------|---------------------------|-----------------------------------|------------------------|
| Short-term | Long-term | Credit limit R million | Total utilisation R million | Available R million | Credit limit R million | Total utilisation R million | Available R million |
| F1+ | AA | 1 500 | 6 | 1 494 | 1 500 | 4 | 1 496 |
| F1+ | AAA | 1 500 | 6 | 1 494 | 1 500 | 2 | 1 498 |
| F1 | A+ | 1 500 | 4 | 1 496 | 1 500 | 3 | 1 497 |
| F1+ | AA | - | - | - | 1 500 | 2 | 1 498 |
| | AA+ | * | - | - | * | 8 | - |
| | AAA | ** | - | - | ** | 20 | - |
| | AA+ | * | - | - | * | 5 | - |
| | AA+ | * | - | - | * | 1 | - |
| F1 | AA | 1 500 | 6 | 1 494 | - | - | - |

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

** - There is no credit limit. This is subject to a maximum of 50% of the project funds.

5.2.2.4 MCWAP**Financial instruments and cash deposits**

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

| Fitch Ratings: | | 2015 | | | 2014 | | |
|----------------|-----------|---------------------------|-----------------------------------|------------------------|---------------------------|-----------------------------------|------------------------|
| Short-term | Long-term | Credit limit R million | Total utilisation R million | Available R million | Credit limit R million | Total utilisation R million | Available R million |
| F1+ | AA | 1 500 | 2 | 1 498 | 1 500 | 2 | 1 498 |
| F1+ | AAA | 1 500 | 11 | 1 489 | 1 500 | - | 1 500 |
| F1+ | AA | 1 500 | 11 | 1 489 | 1 500 | 2 | 1 498 |
| | AA+ | * | 25 | - | * | 3 | - |
| | AAA | ** | 67 | - | ** | 6 | - |
| | AA+ | * | 23 | - | * | 2 | - |
| F1 | A+ | 1 500 | 12 | 1 488 | - | - | - |
| F1 | AA | 1 500 | 18 | 1 482 | - | - | - |

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

** - There is no credit limit. This is subject to a maximum of 50% of the project funds.

5.2.2.5 MMTS-2**Financial instruments and cash deposits**

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

| Fitch Ratings: | | 2015 | | | 2014 | | |
|----------------|-----------|---------------------------|-----------------------------------|------------------------|---------------------------|-----------------------------------|------------------------|
| Short-term | Long-term | Credit limit R million | Total utilisation R million | Available R million | Credit limit R million | Total utilisation R million | Available R million |
| F1+ | AA | 1 500 | 159 | 1 341 | 1 500 | 171 | 1 329 |
| F1+ | AA | 1 500 | 1 | 1 499 | 1 500 | - | 1 500 |
| F1 | AA | 1 500 | 1 | 1 499 | - | - | - |
| F1 | A+ | 1 500 | 1 | 1 499 | - | - | - |
| F1+ | AAA | 1 500 | - | 1 500 | - | - | - |

5.2 Financial risk management objectives (continued)

5.2.2.6 ORWRDP

Financial instruments and cash deposits

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

| Fitch Ratings: | | 2015 | | | 2014 | | |
|----------------|-----------|---------------------------|-----------------------------------|------------------------|---------------------------|-----------------------------------|------------------------|
| Short-term | Long-term | Credit limit R million | Total utilisation R million | Available R million | Credit limit R million | Total utilisation R million | Available R million |
| F1+ | AA | 1 500 | 14 | 1 486 | 1 500 | 19 | 1 481 |
| F1 | A+ | 1 500 | 10 | 1 490 | 1 500 | 10 | 1 490 |
| F1+ | AA | - | - | - | 1 500 | 17 | 1 483 |
| F1+ | AAA | - | - | - | 1 500 | 13 | 1 487 |
| | AA+ | * | 20 | - | * | 22 | - |
| | AAA | ** | 86 | - | ** | 61 | - |
| | AA+ | * | 14 | - | * | 10 | - |
| | AA+ | * | 18 | - | * | 10 | - |
| F1+ | AA- | 500 | 1 | 499 | 500 | 1 | 499 |
| F1 | AA | 1 500 | 15 | 1 485 | - | - | - |
| F1 | A+ | - | - | - | - | - | - |
| F1+ | AAA | 1 500 | 12 | 1 488 | - | - | - |

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

** - There is no credit limit. This is subject to a maximum of 50% of the project funds.

5.2.2.7 KWSAP

Financial instruments and cash deposits

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

| Fitch Ratings: | | 2015 | | | 2014 | | |
|----------------|-----------|---------------------------|-----------------------------------|------------------------|---------------------------|-----------------------------------|------------------------|
| Short-term | Long-term | Credit limit R million | Total utilisation R million | Available R million | Credit limit R million | Total utilisation R million | Available R million |
| F1+ | AA | 1 500 | 2 | 1 498 | 1500 | 13 | 1 487 |
| F1+ | AA | - | - | - | 1500 | 1 | 1 499 |
| F1 | A+ | 1 500 | 2 | 1 498 | 1500 | 8 | 1 492 |
| F1+ | AA | - | - | - | 1500 | 11 | 1 489 |
| F1+ | AAA | - | - | - | 1500 | 3 | 1 497 |
| | AA+ | * | - | - | * | 8 | - |
| | AAA | ** | - | - | ** | 32 | - |
| | AA+ | * | - | - | * | 1 | - |
| | AA+ | * | - | - | * | 8 | - |
| F1 | AA | 1 500 | 1 | 1 499 | - | - | - |
| F1+ | AAA | 1 500 | 2 | 1 498 | - | - | - |

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

** - There is no credit limit. This is subject to a maximum of 50% of the project funds.

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5.2.2.8 BOREHOLE**Financial instruments and cash deposits**

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

| Fitch Ratings: | | 2015 | | | 2014 | | |
|----------------|-----------|---------------------------|--------------------------------|------------------------|---------------------------|--------------------------------|------------------------|
| Short-term | Long-term | Credit limit R million | Total utilisation R million | Available R million | Credit limit R million | Total utilisation R million | Available R million |
| F1+ | AA | 1 500 | 1 | 1 499 | 1500 | 1 | 1 499 |
| F1+ | AA | - | - | - | 1500 | 1 | 1 499 |

5.2.2.9 AMD**Financial instruments and cash deposits**

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

| Fitch Ratings: | | 2015 | | | 2014 | | |
|----------------|-----------|---------------------------|--------------------------------|------------------------|---------------------------|---|------------------------|
| Short-term | Long-term | Credit limit R million | Total utilisation R million | Available R million | Credit limit R million | Total utilisation ⁽¹⁾ R million | Available R million |
| F1+ | AA | 1 500 | 3 | 1 497 | 1500 | - | 1 500 |
| F1+ | AA | 1 500 | 13 | 1 487 | 1500 | 1 | 1 499 |
| | AA+ | * | 6 | - | * | - | - |
| F1 | A+ | 1 500 | 16 | 1 484 | - | - | - |
| F1+ | AAA | 1 500 | 14 | 1 486 | - | - | - |
| F1 | AA | 1 500 | 13 | 1 487 | - | - | - |

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

⁽¹⁾ - Zero values represents amounts less than R500 000.

5.2.2.10 MMTS-1

There are no investments for the current year (2014: none).

5.2.2.11 UMGENI

There are no investments for the current year (2014: none).

5.2.3 Market risk

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

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

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

5.2.3.1 Foreign currency risk management

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

LHWP

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

5.2 Financial risk management objectives (continued)

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

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

| Foreign exchange contracts maturity profile | 2015 EUR million ⁽¹⁾ | 2014 EUR million ⁽¹⁾ |
|---|---------------------------------------|---------------------------------------|
| Assets | | |
| < 1 year | - | - |
| 1-2 years | - | - |
| 2-3 years | - | - |
| 3-4 years | - | - |
| 4-5 years | - | - |
| >5 years | - | - |
| | - | - |
| Liabilities | | |
| < 1 year | 3 | 4 |
| 1-2 years | - | - |
| 2-3 years | - | - |
| 3-4 years | - | - |
| 4-5 years | - | - |
| >5 years | - | - |
| | 3 | 4 |

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

Foreign currency sensitivity

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

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 moved against the Euro 15% (2014: 15%) then this would have had the following impact:

| Financial asset and financial liabilities: sensitivity analysis | 2015 Change in Euro R million | 2014 Change in Euro R million |
|---|-------------------------------------|-------------------------------------|
| Weakening of Rand | | |
| Surplus/(deficit) | - ⁽¹⁾ | 1 |
| Strengthening of Rand | | |
| Surplus/(deficit) | - ⁽¹⁾ | (1) |

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

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

These projects do not have any foreign currency exposures.

5.2.3.2 Interest rate risk

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

TCTA ALCO approved an optimal capital structure of a minimum of 50% fixed for all project post construction. In addition, TCTA management strives to achieve a minimum of 70% fixed on all projects post construction and/or operational declaration, when opportunity arises, taking advantage of financial market opportunities to better manage interest rates risks. Currently most of the projects are above the approved capital structure and envisaged limits preferred by TCTA management.

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

a. LHWP**Fixed vs variable rate loans**

The optimal capital structure based on the sensitivity simulation is 70% fixed (2014:70%) and 30% floating (2014:30%). 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:

| Interest rate exposure on borrowings | 2015 | | | | 2014 | | | |
|--------------------------------------|---------------------------|------------------------------|---|--|---------------------------|------------------------------|---|--|
| | Borrowings at fixed rates | Borrowings at variable rates | Fixed rate borrowings as % of total debt book | Variable rate borrowings as % of total debt book | Borrowings at fixed rates | Borrowings at variable rates | Fixed rate borrowings as % of total debt book | Variable rate borrowings as % of total debt book |
| | R million | R million | | | R million | R million | | |
| Borrowings | 12 889 | 6 358 | 67% | 33% | 12 985 | 6 074 | 68% | 32% |

Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2014: +/- 100bps) and +200bps and -200bps (2014: +/- 200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on LHWP's financial instruments held at the reporting date. All other variables are held constant.

| Sensitivity analysis: Impact on surplus/(deficit) | 2015 R million | 2014 R million |
|---|-------------------|-------------------|
| Financial liabilities | | |
| Change in interest rates of -100bps | 3 | 4 |
| Change in interest rates of +100bps | (3) | (4) |
| Change in interest rates of -200bps | 6 | 8 |
| Change in interest rates of +200bps | (6) | (8) |
| Financial assets | | |
| Change in interest rates of -100bps | (8) | (8) |
| Change in interest rates of +100bps | 8 | 8 |
| Change in interest rates of -200bps | (15) | (15) |
| Change in interest rates of +200bps | 15 | 15 |

The table above excludes the Tariff receivable.

5.2 Financial risk management objectives (continued)

Currently TCTA does not have any derivatives hedging interest rate risk. Interest rate risk is managed through achievement of optimal capital structure, and continuous monitoring of short-, medium- and long-term interest rates' exposures. A change in interest rates will not have an impact on equity (2014: no impact).

b. BWP

Fixed vs variable rate loans

The ratio of fixed to floating debt as at 31 March 2015 was 79% (2014: 84%) fixed and 21% (2014: 16%) floating.

| Interest-rate exposure on borrowings | 2015 | | | | 2014 | | | |
|--------------------------------------|---------------------------|------------------------------|---|--|---------------------------|------------------------------|---|--|
| | Borrowings at fixed rates | Borrowings at variable rates | Fixed rate borrowings as % of total debt book | Variable rate borrowings as % of total debt book | Borrowings at fixed rates | Borrowings at variable rates | Fixed rate borrowings as % of total debt book | Variable rate borrowings as % of total debt book |
| | R million | R million | | | R million | R million | | |
| Borrowings | 824 | 216 | 79% | 21% | 901 | 176 | 84% | 16% |

Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2014: +/- 100bps) and +200bps and -200bps (2014: +/- 200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on BWP's financial instruments held at the reporting date. All other variables are held constant.

| Sensitivity analysis: Impact on surplus/(deficit) | 2015 R million | 2014 R million |
|---|-------------------|-------------------|
| Financial liabilities | | |
| Change in interest rates of -100bps | 1 | 2 |
| Change in interest rates of +100bps | (1) | (2) |
| Change in interest rates of -200bps | 3 | 4 |
| Change in interest rates of +200bps | (3) | (4) |
| Financial assets | | |
| Change in interest rates of -100bps | -(1) | (1) |
| Change in interest rates of +100bps | -(1) | 1 |
| Change in interest rates of -200bps | (1) | (1) |
| Change in interest rates of +200bps | 1 | 1 |

The table above excludes the Tariff receivable.

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

A change in interest rates will not have an impact on equity (2014: no impact).

c. VRESAP

Fixed vs variable rate loans

The ratio of fixed to floating debt as at 31 March 2015 rates was 77% (2014: 84%) fixed and 23% (2014: 16%) floating.

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| Interest rate exposure on borrowings | 2015 | | | | 2014 | | | |
|--------------------------------------|---------------------------|------------------------------|---|--|---------------------------|------------------------------|---|--|
| | Borrowings at fixed rates | Borrowings at variable rates | Fixed rate borrowings as % of total debt book | Variable rate borrowings as % of total debt book | Borrowings at fixed rates | Borrowings at variable rates | Fixed rate borrowings as % of total debt book | Variable rate borrowings as % of total debt book |
| | R million | R million | | | R million | R million | | |
| Borrowings | 2 939 | 868 | 77% | 23% | 3 086 | 605 | 84% | 16% |

Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2014: +/- 100bps) and +200bps and -200bps (2014: +/- 200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on VRESAP's financial instruments held at the reporting date. All other variables are held constant.

| Sensitivity analysis: Impact on surplus/(deficit) | 2015 R million | 2014 R million |
|---|-------------------|-------------------|
| Financial liabilities | | |
| Change in interest rates of -100bps | 8 | 6 |
| Change in interest rates of +100bps | (7) | (6) |
| Change in interest rates of -200bps | 15 | 13 |
| Change in interest rates of +200bps | (15) | (13) |
| Financial assets | | |
| Change in interest rates of -100bps | -(1) | (1) |
| Change in interest rates of +100bps | -(1) | 1 |
| Change in interest rates of -200bps | (1) | (1) |
| Change in interest rates of +200bps | 1 | 1 |

The table above excludes the Tariff receivable.

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

A change in interest rates will not have an impact on equity (2014: no impact).

d. MCWAP
Fixed vs variable rate loans

The ratio of fixed to floating debt as at 31 March 2015 was 87% (2014: 76%) fixed and 13% (2014: 24%) floating.

| Interest rate exposure on borrowings | 2015 | | | | 2014 | | | |
|--------------------------------------|---------------------------|------------------------------|---|--|---------------------------|------------------------------|---|--|
| | Borrowings at fixed rates | Borrowings at variable rates | Fixed rate borrowings as % of total debt book | Variable rate borrowings as % of total debt book | Borrowings at fixed rates | Borrowings at variable rates | Fixed rate borrowings as % of total debt book | Variable rate borrowings as % of total debt book |
| | R million | R million | | | R million | R million | | |
| Borrowings | 1 040 | 161 | 87% | 13% | 540 | 171 | 76% | 24% |

5.2 Financial risk management objectives (continued)

Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2014: +/- 100bps) and +200bps and -200bps (2014: +/- 200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on MCWAP's financial instruments held at each reporting date. All other variables are held constant.

| Sensitivity analysis: Impact on surplus/(deficit) | 2015 R million | 2014 R million |
|---|-------------------|-------------------|
| Financial liabilities | | |
| Change in interest rates of -100bps | 1 | 1 |
| Change in interest rates of +100bps | (1) | (1) |
| Change in interest rates of -200bps | 3 | 2 |
| Change in interest rates of +200bps | (3) | (2) |
| Financial assets | | |
| Change in interest rates of -100bps | (2) | (1) |
| Change in interest rates of +100bps | 2 | 1 |
| Change in interest rates of -200bps | (3) | (2) |
| Change in interest rates of +200bps | 3 | 2 |

The table above excludes the Tariff receivable.

A change in interest rates will not have an impact on equity (2014: no impact).

e. MMTS-2

Fixed vs variable rate loans

The ratio of fixed to floating debt as at 31 March 2015 was 37% (2014: 37%) fixed and 63% (2014: 63%) floating.

| Interest -rate exposure on borrowings | 2015 | | | | 2014 | | | |
|---|---------------------------------|------------------------------------|---|---|---------------------------------|------------------------------------|---|---|
| | Borrowings at fixed rates | Borrowings at variable rates | Fixed rate borrowings as % of total debt book | Variable rate borrowings as % of total debt book | Borrowings at fixed rates | Borrowings at variable rates | Fixed rate borrowings as % of total debt book | Variable rate borrowings as % of total debt book |
| | R million | R million | | | R million | R million | | |
| Borrowings | 513 | 888 | 37% | 63% | 434 | 753 | 37% | 63% |

Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2014: +/- 100bps) and +200bps and -200bps (2014: +/- 200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on MMTS-2's financial instruments held at the reporting date. All other variables are held constant.

| Sensitivity analysis: Impact on surplus/(deficit) | 2015 R million | 2014 R million |
|---|-------------------|-------------------|
| Financial liabilities | | |
| Change in interest rates of -100bps | 9 | 8 |
| Change in interest rates of +100bps | (9) | (8) |
| Change in interest rates of -200bps | 18 | 15 |
| Change in interest rates of +200bps | (18) | (15) |
| Financial assets | | |
| Change in interest rates of -100bps | (2) | (2) |
| Change in interest rates of +100bps | 2 | 2 |
| Change in interest rates of -200bps | (5) | (3) |
| Change in interest rates of +200bps | 5 | 3 |

The table above excludes the Tariff receivable.

A change in interest rates will not have an impact on equity (2014: no impact).

f. ORWRDP

Fixed vs variable rate loans

There are no borrowings in this project for the current and 2014 financial year as this project is funded from the fiscus.

Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2014: +/- 100bps) and +200bps and -200bps (2014: +/- 200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on ORWRDP's financial instruments held at the reporting date. All other variables are held constant.

| Sensitivity analysis: Impact on surplus/(deficit) | 2015 R million | 2014 R million |
|---|-------------------|-------------------|
| Financial assets | | |
| Change in interest rates of -100bps | (2) | (2) |
| Change in interest rates of +100bps | 2 | 2 |
| Change in interest rates of -200bps | (4) | (3) |
| Change in interest rates of +200bps | 4 | 3 |

The table above excludes the Tariff receivable.

A change in interest rates will not have an impact on equity (2014: no impact).

5.2 Financial risk management objectives (continued)

g. KWSAP

Fixed vs variable rate loans

The ratio of fixed to floating debt as at 31 March 2015 was 84% (2014: 78%) fixed and 16% (2014: 22%) floating.

| Interest rate exposure on borrowings | 2015 | | | | 2014 | | | |
|--------------------------------------|---------------------------|------------------------------|---|--|---------------------------|------------------------------|---|--|
| | Borrowings at fixed rates | Borrowings at variable rates | Fixed rate borrowings as % of total debt book | Variable rate borrowings as % of total debt book | Borrowings at fixed rates | Borrowings at variable rates | Fixed rate borrowings as % of total debt book | Variable rate borrowings as % of total debt book |
| | R million | R million | | | R million | R million | | |
| Borrowings | 1 001 | 184 | 84% | 16% | 964 | 265 | 78% | 22% |

Interest rate sensitivity

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

| Sensitivity analysis: Impact on surplus/(deficit) | 2015 R million | 2014 R million |
|---|-------------------|--------------------|
| Financial liabilities | | |
| Change in interest rates of -100bps | 2 | 2 |
| Change in interest rates of +100bps | (2) | (2) |
| Change in interest rates of -200bps | 4 | 4 |
| Change in interest rates of +200bps | (4) | (4) |
| Financial assets | | |
| Change in interest rates of -100bps | - (1) | (1) ⁽¹⁾ |
| Change in interest rates of +100bps | - (1) | 1 ⁽¹⁾ |
| Change in interest rates of -200bps | (1) | (1) |
| Change in interest rates of +200bps | 1 | 1 |

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

The table above excludes the Tariff receivable.

A change in interest rates will not have an impact on equity (2014: no impact).

h. BOREHOLE

Fixed vs variable rate loans

There are no borrowings in this project for the current and 2014 financial year as this project was funded from the fiscus.

Interest rate sensitivity

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

| Sensitivity analysis: Impact on surplus/(deficit) | 2015 R million | 2014 R million |
|---|-------------------|-------------------|
| Financial assets | | |
| Change in interest rates of -100bps | - (1) | - (1) |
| Change in interest rates of +100bps | - (1) | - (1) |
| Change in interest rates of -200bps | - (1) | - (1) |
| Change in interest rates of +200bps | - (1) | - (1) |

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

The table above excludes the Tariff receivable.

A change in interest rates will not have an impact on equity (2014: no impact).

i. AMD

Fixed vs variable rate loans

There are no borrowings in this project for the current and 2014 financial year.

Interest rate sensitivity

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

| Sensitivity analysis: Impact on surplus/(deficit) | 2015 R million | 2014 R million |
|---|-------------------|-------------------|
| Financial assets | | |
| Change in interest rates of -100bps | - (1) | - (1) |
| Change in interest rates of +100bps | - (1) | - (1) |
| Change in interest rates of -200bps | (1) | (1) |
| Change in interest rates of +200bps | 1 | 1 |

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

The table above excludes the Tariff receivable.

A change in interest rates will not have an impact on equity (2014: no impact).

j. MMTS-1 and UMGNI

These projects do not carry interest rate risk as they are being funded from the fiscus.

5.2.4 Refinancing risk

Refinancing risk is the possibility that TCTA cannot refinance by borrowing to repay its existing debt. The duration of liabilities can be viewed as the rate at which liabilities will reprice when refinanced. In terms of duration analysis, liabilities with short duration stand to gain by repricing at lower levels on refinancing date in a downward trending environment. But, since managing interest rate risk is more complex than increasing or decreasing the duration mismatch, duration matching is used as a guiding principle. In TCTA, duration is used in conjunction with other interest rate risk mitigation measures such as the sensitivity of the debt curve to changes in the capital structure, water demand, inflation and interest rates.

5.2 Financial risk management objectives (continued)

a. LHWP

The table below shows the duration of bonds issued by TCTA as at 31 March:

2015

| Bonds | Maturity Date | Amount issued R million | Duration Years |
|-------|---------------|----------------------------|-------------------|
| WS04 | 30/05/2016 | 4 900 | 1.06 |
| WS05 | 01/08/2018 | 3 525 | 3.09 |
| WSP1 | 28/05/2015 | 115 | 0.14 |
| WSP2 | 28/05/2017 | 2 436 | 1.94 |
| WSP3 | 28/05/2019 | 41 | 3.46 |
| WSP4 | 28/05/2020 | 97 | 4.13 |
| WSP5 | 28/05/2021 | 5 083 | 4.74 |
| | | 16 197 | 2.81 |

2014

| Bonds | Maturity Date | Amount issued R million | Duration Years |
|-------|---------------|----------------------------|-------------------|
| WS04 | 30/05/2016 | 4 900 | 1.9 |
| WS05 | 01/08/2018 | 3 525 | 3.95 |
| WSP1 | 28/05/2015 | 121 | 1.09 |
| WSP2 | 28/05/2017 | 2 436 | 2.74 |
| WSP3 | 28/05/2019 | 45 | 4.12 |
| WSP4 | 28/05/2020 | 99 | 4.72 |
| WSP5 | 28/05/2021 | 5 083 | 5.28 |
| | | 16 209 | 3.55 |

b. BWP

As at 31 March 2015 BWP had R100 million term paper and R18 million call paper in issue (2014: R50 million term paper and R26 million call paper).

c. VRESAP

As at 31 March 2015 VRESAP had R219.4 million term paper and R9 million call paper in issue (2014: R100 million term paper and R34 million call paper).

d. MMTS-2

As at 31 March 2015, MMTS-2 had R142 million term paper and no call paper in issue (2014: R400 million term paper and no call paper).

e. KWSAP

As at 31 March 2015, KWSAP had no term paper and no call paper in issue (2014: R150 million term paper and no call paper).

There is no commercial paper programme for MCWAP, ORWRDP, BOREHOLE, AMD, MMTS-1 and UMGENI.

6 PROPERTY, PLANT AND EQUIPMENT

6.1 Carrying amounts of property, plant and equipment

6.1.1 LHWP

| | 2015 | 2014 |
|-------------------------------|-----------|-----------|
| | R million | R million |
| Plant and equipment | | |
| Office furniture | 2 | 3 |
| Computer equipment | - | 1 |
| Networking equipment | - | 1 |
| Office equipment | - | 2 |
| Computer software | 1 | 2 |
| Motor vehicles | - | - |
| Video conferencing equipment | - | - |
| Leasehold improvements | 10 | 14 |
| Equipment under finance lease | - | - |
| Balance at 31 March | 13 | 23 |

6.2 Cost reconciliation

6.2.1 LHWP

| | Office furniture | Computer equipment | Networking equipment | Office equipment |
|---------------------------------|------------------|--------------------|----------------------|------------------|
| Cost | R million | R million | R million | R million |
| <i>Balance at 31 March 2013</i> | 4 | 8 | 8 | 1 |
| <i>During the year:</i> | | | | |
| Additions | 3 | - | 2 | 4 |
| Disposals | (3) | (2) | - | (1) |
| Balance at 31 March 2014 | 4 | 6 | 10 | 4 |
| <i>During the year:</i> | | | | |
| Additions | - | - | - | - |
| Disposals | - | - | - | - |
| Balance at 31 March 2015 | 4 | 6 | 10 | 4 |

6.3 Accumulated depreciation reconciliation

6.3.1 LHWP

| | Office furniture | Computer equipment | Networking equipment | Office equipment |
|---|------------------|--------------------|----------------------|------------------|
| Accumulated depreciation | R million | R million | R million | R million |
| <i>Balance at 31 March 2013</i> | (4) | (6) | (7) | (1) |
| <i>During the year:</i> | | | | |
| Accumulated depreciation eliminated on disposal | 3 | 2 | - | 1 |
| Depreciation expense for the year | - | (1) | (2) | (2) |
| Balance at 31 March 2014 | (1) | (5) | (9) | (2) |
| <i>During the year:</i> | | | | |
| Accumulated depreciation eliminated on disposal | - | - | - | - |
| Depreciation expense for the year | (1) | (1) | (1) | (2) |
| Balance at 31 March 2015 | (2) | (6) | (10) | (4) |

FOR THE YEAR ENDED 31 MARCH 2015

| Computer software | Motor vehicles | Video conferencing equipment | Leasehold improvements | Equipment under finance lease at cost | Total |
|-------------------|----------------|------------------------------|------------------------|---------------------------------------|-----------|
| R million | R million | R million | R million | R million | R million |
| 14 | 1 | 2 | 2 | 2 | 42 |
| 2 | - | - | 17 | - | 28 |
| - | - | - | (2) | - | (8) |
| 16 | 1 | 2 | 17 | 2 | 62 |
| 1 | - | - | - | - | 1 |
| - | - | - | - | - | - |
| 17 | 1 | 2 | 17 | 2 | 63 |

| Computer software | Motor vehicles | Video conferencing equipment | Leasehold improvements | Equipment under finance lease at cost | Total |
|-------------------|----------------|------------------------------|------------------------|---------------------------------------|-----------|
| R million | R million | R million | R million | R million | R million |
| (12) | - | (2) | (2) | (1) | (35) |
| - | - | - | 2 | - | 8 |
| (2) | (1) | - | (3) | (1) | (12) |
| (14) | (1) | (2) | (3) | (2) | (39) |
| - | - | - | - | - | - |
| (2) | - | - | (4) | - | (11) |
| (16) | (1) | (2) | (7) | (2) | (50) |

7 FINANCIAL INSTRUMENTS

7.1 Financial instruments by category

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

The carrying values of financial assets and liabilities not carried at fair value approximate their respective fair values.

7.1.1 Accounting classifications of financial assets

Financial assets as per statement of financial position at 31 March:

2015

| Financial assets | Note | Carrying amount | | Total carrying amount R million |
|--|------|---|---|------------------------------------|
| | | At fair value through profit or loss R million | Financial assets at amortised cost R million | |
| Financial assets not measured at fair value | | | | |
| Non-current financial assets | | | | |
| Tariff receivable | 7.4 | - | 23 104 | 23 104 |
| Financial market investments | 7.5 | - | 306 | 306 |
| JIBAR-linked investments | | - | 306 | 306 |
| Current financial assets | | | | |
| Tariff receivable | 7.4 | - | 3 352 | 3 352 |
| Loans and other receivables | 8 | - | 2 320 | 2 320 |
| Financial market investments | 7.5 | - | 3 705 | 3 705 |
| Fixed term investments and investments on call | | - | 3 514 | 3 514 |
| Repo borrowings | | - | 191 | 191 |
| Cash and cash equivalents | 13 | - | - | - |
| Total financial assets | | - | 32 787 | 32 787 |
| Current/Non-current financial assets | | | | |
| Non-current | | - | 32 787 | 32 787 |
| Current | | - | 23 410 | 23 410 |
| | | - | 9 377 | 9 377 |

2014

| Financial assets | Note | Carrying amount | | Total carrying amount R million |
|--|------|---|---|------------------------------------|
| | | At fair value through profit or loss R million | Financial assets at amortised cost R million | |
| Financial assets not measured at fair value | | | | |
| Non-current financial assets | | | | |
| Tariff receivable | 7.4 | - | 23 690 | 23 690 |
| Financial market investments | 7.5 | - | 818 | 818 |
| JIBAR-linked investments | | - | 818 | 818 |
| Current financial assets | | | | |
| Tariff receivable | 7.4 | - | 3 303 | 3 303 |
| Loans and other receivables | 8 | - | 1 089 | 1 089 |
| Financial market investments | 7.5 | - | 2 649 | 2 649 |
| Fixed term investments and investments on call | | - | 2 420 | 2 420 |
| Repo borrowings | | - | 229 | 229 |
| Cash and cash equivalents | 13 | - | - | - |
| Total financial assets | | - | 31 549 | 31 549 |
| Current/Non-current financial assets | | | | |
| Non-current | | - | 31 549 | 31 549 |
| Current | | - | 24 508 | 24 508 |
| | | - | 7 041 | 7 041 |

7.1 Financial instruments by category (continued)**7.1.2 Accounting classifications of financial liabilities**

Financial liabilities per statement of financial position at 31 March:

2015

| Financial liabilities | Note | Carrying amount | | Total carrying amount R million |
|---|-------|---|--|------------------------------------|
| | | At fair value through profit or loss R million | Other financial liabilities R million | |
| Financial liabilities measured at fair value | | | | |
| Current financial liabilities | 7.6.2 | | | |
| Derivative financial instruments | 7.11 | - | - | - |
| Total financial liabilities measured at fair value | | - | - | - |
| Financial liabilities not measured at fair value | | | | |
| Non-current financial liabilities | 7.6.3 | | | |
| Local debt | 7.6.3 | | | |
| Bonds | | - | 18 804 | 18 804 |
| CPI-linked bonds | | - | 6 116 | 6 116 |
| Other bonds | | - | 12 688 | 12 688 |
| Other borrowings | 7.6.3 | | | |
| Other borrowings by TCTA | | - | 7 957 | 7 957 |
| Fixed rate loans | | - | 6 056 | 6 056 |
| Variable rate loans | | - | 1 601 | 1 601 |
| CPI rate loans | | - | 300 | 300 |
| Other commitments (LHDA) | | - | 77 | 77 |
| Fixed rate loans | | - | 45 | 45 |
| Variable rate loans | | - | 32 | 32 |
| Foreign loans | 7.6.3 | | | |
| Other commitments (LHDA) | | - | 23 | 23 |
| Current financial liabilities | 7.6.2 | | | |
| Local debt | 7.6.3 | | | |
| Bonds | | - | 115 | 115 |
| CPI-linked bonds | | - | - | - |
| Other bonds | | - | 115 | 115 |
| Other borrowings | 7.6.2 | | | |
| Other borrowings by TCTA | | - | 872 | 872 |
| Fixed rate loans | | - | 260 | 260 |
| Variable rate loans | | - | 604 | 604 |
| CPI rate loans | | - | 8 | 8 |
| Other commitments (LHDA) | | - | 22 | 22 |
| Fixed rate loans | | - | 7 | 7 |
| Variable rate loans | | - | 15 | 15 |

2015

| Financial liabilities | Note | Carrying amount | | Total carrying amount R million |
|---|-------|---|--|------------------------------------|
| | | At fair value through profit or loss R million | Other financial liabilities R million | |
| Foreign loans | | | | |
| Other commitments (LHDA) | 7.6.2 | - | 11 | 11 |
| Total financial liabilities not measured at fair value | | - | 27 881 | 27 881 |
| Trade and other payables | | - | 2 618 | 2 618 |
| Total financial liabilities | | - | 30 499 | 30 499 |
| Current/Non-current financial liabilities | | - | 30 499 | 30 499 |
| Non-current | | - | 26 861 | 26 861 |
| Current | | - | 3 638 | 3 638 |

2014

| Financial liabilities | Note | Carrying amount | | Total carrying amount R million |
|---|-------|---|--|------------------------------------|
| | | At fair value through profit or loss R million | Other financial liabilities R million | |
| Financial liabilities not measured at fair value | | | | |
| Current financial liabilities | 7.6.2 | | | |
| Derivative financial instruments | 7.11 | 3 | - | 3 |
| Total financial liabilities measured at fair value | | 3 | - | 3 |
| Financial liabilities not measured at fair value | | | | |
| Non-current financial liabilities | 7.6.3 | | | |
| Local debt | 7.6.3 | | | |
| Bonds | | - | 18 601 | 18 601 |
| CPI-linked bonds | | - | 5 725 | 5 725 |
| Other bonds | | - | 12 876 | 12 876 |
| Other borrowings | 7.6.3 | | | |
| Other borrowings by TCTA | | - | 7 035 | 7 035 |
| Fixed rate loans | | - | 5 714 | 5 714 |
| Variable rate loans | | - | 1 009 | 1 009 |
| CPI rate loans | | - | 312 | 312 |
| Other commitments (LHDA) | | - | 99 | 99 |
| Fixed rate loans | | - | 52 | 52 |
| Variable rate loans | | - | 47 | 47 |

7.1 Financial instruments by category (continued)

2014 (continued)

| Financial liabilities | Note | Carrying amount | | Total carrying amount R million |
|---|-------|---|--|------------------------------------|
| | | At fair value through profit or loss R million | Other financial liabilities R million | |
| Foreign loans | 7.6.3 | | | |
| Other commitments (LHDA) | | - | 38 | 38 |
| Current financial liabilities | 7.6.2 | | | |
| Other borrowings | 7.6.2 | | | |
| Other borrowings by TCTA | | - | 1 146 | 1 146 |
| Fixed rate loans | | - | 213 | 213 |
| Variable rate loans | | - | 925 | 925 |
| CPI rate loans | | - | 8 | 8 |
| Other commitments (LHDA) | | - | 21 | 21 |
| Fixed rate loans | | - | 7 | 7 |
| Variable rate loans | | - | 14 | 14 |
| Foreign loans | 7.6.2 | | | |
| Other commitments (LHDA) | | - | 12 | 12 |
| Total financial liabilities not measured at fair value | | - | 26 952 | 26 952 |
| Trade and other payables | | - | 2 009 | 2 009 |
| Total financial liabilities | | 3 | 28 961 | 28 964 |
| Current/Non-current financial liabilities | | 3 | 28 961 | 28 964 |
| Non-current | | - | 25 773 | 25 773 |
| Current | | 3 | 3 188 | 3 191 |

7.2 Significance of financial instruments

7.2.1 Financial assets

Details on the components of the Tariff receivable are disclosed in note 7.4. The interest earned on the Tariff receivable to compensate for the time value of money, is disclosed as "Finance Income" on the statement of performance and details provided in note 17.1.

7.2.2 Financial liabilities

The most significant Financial liability is the bonds issued by TCTA. Note 7.9 provides detail on the respective redemption dates, the interest rate, the value of the issued bonds. Interest is paid semi-annually to bond holders.

7.3 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

As part of the disclosure requirements for fair value measurements, TCTA classifies fair value measurements using a 'fair value hierarchy' that reflects the significance of the inputs used in making the measurements.

Fair value measurements are categorised into a three-level hierarchy, based on the type of inputs to the valuation techniques used, as follows:

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

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

There have been no transfers between level 1 and level 2 during the year.

7.3 Fair value measurement (continued)

7.3.1 Financial assets

| | 2015 | 2014 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable inputs | Relations of unobservable inputs to fair value |
|---|-----------|-----------|----------------------|---|---------------------------------|--|
| Category | R million | R million | | | | |
| 7.3.1.1 Forward exchange contracts LHWP | - | - | Level 2 | <ul style="list-style-type: none"> Discounted Cash Flow method is utilised. Future Cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. | Not applicable | Not applicable |
| Total financial assets at fair value | - | - | | | | |

7.3.2 Financial liabilities

The fair value of financial liabilities for disclosure purposes is estimated by discounting the contractual future cash flows at the current market interest rate that is available to TCTA for similar financial instruments.

| | 2015 | 2014 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable inputs | Relations of unobservable inputs to fair value |
|--|---------------|---------------|----------------------|---|---------------------------------|--|
| Category | R million | R million | | | | |
| 7.3.2.1 CPI-linked bonds LHWP | 8 284 | 8 249 | Level 1 | Not applicable | Not applicable | Not applicable |
| 7.3.2.2 Other bonds LHWP | 13 653 | 13 792 | Level 1 | Not applicable | Not applicable | Not applicable |
| 7.3.2.3 Forward exchange contracts LHWP | - | 3 | Level 2 | <ul style="list-style-type: none"> Discounted Cash Flow method is utilised. Future Cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. | Not applicable | Not applicable |
| Total financial liabilities at fair value | 21 937 | 22 044 | | | | |

7.4 Tariff receivables

7.4.1 Totals

| Project | 2015 | | | 2014 | | |
|--------------|------------------------|-------------------------|-----------------------------------|------------------------|-------------------------|-----------------------------------|
| | Long-term R million | Short-term R million | Tariff receivable R million | Long-term R million | Short-term R million | Tariff receivable R million |
| LHWP | 15 763 | 2 723 | 18 486 | 17 643 | 2 725 | 20 368 |
| BWP | 727 | 186 | 913 | 777 | 183 | 960 |
| VRESAP | 3 546 | 354 | 3 900 | 3 460 | 328 | 3 788 |
| MCWAP | 874 | - | 874 | 469 | - | 469 |
| MMTS-2 | 1 323 | - | 1 323 | 442 | - | 442 |
| KWSAP | 871 | 89 | 960 | 899 | 67 | 966 |
| Total | 23 104 | 3 352 | 26 456 | 23 690 | 3 303 | 26 993 |

7.4.2 Reconciliation of movements in the Tariff receivable

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

2015

| Project | Opening balance 1 April 2014 R million | Construction revenue earned R million | Other income R million | Tariffs or transfers received from DWS R million | Interest income earned on the Tariff receivable R million | Imputed interest on the Tariff receivable ⁽¹⁾ R million | Closing balance 31 March 2015 R million |
|----------------------|---|--|------------------------------|--|--|--|---|
| LHWP | 20 368 | 29 | 785 | (3 558) | 971 | (109) | 18 486 |
| BWP | 960 | - | 4 | (187) | 96 | 40 | 913 |
| VRESAP | 3 788 | 2 | 6 | (327) | 373 | 58 | 3 900 |
| MCWAP ⁽²⁾ | 469 | 171 | - | - | 61 | 173 | 874 |
| MMTS-2 | 442 | 411 | - | (162) | 41 | 591 | 1 323 |
| KWSAP | 966 | 8 | 4 | (110) | 101 | (9) | 960 |
| Total | 26 993 | 621 | 799 | (4 343) | 1 643 | 744 | 26 456 |

2014

| Project | Opening balance 1 April 2013 R million | Construction revenue earned R million | Other income R million | Tariffs or transfers received from DWS R million | Interest income earned on the Tariff receivable R million | Imputed interest on the Tariff receivable ⁽¹⁾ R million | Closing balance 31 March 2014 R million |
|----------------------|---|--|------------------------------|--|--|--|---|
| LHWP | 22 173 | 42 | 920 | (3 737) | 1 058 | (88) | 20 368 |
| BWP | 1 020 | 1 | 4 | (197) | 101 | 31 | 960 |
| VRESAP | 3 763 | 112 | 23 | (382) | 370 | (98) | 3 788 |
| MCWAP ⁽²⁾ | 113 | 349 | - | - | 15 | (8) | 469 |
| MMTS-2 | 783 | 262 | - | (185) | 73 | (491) | 442 |
| KWSAP | 1 037 | 53 | 15 | (110) | 109 | (138) | 966 |
| Total | 28 889 | 819 | 962 | (4 611) | 1 725 | (792) | 26 993 |

⁽¹⁾ TCTA revises its estimates of payments or receipts on an annual basis, then adjusts the carrying amount of the Tariff receivable to reflect actual and revised estimated cash flows. TCTA recalculates the carrying amount by computing the present value of estimated future cash flows at the Tariff receivables' original effective interest rate for each project. The adjustment is recognised in net finance cost.

⁽²⁾ MCWAP is partially funded from the fiscus.

7.4 Tariff receivables (continued)

7.4.2.1 Credit quality of financial assets that are neither past due nor impaired

The bulk of revenue is earned during the time that the project is being constructed, and the costs of construction will match the revenue. All costs incurred will be included in the financial asset against DWS, which will be repaid by DWS through water tariffs or transfers where the project is funded by DWS. After construction there will be operating expenses and finance costs charged against the income statement, and finance income earned from unwinding the financial assets, and income earned from DWS paying TCTA for the administrative expenses. The revenue earned from DWS then gives right to TCTA having a right to receive money from DWS (to pay the costs incurred) which is recognised as a financial asset. The Tariff receivable amounts are neither past due nor impaired.

ORWRDP, BOREHOLE, AMD and MMTS-1 are funded from the fiscus. The client is the DWS and the credit risk is deemed limited even though DWS is the sole client.

7.5 Financial assets: current versus non-current

7.5.1 Balances per project

The following are the total current and non-current financial assets disclosed on the statement of financial position.

| Project | 2015 | | 2014 | |
|---|----------------------|--------------------------|----------------------|--------------------------|
| | Current R million | Non-current R million | Current R million | Non-current R million |
| LHWP | 6 698 | 16 069 | 5 181 | 18 461 |
| BWP | 295 | 727 | 227 | 777 |
| VRESAP | 376 | 3 546 | 378 | 3 460 |
| MCWAP | 169 | 874 | 15 | 469 |
| MMTS-2 | 195 | 1 323 | 181 | 442 |
| ORWRDP ⁽¹⁾ | 450 | - | 394 | - |
| KWSAP | 96 | 871 | 151 | 899 |
| BOREHOLE ⁽¹⁾ | 1 | - | 1 | - |
| AMD ⁽¹⁾ | 1 034 | - | 507 | - |
| MMTS-1 ⁽¹⁾ | 2 | - | 6 | - |
| UMGENI ⁽¹⁾ | 61 | - | - | - |
| Balance on statement of financial position | 9 377 | 23 410 | 7 041 | 24 508 |

⁽¹⁾ There are no non-current financial assets for these projects during the financial periods presented.

Reconciliation of current and non-current financial assets disclosed on the statement of financial position:

| Balances on statement of financial position | 2015 | | 2014 | |
|---|----------------------|--------------------------|----------------------|--------------------------|
| | Current R million | Non-current R million | Current R million | Non-current R million |
| Tariff receivable | 3 352 | 23 104 | 3 303 | 23 690 |
| Loans and other receivables | 2 320 | - | 1 089 | - |
| Derivative financial instruments | - | - | - | - |
| Financial market investments | 3 705 | 306 | 2 649 | 818 |
| Cash and cash equivalents | - | - | - | - |
| Total financial assets | 9 377 | 23 410 | 7 041 | 24 508 |

7.5.2 Current financial assets per project

| Project | | 2015 R million | 2014 R million |
|----------------|----------------------------------|-------------------|-------------------|
| 7.5.2.1 | LHWP | | |
| | Tariff receivable | 2 723 | 2 725 |
| | Loans and other receivables | 995 | 330 |
| | Derivative financial instruments | - | - |
| | Financial market investments | 2 980 | 2 126 |
| | Cash and cash equivalents | - | - |
| | Total per project | 6 698 | 5 181 |
| 7.5.2.2 | BWP | | |
| | Tariff receivable | 186 | 183 |
| | Loans and other receivables | - | - |
| | Financial market investments | 109 | 44 |
| | Cash and cash equivalents | - | - |
| | Total per project | 295 | 227 |
| 7.5.2.3 | VRESAP | | |
| | Tariff receivable | 354 | 328 |
| | Loans and other receivables | - | 6 |
| | Financial market investments | 22 | 44 |
| | Cash and cash equivalents | - | - |
| | Total per project | 376 | 378 |
| 7.5.2.4 | MCWAP | | |
| | Tariff receivable | - | - |
| | Loans and other receivables | - | - |
| | Financial market investments | 169 | 15 |
| | Cash and cash equivalents | - | - |
| | Total per project | 169 | 15 |
| 7.5.2.5 | MMTS-2 | | |
| | Tariff receivable | - | - |
| | Loans and other receivables | 33 | 10 |
| | Financial market investments | 162 | 171 |
| | Cash and cash equivalents | - | - |
| | Total per project | 195 | 181 |

7.5 Financial assets: current versus non-current (continued)

| Project | 2015 R million | 2014 R million |
|---------------------------------------|-------------------|-------------------|
| 7.5.2.6 ORWRDP | | |
| Loans and other receivables | 260 | 231 |
| Financial market investments | 190 | 163 |
| Cash and cash equivalents | - | - |
| Total per project | 450 | 394 |
| 7.5.2.7 KWSAP | | |
| Tariff receivable | 89 | 67 |
| Loans and other receivables | - | - |
| Financial market investments | 7 | 84 |
| Cash and cash equivalents | - | - |
| Total per project | 96 | 151 |
| 7.5.2.8 BOREHOLE | | |
| Loans and other receivables | - | - |
| Financial market investments | 1 | 1 |
| Cash and cash equivalents | - | - |
| Total per project | 1 | 1 |
| 7.5.2.9 AMD | | |
| Loans and other receivables | 969 | 506 |
| Financial market investments | 65 | 1 |
| Cash and cash equivalents | - | - |
| Total per project | 1 034 | 507 |
| 7.5.2.10 MMTS-1 | | |
| Loans and other receivables | 2 | 6 |
| Financial market investments | - | - |
| Total per project | 2 | 6 |
| 7.5.2.11 UMGENI | | |
| Loans and other receivables | 61 | - |
| Total per project | 61 | - |
| Total current financial assets | 9 377 | 7 041 |

7.5.3 Non-current financial assets per project

| Non-current financial assets | 2015 | | Total non-current financial assets R million | 2014 | | Total non-current financial assets R million |
|---|---------------------------|-----------------------|---|---------------------------|-----------------------|---|
| | 1 to 5 years R million | >5 years R million | | 1 to 5 years R million | >5 years R million | |
| 7.5.3.1 LHWP | | | | | | |
| Tariff receivable | 5 978 | 9 785 | 15 763 | 6 478 | 11 165 | 17 643 |
| Financial market investments | 306 | - | 306 | 818 | - | 818 |
| Total per project | 6 284 | 9 785 | 16 069 | 7 296 | 11 165 | 18 461 |
| 7.5.3.2 BWP | | | | | | |
| Tariff receivable | 351 | 376 | 727 | 235 | 542 | 777 |
| Total per project | 351 | 376 | 727 | 235 | 542 | 777 |
| 7.5.3.3 VRESAP | | | | | | |
| Tariff receivable | | 3 546 | 3 546 | | 3 460 | 3 460 |
| Total per project | - | 3 546 | 3 546 | - | 3 460 | 3 460 |
| 7.5.3.4 MCWAP | | | | | | |
| Tariff receivable | | 874 | 874 | - | 469 | 469 |
| Total per project | - | 874 | 874 | - | 469 | 469 |
| 7.5.3.5 MMTS-2 | | | | | | |
| Tariff receivable | | 1 323 | 1 323 | | 442 | 442 |
| Total per project | - | 1 323 | 1 323 | - | 442 | 442 |
| 7.5.3.6 KWSAP | | | | | | |
| Tariff receivable | | 871 | 871 | | 899 | 899 |
| Total per project | - | 871 | 871 | - | 899 | 899 |
| Total non-current financial assets | 6 635 | 16 775 | 23 410 | 7 531 | 16 977 | 24 508 |

Prior year financial asset time buckets have been restated due to the restatement of the Tariff receivable. Refer to note 7.4 for further details.

7.6 Financial liabilities: current versus non-current

7.6.1 Totals

| Projects | 2015 | | 2014 | |
|---|----------------------|--------------------------|----------------------|--------------------------|
| | Current R million | Non-current R million | Current R million | Non-current R million |
| LHWP | 924 | 18 983 | 912 | 18 856 |
| BWP | 199 | 847 | 156 | 925 |
| VRESAP | 423 | 3 426 | 438 | 3 409 |
| MCWAP ⁽²⁾ | 60 | 1 193 | 126 | 711 |
| MMTS-2 | 331 | 1 244 | 439 | 792 |
| ORWRDP ⁽¹⁾ | 469 | - | 416 | - |
| KWSAP | 21 | 1 168 | 176 | 1 080 |
| BOREHOLE ⁽¹⁾ | - | - | - | - |
| AMD ⁽¹⁾ | 1 149 | - | 519 | - |
| MMTS-1 ⁽¹⁾ | 2 | - | 9 | - |
| UMGENI ⁽¹⁾ | 60 | - | - | - |
| Balance on statement of financial position | 3 638 | 26 861 | 3 191 | 25 773 |

⁽¹⁾ There are no non-current financial liabilities for these projects during the financial periods presented.

⁽²⁾ MCWAP is partially funded from the fiscus.

Reconciliation of current and non-current financial liabilities disclosed on the statement of financial position:

| Balances on statement of financial position | 2015 | | 2014 | |
|---|----------------------|--------------------------|----------------------|--------------------------|
| | Current R million | Non-current R million | Current R million | Non-current R million |
| Financial market liabilities | 1 020 | 26 861 | 1 179 | 25 773 |
| Derivative financial instruments | - | - | 3 | - |
| Trade and other payables | 2 618 | - | 2 009 | - |
| Total financial liabilities | 3 638 | 26 861 | 3 191 | 25 773 |

7.6.2 Current financial market liabilities

| Project | 2015 R million | 2014 R million |
|--|-------------------|-------------------|
| A: Financial liabilities measured at fair value | | |
| 7.6.2.1 LHWP | | |
| Derivative financial instruments | - | 3 |
| Total financial liabilities measured at fair value | - | 3 |
| B: Financial liabilities not measured at fair value | | |
| Other borrowings | | |
| Other borrowings by TCTA | 231 | 166 |
| Other commitments (LHDA) | 22 | 22 |
| Foreign loans | | |
| Other commitments (LHDA) | 11 | 12 |
| Trade and other payables | 660 | 709 |
| Total per project | 924 | 909 |
| 7.6.2.2 BWP | | |
| Borrowings | 193 | 153 |
| Trade and other payables | 6 | 3 |
| Total per project | 199 | 156 |
| 7.6.2.3 VRESAP | | |
| Borrowings | 381 | 282 |
| Trade and other payables | 42 | 156 |
| Total per project | 423 | 438 |
| 7.6.2.4 MCWAP | | |
| Borrowings | 8 | - |
| Trade and other payables | 52 | 126 |
| Total per project | 60 | 126 |
| 7.6.2.5 MMTS-2 | | |
| Borrowings | 157 | 395 |
| Trade and other payables | 174 | 44 |
| Total per project | 331 | 439 |
| 7.6.2.6 ORWRDP | | |
| Borrowings | - | - |
| Trade and other payables | 469 | 416 |
| Total per project | 469 | 416 |
| 7.6.2.7 KWSAP | | |
| Borrowings | 17 | 149 |
| Trade and other payables | 4 | 27 |
| Total per project | 21 | 176 |

7.6 Financial liabilities: current versus non-current (continued)

| Project | 2015 R million | 2014 R million |
|---|-------------------|-------------------|
| 7.6.2.8 BOREHOLE | | |
| Borrowings | - | - |
| Trade and other payables | - | - |
| Total per project | - | - |
| 7.6.2.9 AMD | | |
| Borrowings | - | - |
| Trade and other payables | 1 149 | 519 |
| Total per project | 1 149 | 519 |
| 7.6.2.10 MMTS-1 | | |
| Borrowings | - | - |
| Trade and other payables | 2 | 9 |
| Total per project | 2 | 9 |
| 7.6.2.11 UMGENI | | |
| Trade and other payables | 60 | - |
| Total per project | 60 | - |
| Total financial liabilities not measured at fair value | 3 638 | 3 188 |
| Total current financial liabilities | 3 638 | 3 191 |

7.6.3 Non-current financial liabilities

| Project | 2015 | | Total non-current financial liabilities R million | 2014 | | Total non-current financial liabilities R million |
|---|-----------------------------|------------------------------|--|-----------------------------|------------------------------|--|
| | (1 to 5 years) R million | (5 to 10 years) R million | | (1 to 5 years) R million | (5 to 10 years) R million | |
| Financial liabilities not measured at fair value | | | | | | |
| 7.6.3.1 LHWP | | | | | | |
| Local debt | | | | | | |
| Bonds | 13 567 | 5 237 | 18 804 | 13 311 | 5 290 | 18 601 |
| Other borrowings | | | | | | |
| Other borrowings by TCTA | 79 | - | 79 | 118 | - | 118 |
| Other commitments (LHDA) | 61 | 16 | 77 | 72 | 27 | 99 |
| Foreign loans | | | | | | |
| Other commitments (LHDA) | 23 | - | 23 | 38 | - | 38 |
| Total per project | 13 730 | 5 253 | 18 983 | 13 539 | 5 317 | 18 856 |
| 7.6.3.2 BWP | | | | | | |
| Borrowings | 309 | 538 | 847 | 299 | 626 | 925 |
| Total per project | 309 | 538 | 847 | 299 | 626 | 925 |

| Project | 2015 | | Total non-current financial liabilities R million | 2014 | | Total non-current financial liabilities R million |
|--------------------------|-----------------------------|------------------------------|--|-----------------------------|------------------------------|--|
| | (1 to 5 years) R million | (5 to 10 years) R million | | (1 to 5 years) R million | (5 to 10 years) R million | |
| 7.6.3.3 VRESAP | | | | | | |
| Borrowings | 725 | 2 701 | 3 426 | 678 | 2 731 | 3 409 |
| Total per project | 725 | 2 701 | 3 426 | 678 | 2 731 | 3 409 |
| 7.6.3.4 MCWAP | | | | | | |
| Borrowings | 80 | 1 113 | 1 193 | 108 | 603 | 711 |
| Total per project | 80 | 1 113 | 1 193 | 108 | 603 | 711 |
| 7.6.3.5 MMTS-2 | | | | | | |
| Borrowings | 228 | 1 016 | 1 244 | 108 | 684 | 792 |
| Total per project | 228 | 1 016 | 1 244 | 108 | 684 | 792 |
| 7.6.3.6 KWSAP | | | | | | |
| Borrowings | 102 | 1 066 | 1 168 | 80 | 1 000 | 1 080 |
| Total per project | 102 | 1 066 | 1 168 | 80 | 1 000 | 1 080 |
| Total | 15 174 | 11 687 | 26 861 | 14 812 | 10 961 | 25 773 |

7.7 Interest rates

| Project | 2015 % | 2014 % |
|--|--------------|--------------|
| LHWP | | |
| Loans bear effective interest at rates ranging from: | *4.3 to 20.7 | *3.9 to 20.4 |
| TCTA funded at a weighted average rate of | 10,01 | 9,82 |
| Project funded at a weighted average rate of | 10,06 | 9,76 |

* The interest rate applicable to one of the development funding foreign loans is 3.0%. This is a Euro loan facility drawn as Rands funding. The 20.7% relates to a EIB loan for Matsoku Diversion, valued at spot at R34 million (2014: R50 million). The interest rate applicable to this loan is 3.0%, however, due to forward exchange contract costs, the overall effective interest rate on this loan amounts to 20.7% (2014: 20.4%).

The project funded at a weighted average rate of:

| Project | 2015 % | 2014 % |
|---------|-----------|-----------|
| BWP | 8,08 | 8,03 |
| VRESAP | 9,47 | 9,57 |
| MMTS-2 | 8,33 | 6,21 |
| KWSAP | 9,71 | 9,08 |
| MCWAP | 9,46 | 7,99 |
| AMD | - | - |

ORWRDP and MMTS-1 are funded from the fiscus and the weighted average cost of capital is therefore not applicable.

7.8 Exchange rates (closing rates)

The following are exchange rates utilised by TCTA as at 31 March:

| Foreign currency | 2015 | | 2014 | |
|------------------|----------|------------|----------|------------|
| | Bid Rand | Offer Rand | Bid Rand | Offer Rand |
| US dollars | * | * | 10,518 | 10,521 |
| Euros | 13,024 | 13,029 | 14,485 | 14,490 |

* - There were no USD based debt for the year

7.9 Bonds

TCTA is the legal issuer of the following LHWP local registered bonds:

| Loan No | Type | Redemption date | Interest rate | Authorised nominal/ principal value R million | Nominal/capital indexed issued R million |
|---------|-------------------|-----------------|---------------|---|--|
| WS04 | Nominal | 30/05/2016 | 12,50% | 7 481 | 4 900 |
| WS05 | Inflation indexed | 01/08/2018 | 5,00% | 7 000 | 7 485 * |
| WSP1 | Nominal | 28/05/2015 | 9,00% | 1 000 | 115 |
| WSP2 | Nominal | 28/05/2017 | 9,00% | 2 436 | 2 436 ** |
| WSP3 | Nominal | 28/05/2019 | 9,00% | 1 000 | 41 |
| WSP4 | Nominal | 28/05/2020 | 9,00% | 1 000 | 97 |
| WSP5 | Nominal | 28/05/2021 | 9,00% | 5 083 | 5 083 ** |

* Inflation indexed bond reflected at CPI value.

** The limit for WSP2 and WSP5 are offset by the available limit on the WS04 bonds as approved by the ALCO as at 25 November 2010.

| Value of bonds | 2015 | | 2014 | |
|--|-------------------------|----------------------------|-------------------------|----------------------------|
| | Fair value R million | Nominal value R million | Fair value R million | Nominal value R million |
| Authorised | | 29 500 | | 29 500 |
| Issued | 22 056 * | 18 919 ** | 22 041 * | 19 792 ** |
| Unrealised premium to be amortised over the life of the loan | | 343 | | 460 |
| Unrealised discount to be amortised over the life of the loan | | (44) | | (54) |
| Unrealised amortisation of CPI upliftment for WS05 | | (1 536) | | (1 596) |

* 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 R25 billion (2014: R21 billion).

7.10 Offsetting financial assets and financial liabilities

TCTA enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. These agreements generally allows the aggregation of all transactions in a single net amount for amounts in the same currency, owed by each counterparty on a single day, to be paid by the one party to the other. Derivative agreements are settled net in terms of these ISDA agreements.

International Securities Market Association netting agreements govern net settlement between counterparties in relation to certain capital market transactions and balances owing, such as repurchase agreements and are therefore not netted off in the statement of financial position. The right to offset is enforceable on the occurrence of future events such as default on loan agreements or other credit events.

The following table set outs out the carrying amounts of recognised financial instruments that are subject to the ISDA agreements:

7.10 Offsetting financial assets and financial liabilities (continued)**7.10.1 Financial assets/(liabilities) subject to offsetting, enforceable master netting arrangements and similar agreements****2015**

| Description | Gross amounts of recognised financial assets/(liabilities) (A) R million | Gross amounts of recognised financial assets/(liabilities) set off in the statement of financial position (B) R million | Net amounts of financial assets/(liabilities) presented in the statement of financial position (C-A-B) R million |
|---|---|--|---|
| Derivatives | - | - | - |
| Reverse repurchase, securities borrowing and similar agreements | 164 | - | 164 |
| Other financial instruments | - | - | - |
| Total | 164 | - | 164 |

2014

| Description | Gross amounts of recognised financial assets/(liabilities) (A) R million | Gross amounts of recognised financial assets/(liabilities) set off in the statement of financial position (B) R million | Net amounts of financial assets/(liabilities) presented in the statement of financial position (C-A-B) R million |
|---|---|--|---|
| Derivatives | (3) | - | (3) |
| Reverse repurchase, securities borrowing and similar agreements | 149 | - | 149 |
| Other financial instruments | - | - | - |
| Total | 146 | - | 146 |

⁽¹⁾ This relates to amounts that are not subject to legally enforceable netting arrangements.

⁽²⁾ Total per statement of financial position is the sum of "Net amounts of financial assets/(liabilities) presented in the statement of financial position and which are subject to enforceable netting arrangements" and "Amounts not subject to enforceable netting arrangements".

| Related amounts not set off in the statement of financial position (D) | | | Amounts not subject to enforceable netting arrangements ⁽¹⁾ | Total per statement of financial position ⁽²⁾ |
|--|----------------------------------|------------------------|--|--|
| (D)(i), (D)(ii) Financial instruments | (D)(ii) Cash collateral received | Net amount (E)=(C)-(D) | | |
| R million | R million | R million | R million | R million |
| - | - | - | - | - |
| - | - | - | 26 | 190 |
| - | - | - | - | - |
| - | - | - | 26 | 190 |

| Related amounts not set off in the statement of financial position (D) | | | Amounts not subject to enforceable netting arrangements ⁽¹⁾ | Total per statement of financial position ⁽²⁾ |
|--|----------------------------------|------------------------|--|--|
| (D)(i), (D)(ii) Financial instruments | (D)(ii) Cash collateral received | Net amount (E)=(C)-(D) | | |
| R million | R million | R million | R million | R million |
| - | - | - | - | (3) |
| - | - | - | 80 | 229 |
| - | - | - | - | - |
| - | - | - | 80 | 226 |

7.11 Derivative exposures

LHWP

The table below details derivative values:

| | 2015 | | 2014 | |
|-----------------------------------|-------------------|-----------------------|-------------------|-----------------------|
| | Current R million | Non-current R million | Current R million | Non-current R million |
| Forward exchange contracts | | | | |
| LIABILITIES | | | | |
| Fair value amount | - | - | 3 | - |

| | 2015 | | 2014 | |
|---------------------------------------|------------------------|---------------------|------------------------|---------------------|
| | Foreign Amount million | Rand amount million | Foreign Amount million | Rand amount million |
| Forward exchange contracts (*) | | | | |
| Notional amounts on EUR contracts | 3 | 37 | 4 | 58 |

Net foreign exchange contracts are stated at fair value. This derivative contract has been entered into to economically hedge specific underlying commitments recorded on the statement of financial position at the reporting date. Derivatives are used to hedge currency exposures.

(*) The notional amount of a financial instrument is the nominal or face value that is used to calculate payments made on that instrument. Fair value is the current mark-to-market value of all the derivatives at the reporting date.

7.12 Long-term liability maturity profile

The tables below indicate TCTA's exposure to fixed and floating interest rates:

7.12.1 Exposure to floating interest rates: Liabilities

| Project | 2015 | | | Total exposure to floating interest rates R million | 2014 | | | Total exposure to floating interest rates R million |
|--------------|-------------------|------------------------|--------------------|---|-------------------|------------------------|--------------------|---|
| | <1 year R million | 1 to 5 years R million | >5 years R million | | <1 year R million | 1 to 5 years R million | >5 years R million | |
| LHWP | 131 | 6 227 | - | 6 358 | 184 | 5 890 | - | 6 074 |
| BWP | 116 | - | 100 | 216 | 76 | - | 100 | 176 |
| VRESAP | 239 | 72 | 557 | 868 | 147 | 65 | 393 | 605 |
| MCWAP | 1 | 10 | 150 | 161 | - | 86 | 85 | 171 |
| MMTS-2 | 140 | 96 | 652 | 888 | 395 | 43 | 315 | 753 |
| KWSAP | - | 2 | 182 | 184 | 149 | - | 116 | 265 |
| Total | 627 | 6 407 | 1 641 | 8 675 | 951 | 6 084 | 1 009 | 8 044 |

FOR THE YEAR ENDED 31 MARCH 2015

7.12.2 Exposure to fixed interest rates: Liabilities

| Project | 2015 | | | Total exposure to fixed interest rates R million | 2014 | | | Total exposure to fixed interest rates R million |
|--------------|----------------------|---------------------------|-----------------------|---|----------------------|---------------------------|-----------------------|---|
| | <1 year R million | 1 to 5 years R million | >5 years R million | | <1 year R million | 1 to 5 years R million | >5 years R million | |
| LHWP | 133 | 7 503 | 5 253 | 12 889 | 19 | 7 649 | 5 317 | 12 985 |
| BWP | 77 | 309 | 438 | 824 | 77 | 299 | 525 | 901 |
| VRESAP | 142 | 654 | 2 143 | 2 939 | 136 | 613 | 2 337 | 3 086 |
| MCWAP | 7 | 69 | 964 | 1 040 | - | 21 | 519 | 540 |
| MMTS-2 | 17 | 132 | 364 | 513 | - | 64 | 370 | 434 |
| KWSAP | 17 | 100 | 884 | 1 001 | - | 80 | 884 | 964 |
| Total | 393 | 8 767 | 10 046 | 19 206 | 232 | 8 726 | 9 952 | 18 910 |

7.12.3 Exposure to floating interest rates: Assets

| Project | 2015 | | | Total exposure to floating interest rates R million | 2014 | | | Total exposure to floating interest rates R million |
|--------------|----------------------|---------------------------|-----------------------|--|----------------------|---------------------------|-----------------------|--|
| | <1 year R million | 1 to 5 years R million | >5 years R million | | <1 year R million | 1 to 5 years R million | >5 years R million | |
| LHWP | 1 948 | 306 | - | 2 254 | 1 452 | 818 | - | 2 270 |
| BWP | 109 | - | - | 109 | 58 | - | - | 58 |
| VRESAP | 22 | - | - | 22 | 44 | - | - | 44 |
| MCWAP | 169 | - | - | 169 | 15 | - | - | 15 |
| MMTS-2 | 162 | - | - | 162 | 171 | - | - | 171 |
| ORWRDP | 190 | - | - | 190 | 163 | - | - | 163 |
| KWSAP | 7 | - | - | 7 | 84 | - | - | 84 |
| BOREHOLE | 1 | - | - | 1 | 1 | - | - | 1 |
| AMD | 65 | - | - | 65 | 1 | - | - | 1 |
| Total | 2 673 | 306 | - | 2 979 | 1 989 | 818 | - | 2 807 |

The table above excludes the maturity periods for loans and other receivables and cash and equivalents.

7.12.4 Exposure to fixed interest rates: Assets

| Project | 2015 | | | Total exposure to fixed interest rates R million | 2014 | | | Total exposure to fixed interest rates R million |
|--------------|----------------------|---------------------------|-----------------------|---|----------------------|---------------------------|-----------------------|---|
| | <1 year R million | 1 to 5 years R million | >5 years R million | | <1 year R million | 1 to 5 years R million | >5 years R million | |
| LHWP | 1 032 | - | - | 1 032 | 674 | - | - | 674 |
| BWP | - | - | - | - | - | - | - | - |
| VRESAP | - | - | - | - | - | - | - | - |
| MCWAP | - | - | - | - | - | - | - | - |
| MMTS-2 | - | - | - | - | - | - | - | - |
| ORWRDP | - | - | - | - | - | - | - | - |
| KWSAP | - | - | - | - | - | - | - | - |
| BOREHOLE | - | - | - | - | - | - | - | - |
| AMD | - | - | - | - | - | - | - | - |
| Total | 1 032 | - | - | 1 032 | 674 | - | - | 674 |

The table above excludes the maturity periods for loans and other receivables and cash and equivalents.

7.13 Finance lease liabilities

TCTA is leasing eleven photocopiers and these lease agreements were classified as finance leases. The lease term is 36 months. The first lease relating to 10 photocopiers was settled in March 2013. The final payment on the remaining lease was made in October 2014. The lease liability has been settled in full and there are no comparative amounts for the 2015 year.

| Finance lease liabilities | 2014 | | |
|--|-------------------------------|--------------|---|
| | Future minimum lease payments | Interest | Present value of minimum lease payments |
| | Rand | Rand | Rand |
| Less than one year | 52 971 | 1 943 | 51 028 |
| Between one and five years | - | - | - |
| More than five years | - | - | - |
| Present value of minimum lease payments | 52 971 | 1 943 | 51 028 |

8 LOANS AND OTHER RECEIVABLES

The total includes receivables for ORWRDP, BOREHOLE, AMD and MMTS-1, which have been disclosed as part of current loans and receivables. These projects are funded from the fiscus. UMGENI is funded by Umgeni Water. Loans and other receivables also includes inter-project loan accounts with LHWP.

| Project | Notes | 2015 | | | 2014 | | |
|----------------------|-------|----------------------------|-------------------------|--------------------|----------------------------|-------------------------|--------------------|
| | | Other debtors R million | DWS Debtor R million | Total R million | Other debtors R million | DWS Debtor R million | Total R million |
| LHWP | 8.1 | 995 | - | 995 | 330 | - | 330 |
| BWP | | - | - | - | - | - | - |
| VRESAP | | - | - | - | 6 | - | 6 |
| MCWAP ⁽¹⁾ | | - | - | - | - | - | - |
| MMTS-2 | | 33 | - | 33 | 10 | - | 10 |
| ORWRDP | | - | 260 | 260 | - | 231 | 231 |
| KWSAP | | - | - | - | - | - | - |
| BOREHOLE | | - | - | - | - | - | - |
| AMD | | - | 969 | 969 | - | 506 | 506 |
| MMTS-1 | | - | 2 | 2 | - | 6 | 6 |
| UMGENI | | 61 | - | 61 | - | - | - |
| Total | | 1 089 | 1 231 | 2 320 | 346 | 743 | 1 089 |

⁽¹⁾ Prepaid financial compensation relating to the expropriation of land is re-allocated to prepaid expenditure (note 9) to more accurately reflect the nature of asset.

8.1 LHWP Loan accounts reconciliation

The table below is a reconciliation of the inter-project loan accounts with LHWP. The balances mainly consists of recoveries of overhead costs based on an approved recovery model to allocate overhead administration costs to all projects. These balances are settled on a monthly basis and amounts outstanding are due to timing differences. The balances are further subject to interest charged at the WACC rate of LHWP at the end of each month.

| Project | 2015 R million | 2014 R million |
|--|-------------------|-------------------|
| BWP | 1 | 1 |
| VRESAP | 2 | 1 |
| MCWAP | 16 | 4 |
| MMTS-2 | 6 | 4 |
| ORWRDP | 6 | 4 |
| KWSAP | 1 | 2 |
| BOREHOLE | - | - |
| AMD ⁽¹⁾ | 917 | 308 |
| Other | 46 | 6 |
| Loan accounts advisory services ⁽²⁾ | - | - |
| Total | 995 | 330 |

⁽¹⁾ TCTA was directed by the Minister of Water and Sanitation to implement the short-term AMD solution with funding from DWS. The financing of AMD project costs from the LHWP account amounted to R 917 million (2014: R308 million). This loan is recoverable from DWS.

⁽²⁾ TCTA was directed by the Minister of Water and Sanitation to provide advisory services to the Mzimvubu Water Project, Special Infrastructure Projects 3 and 18, as well as the Vaal Gamagara Scheme. No material amount have been incurred to date.

8.2 Credit quality of financial assets that are neither past due nor impaired

When a counterparty fails to make a payment when it is contractually due, that financial asset is past due, even though this does not mean that the counterparty will never pay. This does however mean that it can trigger various actions such as renegotiation, enforcement of covenants, or legal proceedings. ORWRDP, BOREHOLE, AMD and MMTS-1 are funded from the fiscus. The customer is the DWS and the credit risk is deemed limited even though DWS is the sole customer.

8.3 Ageing of loans and receivables

As at 31 March, the ageing analysis of loans and other receivables are as follows:

2015

| Project | Total R million | Neither past due nor impaired R million | Past due but not impaired | | |
|-------------------------------|--------------------|--|---------------------------|-------------------------|-----------------------|
| | | | 30-60 days R million | 61-90 days R million | >90 days R million |
| LHWP | 995 | 995 | - | - | - |
| BWP | - | - | - | - | - |
| VRESAP | - | - | - | - | - |
| MCWAP | - | - | - | - | - |
| MMTS-2 | 33 | 33 | - | - | - |
| ORWRDP | 260 | 69 | 112 | 75 | 4 |
| KWSAP | - | - | - | - | - |
| BOREHOLE | - | - | - | - | - |
| AMD | 969 | 589 | - | - | 380 |
| MMTS-1 | 2 | 2 | - | - | - |
| UMGENI | 61 | 61 | - | - | - |
| Balance at end of year | 2 320 | 1 749 | 112 | 75 | 384 |

2014

| Project | Total R million | Neither past due nor impaired R million | Past due but not impaired | | |
|-------------------------------|--------------------|--|---------------------------|-------------------------|-----------------------|
| | | | 30-60 days R million | 61-90 days R million | >90 days R million |
| LHWP | 330 | 330 | - | - | - |
| BWP | - | - | - | - | - |
| VRESAP | 6 | 6 | - | - | - |
| MCWAP | - | - | - | - | - |
| MMTS-2 | 10 | 10 | - | - | - |
| ORWRDP | 231 | 112 | - | - | 119 |
| KWSAP | - | - | - | - | - |
| BOREHOLE | - | - | - | - | - |
| AMD | 506 | 15 | 84 | 63 | 344 |
| MMTS-1 | 6 | 6 | - | - | - |
| Balance at end of year | 1 089 | 479 | 84 | 63 | 463 |

9 PREPAID EXPENDITURE

Prepaid expenditure includes advance payments made to Contractors, annual insurance and treasury related licence fees. The advance payments are recouped from future payment certificates. Other prepaid expenditure are amortised to the income statement over the period that the expenses are incurred.

| Project | 2015 R million | 2014 R million |
|-------------------------------|-------------------|-------------------|
| LHWP | 90 | 36 |
| BWP | - | - |
| VRESAP | - | - |
| MCWAP ⁽¹⁾ | 1 | 1 |
| MMTS-2 | 21 | 50 |
| ORWRDP | 10 | 24 |
| KWSAP | - | - |
| BOREHOLE | - | - |
| AMD | 89 | - |
| MMTS-1 | - | 3 |
| UMGENI | - | - |
| Balance at end of year | 211 | 114 |

⁽¹⁾ Prepaid financial compensation relating to the expropriation of land, is re-allocated to prepaid expenditure (note 8) to more accurately reflect the nature of asset.

10 TRADE AND OTHER PAYABLES

2015

| Project | Interest payable: Other borrowings by TCTA R million | Loan account: LHWP R million | Loan account: MMTS-1 R million | Loan account: UMGENI R million | Other creditors R million | Balance per project R million |
|-------------------------------|---|------------------------------------|--------------------------------------|--------------------------------------|------------------------------|----------------------------------|
| LHWP | 501 | - | - | - | 159 | 660 |
| BWP | 2 | 1 | - | - | 3 | 6 |
| VRESAP | 40 | 2 | - | - | - | 42 |
| MCWAP | - | 16 | - | - | 36 | 52 |
| MMTS-2 | 15 | 6 | - | - | 153 | 174 |
| ORWRDP | - | 6 | - | - | 463 | 469 |
| KWSAP | - | 1 | - | - | 3 | 4 |
| BOREHOLE | - | - | - | - | - | - |
| AMD | - | 917 | - | - | 232 | 1 149 |
| MMTS-1 | - | - | 2 | - | - | 2 |
| UMGENI ⁽¹⁾ | - | - | - | 60 | - | 60 |
| Balance at end of year | 558 | 949 | 2 | 60 | 1 049 | 2 618 |

⁽¹⁾ The loan account comprise funds received from Umgeni Water (in terms of the Addendum to the MOA, November 2014) for the construction of the potable water pipeline from the water treatment works at the Spring Grove Dam to a terminal reservoir at Nottingham Road.

The payment terms for creditors vary depending on the contract terms.

2014

| Project | Interest payable: Other borrowings by TCTA R million | Loan account: LHWP R million | Loan account: MMTS-1 R million | Other creditors R million | Balance per project R million |
|-------------------------------|---|---------------------------------|-----------------------------------|------------------------------|----------------------------------|
| LHWP | 501 | - | - | 208 | 709 |
| BWP | 2 | 1 | - | - | 3 |
| VRESAP | 39 | 1 | - | 116 | 156 |
| MCWAP | - | 4 | - | 122 | 126 |
| MMTS-2 | 6 | 4 | - | 34 | 44 |
| ORWRDP | - | 5 | - | 411 | 416 |
| KWSAP | - | 3 | - | 24 | 27 |
| BOREHOLE | - | - | - | - | - |
| AMD | - | 292 | - | 227 | 519 |
| MMTS-1 | - | - | 9 | - | 9 |
| Balance at end of year | 548 | 310 | 9 | 1 142 | 2 009 |

The payment terms for creditors vary depending on the contract terms.

11 NON-CONTRACTUAL AMOUNTS

Non-contractual amounts relate to liabilities and/or assets arising from legislation. This includes payments to the South African Revenue Service (SARS) relating to Value Added Tax (VAT), Skills Development Levy and to the Unemployment Insurance Fund.

TCTA manages its projects separately and records the VAT payable or VAT receivable for each project. The net VAT payable is paid over to SARS. As at year end there were no balances outstanding for Skills Development Levy and to the Unemployment Insurance Fund.

The table below indicate the net amount payable to SARS at the end of March:

11.1 Value Added Tax

| Project | 2015 R million | 2014 R million |
|--------------------|-------------------|-------------------|
| Asset | 48 | 25 |
| Liability | (109) | (86) |
| Net payable | (61) | (61) |

The tables below indicate the non-contractual assets and non-contractual liabilities, per project, as disclosed on the Statement of Financial Position:

Non-contractual assets

| Project | Value Added Tax | |
|-------------------------------|-------------------|-------------------|
| | 2015 R million | 2014 R million |
| LHWP | - | - |
| BWP | - | 1 |
| VRESAP | - | 1 |
| MCWAP | 6 | 9 |
| MMTS-2 | 7 | 2 |
| ORWRDP | 9 | - |
| KWSAP | - | - |
| BOREHOLE | - | - |
| AMD | 26 | 12 |
| MMTS-1 | - | - |
| UMGENI | - | - |
| Balance at end of year | 48 | 25 |

Non-contractual liabilities

| Project | Value Added Tax | |
|-------------------------------|-------------------|-------------------|
| | 2015 R million | 2014 R million |
| LHWP | (97) | (83) |
| BWP | (2) | - |
| VRESAP | (8) | - |
| MCWAP | - | - |
| MMTS-2 | - | - |
| ORWRDP | - | (2) |
| KWSAP | (2) | (1) |
| BOREHOLE | - | - |
| AMD | - | - |
| MMTS-1 | - | - |
| UMGENI | - | - |
| Balance at end of year | (109) | (86) |

11.2 Income Tax

TCTA is a non profit organisation established by DWS to raise off-budget funding and implement projects (both on and off-budget) on its behalf. By allowing non profit organisations preferential tax treatment, Government assist by augmenting their financial resources. TCTA applied for this preferential tax treatment as prescribed and its application for tax exemption in terms of the Income Tax Act, 1962, was approved. TCTA is exempt from Income tax as it is an Institution, Board, or Body established by or under any law as defined in the Income Tax Act, 1962.

12 PROVISIONS

12.1 Total provisions

The following provisions are the current and non-current provisions for the year:

| Current provisions | Notes | 2015 R million | 2014 R million |
|---------------------------------|-------|-------------------|-------------------|
| Provision for leave pay | 12.2 | 9 | 8 |
| Provision for compensation | 12.3 | 20 | 19 |
| Provision for incentives | 12.4 | 19 | 10 |
| Total current provisions | | 48 | 37 |

| Non-current provisions | Notes | 2015 R million | 2014 R million |
|-------------------------------------|-------|-------------------|-------------------|
| Provision for compensation | 12.3 | 319 | 350 |
| Total Non-current provisions | | 319 | 350 |

12.2 Provision for leave pay

| Leave Pay | 2015 R million | 2014 R million |
|---------------------------------------|-------------------|-------------------|
| Reconciliation | | |
| Balance at 1 April | 8 | 8 |
| Leave accrued during the year | 11 | 10 |
| Leave utilised | (10) | (10) |
| Leave provision as at 31 March | 9 | 8 |

In terms of TCTA's policy, employees are entitled to accumulate annual leave not taken to a maximum of 40 working days. Accumulated annual leave exceeding the maximum of 40 working days is forfeited on 30 June of the succeeding year.

12.3 Provision for compensation

| Compensation | Notes | 2015 R million | 2014 R million |
|--|------------|-------------------|-------------------|
| Compensation provision at 1 April | | 369 | 274 |
| Long-term portion of future compensation | | 350 | 258 |
| Short-term portion of future compensation | | 19 | 16 |
| Payment in current year | | (16) | (17) |
| Interest expense | | 37 | 29 |
| Imputed interest (income)/expense | 17.1; 17.2 | (51) | 63 |
| Adjustment for the change in the WACC used in determining the present value of the provision | | - | 20 |
| Compensation provision at 31 March | | 339 | 369 |
| Long-term portion of future compensation | | 319 | 350 |
| Short-term portion of future compensation | | 20 | 19 |

The provision for compensation payments is paid annually in cash to the LHDA for subsequent distribution to individuals affected by loss of income as a result of appropriation of land in respect of the LHWP project in Lesotho.

12.4 Provision for incentives

| Incentives | 2015 R million | 2014 R million |
|---|-------------------|-------------------|
| Balance at 1 April | 10 | - |
| Incentive provision raised in the year | 19 | 10 |
| Incentive paid in the year | (10) | - |
| Incentive provision as at 31 March | 19 | 10 |

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. The 2014 incentive was finalised and allocated to individuals during the 2015 financial year.

13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of bank balances and petty cash. TCTA's cash management practice is to maintain a minimum amount of cash on hand. Cash and bank balances were less than R500 000 as at the end of March 2015 and March 2014.

14 CONSTRUCTION REVENUE AND COSTS

TCTA constructs infrastructure on behalf of DWS and treats the cost of the construction in terms of IAS 11 *Construction Contracts*, as costs through the statement of comprehensive income.

Under the percentage of completion method, contract revenue is recognised as revenue in profit or loss in the accounting periods in which the work is performed. Contract costs include all capital, funding and administrative costs incurred by TCTA in relation to each project. The contra for the recognition of revenue will be the initial recognition of a financial asset. (Refer to note 7.4.1 for information on construction revenue earned and tariffs or transfers received from DWS during the period). DWS pays in full for the costs incurred resulting in revenue earned by TCTA equal to the costs incurred.

Construction Revenue

| Project | 2015 R million | 2014 R million |
|--|-------------------|-------------------|
| LHWP | 29 | 42 |
| BWP | - | 1 |
| VRESAP | 2 | 112 |
| MCWAP | 171 | 349 |
| MMTS-2 | 411 | 262 |
| ORWRDP | 514 | 541 |
| KWSAP | 8 | 53 |
| BOREHOLE | - | - |
| AMD | 575 | 595 |
| MMTS-1 | 31 | 41 |
| UMGENI | 7 | - |
| Total construction revenue for the year | 1 748 | 1 996 |

Construction Cost

| Project | Notes | 2015 R million | 2014 R million |
|--|-------|-------------------|-------------------|
| LHWP | 14.1 | (29) | (42) |
| BWP | | - | (1) |
| VRESAP | | (2) | (112) |
| MCWAP | | (171) | (349) |
| MMTS-2 | | (411) | (262) |
| ORWRDP | | (514) | (541) |
| KWSAP | | (8) | (53) |
| BOREHOLE | | - | - |
| AMD | | (575) | (595) |
| MMTS-1 | | (31) | (41) |
| UMGENI | | (7) | - |
| Total construction revenue for the year | | (1 748) | (1 996) |

14.1 LHWP: Construction costs

Construction costs for LHWP relates to cost related payments made to the LHDA for Phase 2 of the Project.

| Phase 2 construction costs | 2015 R million | 2014 R million |
|--|-------------------|-------------------|
| LHWP phase 2 construction costs for the year | (29) | (42) |
| Total | (29) | (42) |

15 OTHER INCOME

Other income relates to services rendered and cost recoveries from the DWS.

| Project | 2015 R million | 2014 R million |
|--|-------------------|-------------------|
| LHWP | 785 | 920 |
| BWP | 4 | 4 |
| VRESAP | 6 | 23 |
| KWSAP | 4 | 15 |
| BOREHOLE | - | - |
| Total other income for the year | 799 | 962 |

All other projects have not earned other income during the year (2014: none).

16 OPERATING COSTS FOR THE WORK IN LESOTHO

In accordance with the Treaty, the Government of the Republic of South Africa is responsible for the payment of all costs related to the operation and maintenance of the water transfer component of the LHWP. In Lesotho this work is carried out by the LHDA, with oversight by the LHWC. TCTA makes payments on a weekly cash flow schedule to enable this work to be undertaken.

| Project | 2015 R million | 2014 R million |
|---|-------------------|-------------------|
| LHWP | (99) | (106) |
| Total operating costs for the year | (99) | (106) |

17 FINANCE INCOME AND COSTS

17.1 Finance income

2015

| Project | Interest income for financial assets at amortised cost | | Total: Interest income for financial assets at amortised cost | Interest on compensation | Fair value gain or loss on derivatives | Finance income per project |
|-----------------------|--|--|---|--------------------------|--|----------------------------|
| | Interest income on other financial assets | Interest income on the tariff receivable | | | | |
| | R million | R million | R million | R million | R million | R million |
| LHWP | 319 | 971 | 1 290 | 51 | 3 | 1 344 |
| BWP | 3 | 135 | 138 | - | - | 138 |
| VRESAP | 3 | 430 | 433 | - | - | 433 |
| MCWAP | 9 | 234 | 243 | - | - | 243 |
| MMTS-2 | 12 | 632 | 644 | - | - | 644 |
| KWSAP | 2 | 101 | 103 | - | - | 103 |
| UMGENI | 1 | - | 1 | - | - | 1 |
| Finance income | 349 | 2 503 | 2 852 | 51 | 3 | 2 906 |

2014

| Project | Interest income for financial assets at amortised cost | | Total: Interest income for financial assets at amortised cost | Interest on compensation ⁽¹⁾ | Fair value gain or loss on derivatives | Finance income per project |
|-----------------------|--|--|---|---|--|----------------------------|
| | Interest income on other financial assets | Interest income on the tariff receivable | | | | |
| | R million | R million | R million | R million | R million | R million |
| LHWP | 240 | 1 058 | 1 298 | 33 | 11 | 1 342 |
| BWP | 4 | 132 | 136 | - | - | 136 |
| VRESAP | 7 | 370 | 377 | - | - | 377 |
| MCWAP | 4 | 15 | 19 | - | - | 19 |
| MMTS-2 | 8 | 73 | 81 | - | - | 81 |
| KWSAP | 3 | 109 | 112 | - | - | 112 |
| UMGENI | - | - | - | - | - | - |
| Finance income | 266 | 1 756 | 2 023 | 33 | 11 | 2 067 |

⁽¹⁾ The interest on compensation has been reclassified from fair value through profit or loss to reflect the interest on the compensation provision separately.

FOR THE YEAR ENDED 31 MARCH 2015

17.2 Finance costs

Finance costs for the year ended are analysed as follows:

2015

| Project | Interest expense for borrowings at amortised cost | | | | Total: Interest expense for borrowings at amortised cost | Interest on compensation | Fair value gain or loss on derivatives | Finance cost per project |
|----------------------|---|------------------|--------------|---|--|--------------------------|--|--------------------------|
| | Locally issued bonds | Other local debt | Foreign debt | Imputed interest on the financial asset | | | | |
| | R million | R million | R million | R million | R million | R million | R million | R million |
| LHWP | 2 126 | 20 | 10 | 109 | 2 265 | 37 | 6 | 2 308 |
| BWP | - | 88 | - | - | 88 | - | - | 88 |
| VRESAP | - | 360 | - | - | 360 | - | - | 360 |
| MCWAP | - | 103 | - | - | 103 | - | - | 103 |
| MMTS-2 | - | 117 | - | - | 117 | - | - | 117 |
| KWSAP | - | 111 | - | 9 | 120 | - | - | 120 |
| Finance costs | 2 126 | 799 | 10 | 118 | 3 053 | 37 | 6 | 3 096 |

2014

| Project | Interest expense for borrowings at amortised cost | | | | Total: Interest expense for borrowings at amortised cost | Interest on compensation ⁽¹⁾ | Fair value gain or loss on derivatives | Finance cost per project |
|----------------------|---|------------------|--------------|---|--|---|--|--------------------------|
| | Locally issued bonds | Other local debt | Foreign debt | Imputed interest on the financial asset | | | | |
| | R million | R million | R million | R million | R million | R million | R million | R million |
| LHWP | 2 009 | 45 | 11 | 88 | 2 153 | 97 | 18 | 2 268 |
| BWP | - | 92 | - | - | 92 | - | - | 92 |
| VRESAP | - | 355 | - | 98 | 453 | - | - | 453 |
| MCWAP | - | 61 | - | 8 | 69 | - | - | 69 |
| MMTS-2 | - | 84 | - | 491 | 575 | - | - | 575 |
| KWSAP | - | 117 | - | 138 | 255 | - | - | 255 |
| Finance costs | 2 009 | 754 | 11 | 823 | 3 597 | 97 | 18 | 3 712 |

⁽¹⁾ The interest expense on the compensation provision has been reclassified from "Fair value through profit or loss" to "Interest on compensation provision" to reflect the interest on the compensation provision separately.

18 ROYALTIES PAID

Royalties are paid to the Government of Lesotho in accordance with the Treaty for the benefit of receiving water from the LHWP. The royalties are based on the calculated net benefit of the construction of LHWP compared to a transfer scheme based entirely inside South Africa. The royalties comprise a fixed component and a variable component. The variable royalties are based on 773 million m³ (2014: 784 million m³) of water delivered adjusted for the increase in the PPI and the Eskom selling price of electricity. Variable royalties in this financial year include the expected Eskom selling price adjustment for the year that is expected to be settled in October 2015. The water volume delivered in this financial year is slightly lower than the agreed upon delivery of 780 million m³. In terms of the treaty, any differences will be adjusted in the following year.

| Expensed for the year | 2015 R million | 2014 R million |
|-----------------------|-------------------|-------------------|
| Fixed royalties | (219) | (208) |
| Variable royalties | (393) | (479) |
| Royalties paid | (612) | (687) |

19 OTHER OPERATING EXPENSES

All construction costs including general administration costs that can be considered as construction overheads (specifically contracted to by DWS) are taken to surplus or deficit as part of project costs. Construction revenues will include this amount (Refer to note 14).

After construction, all administration/overhead expenses are expensed as operating expenses in the statement of comprehensive income. The projects listed below are in the post construction phase, and operating expenses are recognised in the statement of comprehensive income; all other projects are still in the construction phase.

Other operating expenses include the following:

2015

| Project | Operating lease payments | Audit Fees | Other expenditure ⁽¹⁾ | Total other operating expenditure |
|---|--------------------------|------------|----------------------------------|-----------------------------------|
| LHWP | (8) | (1) | 114 | 105 |
| BWP | - | - | (4) | (4) |
| VRESAP | - | - | (5) | (5) |
| KWSAP | - | - | (4) | (4) |
| Operating expenses recognised in surplus/deficit | (8) | (1) | 101 | 92 |

⁽¹⁾ Other operating expenditure includes among others costs incurred in relation to insurance, non-audit services, repairs and maintenance, stationary and printing, the operating and maintenance costs incurred in terms of Protocol VI. In the TCTA model, administration costs are determined by aggregating the expected time to be spent on each project to determine the overall ratio of allocating overhead and administrative costs amongst our projects. During construction this recovery is included in the construction costs. Post-construction these costs are recognised in profit and loss. Due to staff costs being disclosed separately on the face of the statement of comprehensive income and the time allocation to other projects being included in "other expenditure", the amount is reflected as a net income to LHWP.

2014

| Project | Operating lease payments | Audit Fees | Other expenditure ⁽¹⁾ | Total other operating expenditure |
|---|--------------------------|------------|----------------------------------|-----------------------------------|
| LHWP | (8) | (2) | 47 | 37 |
| BWP | - | - | (4) | (4) |
| VRESAP | - | - | (14) | (14) |
| KWSAP | - | - | (15) | (15) |
| Operating expenses recognised in surplus/deficit | (8) | (2) | 14 | 4 |

⁽¹⁾ Other operating expenditure includes among others costs incurred in relation to insurance, non-audit services, repairs and maintenance, stationary and printing, the operating and maintenance costs incurred in terms of Protocol VI. In the TCTA model, administration costs are determined by aggregating the expected time to be spent on each project to determine the overall ratio of allocating overhead and administrative costs amongst our projects. During construction this recovery is included in the construction costs. Post-construction these costs are recognised in profit and loss. Due to staff costs being disclosed separately on the face of the statement of comprehensive income and the time allocation to other projects being included in "other expenditure", the amount is reflected as a net income to LHWP.

19.1 Operating leases**19.1.1 Leasing arrangements**

The operating lease relates to a lease agreement for the office building with a lease term of 55 months. Lease payments escalate with 7.5% compounded with the first escalation taking effect on 1 January 2015.

19.1.2 Payments recognised as an expense

| Expensed | 2015 R million | 2014 R million |
|-------------------------------------|-------------------|-------------------|
| LHWP | | |
| Minimum lease payments | 7 | 5 |
| Total minimum lease payments | 7 | 5 |

19.1.3 Non-cancellable operating lease commitments

| Period | 2015 R million | 2014 R million |
|--|-------------------|-------------------|
| LHWP | | |
| Less than one year | 7 | 7 |
| Between one and five years | 13 | 22 |
| More than five years | - | - |
| Total non-cancellable operating lease commitments | 20 | 29 |

19.2 Operation and maintenance costs in terms of Protocol VI

Included in LHWP operating expenditure is the income and expenses relating to operations and maintenance for the works on South African soil. In terms of Protocol VI to the Treaty, signed on 4 June 1999, these amounts are separately identified and reported on.

| Details | 2015 R million | 2014 R million |
|--|-------------------|-------------------|
| LHWP | | |
| Revenue | 926 | 1 300 |
| Operating costs | (926) | (1 300) |
| Net operating and maintenance costs | - | - |

20 RELATED PARTIES

TCTA is a state-owned entity established under the National Water Act. As such, TCTA is a government-related entity and has applied the exemption in paragraph 25 of IAS 24 in the disclosure of related parties. These related parties are either controlled, jointly controlled or significantly influenced by the government of the Republic of South Africa. The significant transactions below are as a result of contractual agreements entered into between TCTA and the related parties in fulfilling TCTA's mandate in terms of directives issued in various projects.

20.1 Trading transactions

20.1.1 DWS

For related party transactions and balances with DWS refer to note 7.4.

20.1.2 Development Bank of Southern Africa

A government-related entity is an entity that is controlled, jointly controlled or significantly influenced by a government. TCTA and Development Bank of South Africa are both schedule 2 Major Public Entities in terms of the PFMA and report to National Government.

2015

| Borrowings per Project | Opening balance 1 April 2014 R million | Drawdowns R million | Repayments R million | Closing balance 31 March 2015 R million | Interest incurred for the period R million | Interest outstanding at 31 March 2015 R million |
|------------------------|--|------------------------|-------------------------|---|---|---|
| LHWP | 61 | - | (15) | 46 | 1 | - |
| LHWP - LHDA Loans | 59 | - | (7) | 52 | 6 | - |
| BWP | 300 | - | (20) | 280 | 26 | - |
| MMTS-2 | 150 | 200 | (250) | 100 | 4 | - |

2014

| Borrowings per Project | Opening balance 1 April 2013 R million | Drawdowns R million | Repayments R million | Closing balance 31 March 2014 R million | Interest incurred for the period R million | Interest outstanding at 31 March 2015 R million |
|------------------------|--|------------------------|-------------------------|---|--|---|
| LHWP | 76 | - | (15) | 61 | 3 | - |
| LHWP - LHDA Loans | 66 | - | (7) | 59 | 6 | - |
| BWP | 330 | - | (30) | 300 | 42 | - |
| MMS-2 | - | 250 | (100) | 150 | 4 | - |

20.2 Other transactions**20.2.1 LHWC Costs**

The Government of South Africa and the Government of Lesotho entered into a Treaty with the purpose to provide for the establishment, implementation, operation and maintenance of the LHWP. The LHWC is the body overseeing the two vehicles (TCTA and LHDA) mandated with the execution of the Treaty functions on behalf of the two governments. The LHWC is responsible and accountable for the project, acts on behalf of, advises the governments and is the channel of all government inputs relating to the project.

The running costs of the LHWC is shared by the governments of the Republic of South Africa and the Kingdom of Lesotho. Each party is liable for the costs of its own delegation and all other costs are met by the parties on an equal basis.

The following amounts represents the costs relating to the LHWC paid for by TCTA:

| Payments made to related party | 2015 R million | 2014 R million |
|---|-------------------|-------------------|
| LHWP | | |
| LHWC Costs: RSA contribution and delegation costs | (18) | (13) |
| Total | (18) | (13) |

20.3 Compensation of directors and executive management**Short-term employee benefits**

TCTA does not contribute to any defined retirement or medical aid fund. It does not have a liability for the provision of retirement funding. The emoluments paid to management include a sum for the provision of their own medical aid and pension benefits.

| Total compensation to directors and executive management | 2015 R million | 2014 R million |
|--|-------------------|-------------------|
| Non-executive Directors | 3 | 6 |
| Executive Director | 4 | 4 |
| Executive Management | 18 | 18 |
| 2014 Incentive paid in 2015 financial year | 2 | - |
| Total compensation paid for the year | 27 | 28 |

20.3 Compensation of directors and executive management (continued)

20.3.1 Non-executive directors

2015

| | Board fees | Ad hoc fees ^(*) | Travel expenses | REMCO |
|---------------------------------------|--------------|----------------------------|-----------------|------------|
| Directors ⁽¹⁾ | R'000 | R'000 | R'000 | R'000 |
| Board 01/04/2014 to 31/08/2014 | | | | |
| S Kondlo | 431 | 20 | 1 | 29 |
| L Thotanyana | 136 | 59 | 11 | 29 |
| G White | 125 | 35 | 5 | 29 |
| J Geenen | 121 | 3 | - | - |
| M Mosidi | 336 | 43 | - | 41 |
| D Dondur ⁽²⁾ | 72 | 13 | - | - |
| S Sekgobela | 121 | 40 | - | 14 |
| S Sono | 121 | 49 | - | - |
| M Furumele | 121 | 19 | - | 29 |
| T James | 103 | 17 | - | - |
| B Hollingworth | - | - | - | - |
| Total non-executive directors | 1 687 | 298 | 17 | 171 |

^(*) Ad Hoc Fees comprise all additional TCTA related work done outside scheduled engagements, in line with the Directors' Remuneration Policy.

⁽¹⁾ The Boards tenure ended on 31 August 2014.

⁽²⁾ Resigned in June 2014.

2014

| | Board fees | Ad hoc fees ^(*) | Travel expenses | REMCO |
|---------------------------------------|--------------|----------------------------|-----------------|------------|
| Directors ⁽¹⁾ | R'000 | R'000 | R'000 | R'000 |
| Board 01/04/2013 to 31/03/2014 | | | | |
| S Kondlo ⁽¹⁾ | 942 | 13 | 14 | 40 |
| L Thotanyana | 271 | 18 | 31 | 40 |
| G White | 271 | 19 | 1 | 59 |
| J Geenen | 254 | - | - | 27 |
| M Mosidi | 659 | 34 | - | 71 |
| D Dondur | 254 | 13 | - | - |
| S Sekgobela | 254 | 23 | - | 27 |
| S Sono | 271 | 18 | - | - |
| M Furumele | 271 | 14 | - | 53 |
| T James ⁽²⁾ | 254 | 13 | - | - |
| B Hollingworth ⁽³⁾ | - | - | - | - |
| Total non-executive directors | 3 701 | 165 | 46 | 317 |

^(*) Ad Hoc Fees comprise all additional TCTA related work done outside scheduled engagements, in line with the Directors' Remuneration Policy.

⁽¹⁾ Appointed Board Chairperson from 04 February 2013.

⁽²⁾ Appointed as remunerated Board member from 01 December 2011.

⁽³⁾ Served as Specialist member of the Technical Committee from 19 April 2013.

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| ALCO | Audit & Risk Committee | ICT & Knowledge Management Committee | Human Resources and Transformation Committee | Technical Committees | VRESAP Technical Committee | Total |
|-----------|------------------------|--------------------------------------|--|----------------------|----------------------------|--------------|
| R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| - | - | - | - | - | 14 | 495 |
| 29 | 9 | - | - | - | - | 273 |
| - | - | 14 | 20 | - | - | 228 |
| 20 | - | - | - | - | - | 144 |
| - | - | 14 | - | 43 | - | 477 |
| 14 | 14 | - | 14 | - | - | 127 |
| - | - | 20 | - | 1 | - | 196 |
| 35 | 26 | - | - | 29 | 14 | 274 |
| - | - | - | - | 61 | 20 | 250 |
| - | - | - | - | - | - | 120 |
| - | - | - | - | 60 | - | 60 |
| 98 | 49 | 48 | 34 | 194 | 48 | 2 644 |

| ALCO | Audit & Risk Committee | ICT & Knowledge Management Committee | Human Resources and Transformation Committee | Technical Committees | VRESAP Technical Committee | Total |
|------------|------------------------|--------------------------------------|--|----------------------|----------------------------|--------------|
| R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| - | - | - | - | - | - | 1 009 |
| 80 | 89 | - | - | - | - | 529 |
| - | - | 67 | 115 | - | - | 532 |
| 76 | 53 | - | - | - | - | 410 |
| - | - | 53 | - | 134 | - | 951 |
| 75 | 67 | - | 67 | - | - | 476 |
| - | - | 95 | 53 | 120 | - | 572 |
| 89 | 106 | - | 53 | 22 | - | 559 |
| - | - | - | - | 191 | - | 529 |
| - | - | - | 27 | - | - | 294 |
| - | - | - | - | 127 | - | 127 |
| 320 | 315 | 215 | 315 | 594 | - | 5 988 |

20.3 Compensation of directors and executive management (continued)

20.3.2 Executive director

2015

| Director | Date appointed | CTC ⁽¹⁾ R'000 | Other R'000 | Incentive R'000 | Total R'000 |
|---------------------------------------|----------------|-----------------------------|----------------|--------------------|----------------|
| J Ndlovu (Chief executive officer) | 01/11/2008 | 4 013 | - | - | 4 013 |
| Total executive director | | 4 013 | - | - | 4 013 |

⁽¹⁾ This amount refers to guaranteed portion of the executives remuneration

2014

| Director | Date appointed | CTC ⁽¹⁾ R'000 | Other ⁽²⁾ R'000 | Gratuity ⁽³⁾ R'000 | Total R'000 | 2014 Incentive paid in 2015 ⁽⁴⁾ R'000 |
|---------------------------------------|----------------|-----------------------------|-------------------------------|----------------------------------|----------------|---|
| J Ndlovu (Chief executive officer) | 01/11/2008 | 3 760 | 5 | 146 | 3 911 | 393 |
| Total executive director | | 3 760 | 5 | 146 | 3 911 | 393 |

⁽¹⁾ This amount refers to guaranteed portion of the executives remuneration.

⁽²⁾ "Other" refers to long service award.

⁽³⁾ In November 2013 the Board of Directors approved a once-off cash payment to qualifying staff as a gesture of appreciation for excellent organisational performance.

⁽⁴⁾ On 13 August 2014 the Board of Directors approved an incentive to qualifying staff for excellent organisational performance. The incentive provision was provided for in 2014 but allocated and settled in the 2015 financial year.

20.3.3 Executive management

The remuneration of directors and key executives was determined by REMCO having regard to the performance of individuals and market trends.

2015

| Executive Manager | Position | Date appointed or resigned | CTC ⁽¹⁾ R'000 | Other ⁽²⁾ R'000 | Total R'000 |
|--|--|----------------------------|-----------------------------|-------------------------------|----------------|
| J Nhlapho | Chief Operations Officer | 06/08/2007 | 3 266 | - | 3 266 |
| H Nazeer | Chief Financial Officer | 01/09/2007 | 2 804 | - | 2 804 |
| L Radzuma | Chief Risk Officer | 01/07/2010 | 2 177 | - | 2 177 |
| J Claassens | Executive: Project Management and Implementation | 01/04/2007 | 2 673 | 20 | 2 693 |
| C Bleeker | Executive: Enterprise Wide Support Services | 01/09/2010 | 2 069 | - | 2 069 |
| L Mnisi | Executive: Governance and Company Secretary | 01/11/2008 | 1 819 | - | 1 819 |
| Prof O Busari | Executive: Knowledge Management | 01/11/2009 | 2 739 | 5 | 2 744 |
| Total Executive Management remuneration | | | 17 547 | 25 | 17 572 |

⁽¹⁾ This amount refers to guaranteed portion of the executive's remuneration.

⁽²⁾ This amount relates to acting allowances and long service awards that were paid to the Executives during the year.

FOR THE YEAR ENDED 31 MARCH 2015

2014

| Executive Manager | Position | Date appointed or resigned | CTC ⁽¹⁾ R'000 | Gratuity ⁽²⁾ R'000 | Total R'000 | 2014 Incentive paid in 2015 ⁽³⁾ R'000 |
|--|---|----------------------------|-----------------------------|----------------------------------|----------------|---|
| J Nhlapho | Chief Operations Officer | 06/08/2007 | 3 066 | 119 | 3 185 | 389 |
| H Nazeer | Chief Financial Officer | 01/09/2007 | 2 630 | 102 | 2 732 | 332 |
| L Radzuma | Chief Risk Officer | 01/07/2010 | 1 989 | 92 | 2 081 | 247 |
| J Claassens | Executive: Project Management and Implementation | 01/04/2007 | 2 539 | 97 | 2 636 | 324 |
| C Bleeker | Executive: Enterprise Wide Support Services | 01/09/2010 | 1 947 | 89 | 2 036 | 213 |
| Z Mbele ⁽⁴⁾ | Executive: Project Finance and Treasury | 01/11/2007 | 1 240 | - | 1 240 | - |
| L Mnisi | Executive: Governance and Company Secretary | 01/11/2008 | 1 702 | 66 | 1 768 | 187 |
| Prof O Busari | Executive: Knowledge Management | 01/11/2009 | 2 290 | 89 | 2 379 | 313 |
| N Nkabinde ⁽⁵⁾ | Acting Executive: Project Finance and Structuring | 01/01/2006 | - | - | - | - |
| Total Executive Management remuneration | | | 17 403 | 654 | 18 057 | 2 005 |

⁽¹⁾ This amount refers to guaranteed portion of the executive's remuneration.

⁽²⁾ In November 2013 the Board of Directors approved a once-off cash payment to qualifying staff as a gesture of appreciation for excellent organisational performance.

⁽³⁾ On 13 August 2014 the Board of Directors approved an incentive to qualifying staff for excellent organisational performance. The incentive provision was provided for in 2014 but allocated and settled in the 2015 financial year.

⁽⁴⁾ Ms Z Mbele resigned from TCTA employment on 30 August 2013.

⁽⁵⁾ N Nkabinde (Senior Manager) acted in the position Executive: project Finance & Structuring from 01 September 2013.

21 CORRECTION OF PRIOR PERIOD ERRORS

On 31 March 2012 TCTA adopted an accounting policy which recognises TCTA's right to receive tariff payments from DWS (reflected as "Tariff receivable" on the statement of financial position) which is the manner in which TCTA recovers the project costs incurred for the funding, construction and implementation of national water infrastructure. The Tariff receivable is measured as the present value of expected future net cash inflows, (i.e. the water tariff income, less cash outflows relating to project costs) discounted at the original effective interest rate (refer note 3.3.3.3 of the accounting policies). Annually, the carrying amount is adjusted to reflect revisions to expected future cash flows.

These include changes to the timing and amount of project costs, the resulting impact on the settlement of debt as well as the estimated timing of when the tariff will be received. The revised carrying amount is calculated in accordance with IAS 39 AG8, by taking into account the re-estimated cash flows discounted at the original effective interest rate, with the resulting difference being recognised in profit or loss.

In terms of the treatment applied since changing the accounting policy in 2012, borrowing costs were incorrectly capitalised to the Tariff receivable balance for the period of construction in both the form of the calculation of the original effective interest rate (on the Tariff receivable - which is a financial asset) as well as through the recognition of construction revenue.

Borrowing costs were recognised as construction costs during the construction period. Hence, a corresponding increase in construction revenue and Tariff receivable was recognised. At the same time as this construction revenue was being recognised, interest income was also recognised on the Tariff receivable at an effective interest rate. This interest income compensates TCTA for the borrowing costs incurred by TCTA to finance the project. The impact of recognising both construction revenue, as well as interest income resulted in an overstatement of the Tariff receivable during the initial construction period of the contract. Through the application of a generally lower interest on the debtor and re-measurements of the debtor for changes in cash flows, these differences pull to par (i.e. ultimately matches the liability) by the end of the project.

In order to correct this accounting treatment, the models have been updated to incorporate the borrowing costs for the entire project period as the 'return' (effective interest) on the Tariff receivable. This means that borrowing costs are no longer being recognised as construction revenue and hence are not capitalised to the Tariff receivable during the construction period, instead, the right to be compensated for the borrowing costs incurred is recognised as interest income on the Tariff receivable. The impact of the restatement is discussed below:

- Amounts of borrowing costs that were previously disclosed as construction costs in the statement of comprehensive income have retrospectively been reclassified to finance costs. Due to TCTA's right to be reimbursed, there is an equal and opposite reduction in construction revenue and hence the Tariff Receivable.
- The effective interest rate on the Tariff receivable has been modified to take into account the borrowing costs for the entire life of the project as the 'return' on the receivable.
- Interest income on the Tariff receivable has been restated to take into account the modified original effective interest rate. This has resulted in a change in the carrying amount of the Tariff receivable at each reporting period presented.
- The gain or loss determined upon revision of the estimated cash flows associated with the Tariff receivable has also been restated to take into account the effect of the modified effective interest rate.

The previous method of accounting for the Tariff receivable compared to the revised method will result in measurement differences of the Tariff receivable at various points over the life of the project. However in both instances, the aggregate retained equity per project will be nil at the end of the project.

The restatement results in the presentation of three statements of financial position and the affected amounts for 2014 and 2013, as previously reported, have been restated.

As a result of the restatement described above, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and IAS 1 *Presentation and Disclosure*, the accompanying statement of comprehensive income and statement of financial position have been restated as follows:

21.1 LHWP

| 2014 | Previously disclosed R million | Effect of correction of error R million | As restated R million |
|--|-----------------------------------|---|--------------------------|
| Statement of Financial Position | | | |
| ASSETS | | | |
| (Decrease) in tariff receivable ⁽¹⁾ | 20 742 | (374) | 20 368 |
| EQUITY AND LIABILITIES | | | |
| (Decrease) in accumulated surplus ⁽¹⁾ | 3 837 | (374) | 3 463 |
| Statement of Comprehensive Income | | | |
| NET FINANCE COSTS | | | |
| (Decrease) in finance income* | (874) | (52) | (926) |
| (Increase) in finance cost | 1 356 | (14) | 1 342 |
| | (2 230) | (38) | (2 268) |

| 2013 | Previously disclosed R million | Effect of correction of error R million | As restated R million |
|--|-----------------------------------|---|--------------------------|
| Statement of Financial Position | | | |
| ASSETS | | | |
| (Decrease) in tariff receivable ⁽¹⁾ | 22 495 | (322) | 22 173 |
| EQUITY AND LIABILITIES | | | |
| (Decrease) in accumulated surplus ⁽¹⁾ | 4 711 | (322) | 4 389 |

* Finance income comprises the notional and imputed interest on the Financial Asset.

⁽¹⁾ The effect of the error as reflected in 2014 is cumulative correction for 2013 (R322 million) and 2014 (R374 million).

21.2 BWP

| 2014 | Previously disclosed R million | Effect of correction of error R million | As restated R million |
|--|-----------------------------------|---|--------------------------|
| Statement of Financial Position | | | |
| ASSETS | | | |
| (Decrease) in tariff receivable ⁽¹⁾ | 1 077 | (117) | 960 |
| EQUITY AND LIABILITIES | | | |
| (Decrease) in accumulated surplus ⁽¹⁾ | 41 | (117) | (76) |
| Statement of Comprehensive Income | | | |
| NET FINANCE COSTS | | | |
| (Decrease) in finance income* | (62) | 106 | 44 |
| (Increase) in finance cost | 89 | 47 | 136 |
| | (151) | 59 | (92) |

* Finance income comprises the notional and imputed interest on the Financial Asset.

⁽¹⁾ The effect of the error as reflected in 2014 is cumulative correction for 2013 (R223 million) and 2014 (R117 million).

21.2 BWP (continued)

| 2013 | Previously disclosed R million | Effect of correction of error R million | As restated R million |
|--|-----------------------------------|---|--------------------------|
| Statement of Financial Position | | | |
| ASSETS | | | |
| (Decrease) in tariff receivable ⁽¹⁾ | 1 243 | (223) | 1 020 |
| EQUITY AND LIABILITIES | | | |
| (Decrease) in accumulated surplus ⁽¹⁾ | 103 | (223) | (120) |

* Finance income comprises the notional and imputed interest on the Financial Asset.

⁽¹⁾ The effect of the error as reflected in 2014 is cumulative correction for 2013 (R223 million) and 2014 (R117 million)

21.3 VRESAP

| 2014 | Previously disclosed R million | Effect of correction of error R million | As restated R million |
|--|-----------------------------------|---|--------------------------|
| Statement of Financial Position | | | |
| ASSETS | | | |
| (Decrease) in tariff receivable ⁽¹⁾ | 4 536 | (748) | 3 788 |
| EQUITY AND LIABILITIES | | | |
| (Decrease) in accumulated surplus ⁽¹⁾ | 740 | (748) | (8) |
| Statement of Comprehensive Income | | | |
| NET FINANCE COSTS | | | |
| (Decrease) in finance income* | 297 | 80 | 377 |
| (Increase) in finance cost | (526) | 73 | (453) |

| 2013 | Previously disclosed R million | Effect of correction of error R million | As restated R million |
|--|-----------------------------------|---|--------------------------|
| Statement of Financial Position | | | |
| ASSETS | | | |
| (Decrease) in tariff receivable ⁽¹⁾ | 4 664 | (901) | 3 763 |
| EQUITY AND LIABILITIES | | | |
| (Decrease) in accumulated surplus ⁽¹⁾ | 969 | (901) | 68 |

* Finance income comprises the notional and imputed interest on the Financial Asset.

⁽¹⁾ The effect of the error as reflected in 2014 is cumulative correction for 2013 (R901 million) and 2014 (R748 million).

21.4 MCWAP

| 2014 | Previously disclosed R million | Effect of correction of error R million | As restated R million |
|--|-----------------------------------|---|--------------------------|
| Statement of Financial Position | | | |
| ASSETS | | | |
| (Decrease) in tariff receivable ⁽¹⁾ | 705 | (236) | 469 |
| EQUITY AND LIABILITIES | | | |
| (Decrease) in accumulated surplus ⁽¹⁾ | (107) | (236) | (343) |
| Statement of Comprehensive Income | | | |
| (Decrease) in construction revenue | 407 | (58) | 349 |
| Decrease in construction costs | (407) | 58 | (349) |
| NET FINANCE COSTS | | | |
| (Decrease) in finance income* | (94) | 44 | (50) |
| (Increase) in finance cost | 31 | (12) | 19 |
| | (125) | 56 | (69) |

| 2013 | Previously disclosed R million | Effect of correction of error R million | As restated R million |
|--|-----------------------------------|---|--------------------------|
| Statement of Financial Position | | | |
| ASSETS | | | |
| (Decrease) in tariff receivable ⁽¹⁾ | 393 | (280) | 113 |
| EQUITY AND LIABILITIES | | | |
| (Decrease) in accumulated surplus ⁽¹⁾ | (13) | (280) | (293) |

* Finance income comprises the notional and imputed interest on the Financial Asset.

⁽¹⁾ The effect of the error as reflected in 2014 is cumulative correction for 2013 (R280 million) and 2014 (R236 million).

21.5 MMTS-2

| 2014 | Previously disclosed R million | Effect of correction of error R million | As restated R million |
|--|-----------------------------------|---|--------------------------|
| Statement of Financial Position | | | |
| ASSETS | | | |
| (Decrease) in tariff receivable ⁽¹⁾ | 473 | (31) | 442 |
| EQUITY AND LIABILITIES | | | |
| (Decrease) in accumulated surplus ⁽¹⁾ | (525) | (31) | (556) |
| Statement of Comprehensive Income | | | |
| (Decrease) in construction revenue | 338 | (76) | 262 |
| Decrease in construction costs | (338) | 76 | (262) |
| NET FINANCE COSTS | | | |
| (Decrease) in finance income* | (560) | 66 | (494) |
| (Increase) in finance cost | 58 | 23 | 81 |
| | (618) | 43 | (575) |

21.5 MMTS-2 (continued)

| 2013 | Previously disclosed R million | Effect of correction of error R million | As restated R million |
|--|-----------------------------------|---|--------------------------|
| Statement of Financial Position | | | |
| ASSETS | | | |
| (Decrease) in tariff receivable ⁽¹⁾ | 880 | (97) | 783 |
| EQUITY AND LIABILITIES | | | |
| (Decrease) in accumulated surplus ⁽¹⁾ | 35 | (97) | (62) |

* Finance income comprises the notional and imputed interest on the Financial Asset.

⁽¹⁾ The effect of the error as reflected in 2014 is cumulative correction for 2013 (R97 million) and 2014 (R31 million).

21.6 KWSAP

| 2014 | Previously disclosed R million | Effect of correction of error R million | As restated R million |
|--|-----------------------------------|---|--------------------------|
| Statement of Financial Position | | | |
| ASSETS | | | |
| (Decrease) in tariff receivable ⁽¹⁾ | 1 483 | (517) | 966 |
| EQUITY AND LIABILITIES | | | |
| (Decrease) in accumulated surplus ⁽¹⁾ | 310 | (517) | (207) |
| Statement of Comprehensive Income | | | |
| NET FINANCE COSTS | | | |
| (Decrease) in finance income* | 90 | 22 | 112 |
| (Increase) in finance cost | (248) | (7) | (255) |

| 2013 | Previously disclosed R million | Effect of correction of error R million | As restated R million |
|--|-----------------------------------|---|--------------------------|
| Statement of Financial Position | | | |
| ASSETS | | | |
| (Decrease) in tariff receivable ⁽¹⁾ | 1 569 | (532) | 1 037 |
| EQUITY AND LIABILITIES | | | |
| (Decrease) in accumulated surplus ⁽¹⁾ | 468 | (532) | (64) |

* Finance income comprises the notional and imputed interest on the Financial Asset.

⁽¹⁾ The effect of the error as reflected in 2014 is cumulative correction for 2013 (R532 million) and 2014 (R517 million).

22 CAPITAL COMMITMENTS

2015

| Project | ≤ 1 Year R million | 1-2 Years R million | 2-3 Years R million | 3-4 Years R million | >4 years R million | Total per project R million |
|---------------------------|-----------------------|------------------------|------------------------|------------------------|-----------------------|--------------------------------|
| BWP ⁽¹⁾ | 3 | - | - | - | - | 3 |
| VRESAP ⁽¹⁾ | 1 | - | - | - | - | 1 |
| MCWAP ⁽¹⁾⁽²⁾ | 346 | 147 | 108 | - | - | 601 |
| ORWRDP ⁽²⁾ | 348 | 4 | 1 | - | - | 353 |
| KWSAP ⁽¹⁾ | 9 | - | - | - | - | 9 |
| MMTS-2 ⁽¹⁾⁽³⁾ | 107 | 10 | 8 | 9 | 9 | 143 |
| AMD ⁽¹⁾ | 775 | 3 | - | - | - | 778 |
| MCWAP 2 ⁽¹⁾⁽²⁾ | 277 | 1 019 | 2 019 | 2 479 | 3 667 | 9 461 |
| LHWP-2 | 795 | 2 065 | 2 651 | 3 961 | 7 241 | 16 713 |
| Total per period | 2 661 | 3 248 | 4 787 | 6 449 | 10 917 | 28 062 |

2014

| Project | ≤ 1 Year R million | 1-2 Years R million | 2-3 Years R million | 3-4 Years R million | Total per project R million |
|--------------------------|-----------------------|------------------------|------------------------|------------------------|--------------------------------|
| BWP ⁽¹⁾ | 4 | - | - | - | 4 |
| VRESAP ⁽¹⁾ | 14 | - | - | - | 14 |
| MCWAP ⁽¹⁾⁽²⁾ | 379 | 230 | 34 | - | 643 |
| ORWRDP ⁽²⁾ | 520 | 168 | - | - | 688 |
| KWSAP ⁽¹⁾ | 32 | 2 | - | - | 34 |
| MMTS-2 ⁽¹⁾⁽³⁾ | 676 | 21 | - | - | 697 |
| AMD ⁽¹⁾ | 1 198 | 525 | 254 | - | 1 977 |
| Total per period | 2 823 | 946 | 288 | - | 4 057 |

⁽¹⁾ These capital commitments will be funded through loans.

⁽²⁾ These capital commitments are funded through on-budget transfers from the DWS.

⁽³⁾ Included in the project costs for MMTS-2 are the capital cost for the refurbishment project (MMTS-1), which is undertaken on behalf of DWS and the construction of a potable water pipeline on behalf of Umgeni Water (and funded by Umgeni Water).

23 COMPLIANCE WITH THE PUBLIC FINANCE MANAGEMENT ACT, ACT NO. 1 of 1999, AND TREASURY REGULATIONS

23.1 Irregular, fruitless and wasteful expenditure

Section 55(2)(b)(i) of the PFMA requires that a public entity disclose particulars of any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year.

Irregular expenditure that was incurred during the year under review is included in "Other operating expenses" in the aggregated statement of comprehensive income.

23.1.1 Irregular expenditure

Irregular expenditure" means expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including the PFMA or the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of that Act; or any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure, the non-compliance must be linked to a financial transaction and it is incurred when a transaction, condition or an event linked to non-compliance is recognised as expenditure in the Statement of Financial Performance in accordance with IFRS.

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.

| Irregular Expenditure | 2015 Rand | 2014 Rand |
|---|----------------|--------------|
| Reconciliation of irregular expenditure | | |
| Opening balance | - | - |
| Irregular expenditure current year | 11 023 067 | 4 933 756 |
| Condoned or written off | (10 132 464) | (4 933 756) |
| Transfer to receivables for recovery - not condoned | - | - |
| Irregular expenditure awaiting condonement | 890 603 | - |

FOR THE YEAR ENDED 31 MARCH 2015

2015

| Incident | Authorisation | Amount | Reason for condonation |
|---|---------------------|-----------|---|
| Deviation from Procurement Process (Placement of Advert in the Sunday Times Newspaper) | Condoned by the CEO | 100 000 | This was an urgent operational matter for TCTA, irregular expenditure incurred as a result of placing an advert in a newspaper for Celebrating TCTA's 20 years of democracy, without following a proper Supply Chain Process. |
| AccPac condonation of irregular expenditure incurred as a result of using the services of the service provider after the contract has expired. | Condoned by the CEO | 18 100 | The contract expired with the service provider and additional technical support on the installed system was sought in order to avoid the business process disruption and the out of contract service provider. |
| Extension of Photocopier Contract - Gecko Technical Services | Condoned by the CEO | 2 059 954 | The contract with the service provider for ongoing maintenance and support expired whilst the tender for the procurement of the new service provider was in the process but not finalised. |
| AMD Griffiths Valuation, expenditure exceeded the approved amount. | Condoned by the CEO | 29 638 | The deviation was a result of overspending on the approved contract value as a result of additional work that had to be done on the AMD Central Basin project which was more than what was anticipated when the contract was concluded with the service provider. |
| Cell phone Data Roaming Usage | Condoned by the CEO | 2 057 | The Chief Operating Officer travelled abroad and the roaming was activated for her to conduct necessary business activities whilst away from office. However, due to the size of certain documents and emails the monthly limit was exceeded. |
| Cell phone Data Roaming Usage | - | 1 755 | The CEO travelled abroad and the roaming was activated for him to conduct necessary business activities whilst away from office. However, due to the size of certain documents and emails the monthly limit was exceeded. |
| Contract 006-084 Ecologies condonation of irregular expenditure as a result of using the services of the service provider after the contract has expired. | Condoned by the CEO | 336 849 | The service provider was appointed to conduct independent environmental audit, due to delays and time extension on the project, expenditure was incurred beyond the validity period. |
| Contract 006 -141 KWSAP Occupational Health and Safety Monitor Contract expired in May 2013, work continued on site without following procedure to seek approval for additional work. | Condoned by the CEO | 44 000 | The service provider was appointed to conduct Occupational Health and Safety monitoring, due to delays and time extension on the project, expenditure was incurred beyond the contract validity period. |

23.1 Irregular, fruitless and wasteful expenditure (continued)

| Incident | Authorisation | Amount | Reason for condonation |
|--|---------------------|-----------|---|
| Contract 008-002 rand Uranium - Services for maintenance of AMD Western Basin plan undertaken without approval for extension of expired contract | Condoned by the CEO | 7 528 735 | AMD is an emergency project which requires immediate instructions to proceed with certain emergency work, in this instance critical maintenance was needed and was undertaken without extension of expired contract. |
| Contract 007-128 Appraisal Corporation Work was done onsite which was later found to have exceeded the contact. | Condoned by the CEO | 13 130 | The service provider contract did not make a provision for disbursements, i.e. travelling and accommodation costs. The service provider travelled from Cape Town to MCWAP to conduct independent land valuation services, when the invoice was presented to TCTA the amount was in excess of the approved contract amount. |
| Contract for the appointment of Saacosh to provide for Occupational Health and Safety training to TCTA. | - | 44 859 | This irregular expenditure was discovered during the audit, which revealed that TCTA followed its procedures which are in conflict with the DOA, which states "obtain a minimum of three quotes" whereas the procedures state "three quotes required", the latter being the intent of the organisation. However, the wording of the DOA was effected differently, unintentionally, resulting in three quotes being requested instead of being obtained. For the purposes of this reporting, the condonation from the Chief Executive Officer will be processed later. |
| Contract for the acquisition of the fraud hotline from the service provider Whistle Blowers. | - | 3 950 | This irregular expenditure was discovered during the audit, which revealed that TCTA followed its procedures which are in conflict with the DOA, which states "obtain a minimum of three quotes" whereas the procedures state "three quotes required", the latter being the intent of the organisation. However, the wording of the DOA was effected differently, unintentionally, resulting in three quotes being requested instead of being obtained. For the purposes of this reporting, the condonation from the Chief Executive Officer will be processed later. |
| Contract for placing tender adverts with Broadword service provider | - | 49 698 | This irregular expenditure was discovered during the audit, which revealed that TCTA followed its procedures which are in conflict with the DOA, which states "obtain a minimum of three quotes" whereas the procedures state "three quotes required", the latter being the intent of the organisation. However, the wording of the DOA was effected differently, unintentionally, resulting in three quotes being requested instead of being obtained. For the purposes of this reporting, the condonation from the Chief Executive Officer will be processed later. |

| Incident | Authorisation | Amount | Reason for condonation |
|--|---------------|---------|---|
| Contract for the painting of storerooms by Mfiso Brothers Construction | - | 115 675 | This irregular expenditure was discovered during the audit, which revealed that TCTA followed its procedures which are in conflict with the DOA, which states "obtain a minimum of three quotes" whereas the procedures state "three quotes required", the latter being the intent of the organisation. However, the wording of the DOA was effected differently, unintentionally, resulting in three quotes being requested instead of being obtained. For the purposes of this reporting, the condonation from the Chief Executive Officer will be processed later. |
| Contract for placing adverts for the events management company with Broadsword service provider | - | 70 256 | This irregular expenditure was discovered during the audit, which revealed that TCTA followed its procedures which are in conflict with the DOA, which states "obtain a minimum of three quotes" whereas the procedures state "three quotes required", the latter being the intent of the organisation. However, the wording of the DOA was effected differently, unintentionally, resulting in three quotes being requested instead of being obtained. For the purposes of this reporting, the condonation from the Chief Executive Officer will be processed later. |
| Contract for the appointment of the service provider to provide massage services - Kura- Bahati Consulting | - | 94 392 | This irregular expenditure was discovered during the audit, which revealed that TCTA followed its procedures which are in conflict with the DOA, which states "obtain a minimum of three quotes" whereas the procedures state "three quotes required", the latter being the intent of the organisation. However, the wording of the DOA was effected differently, unintentionally, resulting in three quotes being requested instead of being obtained. For the purposes of this reporting, the condonation from the Chief Executive Officer will be processed later. |
| Contract for placing career adverts in the newspaper with Blackmoon service provider | - | 56 663 | This irregular expenditure was discovered during the audit, which revealed that TCTA followed its procedures which are in conflict with the DOA, which states "obtain a minimum of three quotes" whereas the procedures state "three quotes required", the latter being the intent of the organisation. However, the wording of the DOA was effected differently, unintentionally, resulting in three quotes being requested instead of being obtained. For the purposes of this reporting, the condonation from the Chief Executive Officer will be processed later. |

23.1 Irregular, fruitless and wasteful expenditure (continued)

| Incident | Authorisation | Amount | Reason for condonation |
|--|---------------|-------------------|---|
| Contract procurement of blade centre and active directory : Sona Sha | - | 95 475 | This irregular expenditure was discovered during the audit, which revealed that TCTA followed its procedures which are in conflict with the DOA, which states "obtain a minimum of three quotes" whereas the procedures state "three quotes required", the latter being the intent of the organisation. However, the wording of the DOA was effected differently, unintentionally, resulting in three quotes being requested instead of being obtained. For the purposes of this reporting, the condonation from the Chief Executive Officer will be processed later. |
| Contract for the appointment of laptop encryption service provider: Dynamic Recovery | - | 159 331 | This irregular expenditure was discovered during the audit, which revealed that TCTA followed its procedures which are in conflict with the DOA, which states "obtain a minimum of three quotes" whereas the procedures state "three quotes required", the latter being the intent of the organisation. However, the wording of the DOA was effected differently, unintentionally, resulting in three quotes being requested instead of being obtained. For the purposes of this reporting, the condonation from the Chief Executive Officer will be processed later. |
| Contract for the appointment of a service provider to supply twenty desktop computers; Dynalogic Computers | - | 198 550 | This irregular expenditure was discovered during the audit, which revealed that TCTA followed its procedures which are in conflict with the DOA, which states "obtain a minimum of three quotes" whereas the procedures state "three quotes required", the latter being the intent of the organisation. However, the wording of the DOA was effected differently, unintentionally, resulting in three quotes being requested instead of being obtained. For the purposes of this reporting, the condonation from the Chief Executive Officer will be processed later. |
| Total irregular expenditure current year | | 11 023 067 | |

FOR THE YEAR ENDED 31 MARCH 2015

2014

| Incident | Authorisation | Amount | Reason for condonation |
|--|---------------------|-----------|---|
| (1) Phase 2A of the Western Basin of the AMD Project Engagement of and Interim Payment to Rand Uranium | Condoned by the CEO | 3 651 452 | AMD is an emergency project which requires immediate instructions to proceed with certain emergency works. In this particular case the decision on further upgrade of the Rand Uranium plant was taken on site with TCTA, DWS and Rand Uranium present. Rand Uranium proceeded with the works on the same contractual basis as the initial upgrade was done thus on an agreed contract basis thereby eliminating any risk to TCTA and DWS. |
| (2) Over Expenditure on the Planner Contract Blu ESP | Condoned by the CEO | 10 529 | This deviation emanated from an overspending on the approved contract value as result of a need that arose during the execution of the contract for additional hours more than what was anticipated as provided for in the contract. |
| (3) Condonation for the payment of Tokiso Dispute Settlement | Condoned by the CEO | 62 552 | The services of the presiding officer were procured through the approved database. However, it was not anticipated that both hearings could take longer the approved planned days. |
| (4) Approval of the sourcing of services from external legal service provider in respect of the ORWRDP | Condoned by the CEO | 31 336 | The deviation was approved before appointing the attorneys; however the approved deviation was lost. Thus, due to record keeping and payment procedures the deviation has to be resigned by the CEO. |
| (5) Nelson Mandela International Day | Condoned by the CEO | 70 347 | The deviation related to catering services provided at Letupu High School in Lephalale Limpopo Province, as part of TCTA's social responsibility as a good corporate citizen in particular with focus to the impoverished communities within the project site surroundings. |
| (6) Procurement of key Point Consulting GoT facilitator for the EWSS Management Team | Condoned by the CEO | 33 966 | The deviation related to catering services provided at Letupu High School in Lephalale Limpopo Province, as part of TCTA's social responsibility as a good corporate citizen in particular with focus to the impoverished communities within the project site surroundings. |
| (7) Appointment of Singu Technologies | Condoned by the CEO | 45 600 | The incumbent subsequently left the employ of TCTA. |

23.1 Irregular, fruitless and wasteful expenditure (continued)

| Incident | Authorisation | Amount | Reason for condonation |
|---|---------------------|------------------|---|
| (8) Appointment of Meta Lika Holdings for Spring Grove Dam Launch | Condoned by the CEO | 996 931 | The incumbent subsequently left the employ of TCTA. The deviation was as a result of DWS instructing TCTA on 14 November 2013 to appoint and source a service provider to handle the entire Spring Grove Dam launch of 19 November 2013. DWS document titled "Departmental Bid Adjudication Committee" together with a Purchase Order to the amount of R877 192.88 in favour of TCTA was submitted as part of TCTA's appointment. After the event TCTA received an invoice of R996 930.00 for the services rendered. |
| (9) Nashua Mobile Data lines Cancellation | Approval Exec EWSS | 26 331 | The lines were not in line with policy and this change was necessary to bring the lines in line with the approved policy. There were also redundant lines that had to be cancelled. |
| (10) Cell phone limit above the Network Specialist | Approval Exec EWSS | 3 652 | Two written warning letters were issued to the relevant Managers. |
| (11) Board Charter Language Editing (Mr. P Beneke) | Approval Executive | 1 060 | The expiry of the Language Editor's contract was not communicated to the Secretariat team as the contract was managed at HR hence Secretariat continued to utilise the service. |
| Total irregular expenditure prior period | | 4 933 756 | |

23.1.2 Unauthorised expenditure

"Unauthorised expenditure" means overspending of a vote or a main division within a vote or expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure relates to the procurement of goods or services that is not in accordance with the purpose specifically allocated funding or which results in the overspending of the specifically allocated funding.

No unauthorised expenditure reported for the period (2014: None).

23.1.3 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure means an expenditure which was undertaken without a value or substance and which did not yield any desired results or outcome, and reasonable care to be exercised in order to avoid fruitless and wasteful expenditure is defined as, applying due diligence (careful application, attentiveness, caution) to ensure that the probability of a transaction, event or condition not being achieved as planned is being managed to an acceptable level.

FOR THE YEAR ENDED 31 MARCH 2015

| Fruitless & wasteful expenditure | 2015 Rand | 2014 Rand |
|--|------------------|---------------|
| Reconciliation of fruitless and wasteful expenditure | | |
| Opening balance | 61 438 | - |
| Fruitless and wasteful expenditure current year | 2 272 706 | 61 438 |
| Condoned or written off by Board | - | - |
| To be recovered - contingent asset | - | - |
| Fruitless and wasteful expenditure awaiting condonement | 2 334 144 | 61 438 |

2015

| Incident | Amount | Remedial Action | Reason for not taking action |
|---|---------|--------------------|--|
| Specialised Software Development (Synthesis), the service provider had an open ended contract with TCTA and they continued to invoice TCTA even though support was no longer offered and the system not in use. | 71 506 | None | It was an oversight on the management of the contract with the service provider as a result the service provider continued invoicing TCTA even though there was no support for the Front Integrator and Treasury department was no longer using Bond Exchange Connector. |
| Training Paid for and not attended (SHE Training) Project Assurance Manager | 2 850 | None | The Project Assurance Manager received a call to attend to urgent project matter and also due to this involvement with Occupational Health and Safety matters in project, Facilities Manager concurred that he can be excused from attending the training. |
| Training not attended due to unplanned EXCO Strategy session (Penalty for Cancellation) | 2 750 | None | The Chief Financial Officer had to attend an unplanned EXCO Strategy session and she was therefore unable to attend the scheduled South African Institute of Chartered Accounts training. |
| Sage 300 ERP, the software was bought with an intention to be used during the implementation of Sage X3 to TCTA and the project was cancelled after the expenditure had been incurred | 321 715 | None | The project was cancelled and the software had already been procured before the problems that led to the cancellation of the project were experienced. |
| MTN Cellphone Contracts, fees paid for subscription on corporate cellphone contracts as a result of overlap during a transition from MTN to Vodacom. | 65 168 | None | The expenditure was incurred as a result of the transition from MTN to Vodacom as a service provider for mobile devices to TCTA, even though the notice of termination was given on time to MTN, MTN delayed the process of terminating and migrating cellphone lines from contract to pre-paid. |
| Accommodation in excess of Treasury Stipulation of R1300 | 6 320 | None | The expenditure was incurred as a result of the fact that accommodation in some establishments is above the prescribed limit and there is no alternative accommodation less or equal to the prescribed amount in those specific areas, more especially in remote areas of the country where TCTA projects are located. |

23.1 Irregular, fruitless and wasteful expenditure (continued)

| Incident | Amount | Remedial Action | Reason for not taking action |
|---|------------------|-----------------|--|
| Board's Chairman cell phone, three months subscription and early contract termination costs paid to MTN after the expiry of his term of office. | 2 495 | None | The term of office for the Chairman came to an end and expenditure was incurred when TCTA was busy with the cancellation process with MTN and the cost includes the early termination fee. |
| Agisana Licenses and Maintenance (2013/14), money paid to Eskom for maintenance and licence fees of Primavera software as a result of the provisions of the contract. | 1 382 755 | None | The Agisana (ESKOM and TCTA) contract is unilateral and contains a deeming provision which backdates the contract despite the contracting date, which results in retrospective liability with regards to licencing costs. The expenditure incurred was unavoidable. |
| Agisana Licenses and Maintenance (2013/14), money paid to Eskom for maintenance and licence fees of Primavera software as a result of the provisions of the contract. | 367 499 | None | The Agisana contract (ESKOM and TCTA) is unilateral and contains a deeming provision which backdates the contract despite the contracting date, which results in retrospective liability with regards to licencing costs. The expenditure incurred was unavoidable. |
| Penalties paid for trading outside the "trading window". | 25 000 | None | This was an operational matter, due to the fact that a deal had already occurred between TCTA and Nedbank. The settlement occurred after 15:30 and attracted a penalty of R25000.00 for dealing outside the window time. |
| SARS outstanding PAYE payment including additional interest for late payment. | 10 339 | None | SARS did a reconciliation of TCTA's 2011 financial year and concluded that there is money due by TCTA in respect of that financial year. The expenditure incurred as a result of such outstanding PAYE plus daily interest from the date of notification by SARS. |
| Workmen's Compensation Fund late payment interest and penalties. | 14 310 | None | TCTA requested a letter of good standing and it was only then that the Workmen's Compensation Fund informed TCTA that there is an outstanding amount that needs to be settled first before a letter is issued. TCTA had maintained all the payments and was not aware any outstanding amount and had not received any notification to pay from Workmen's Compensation Fund . |
| Fruitless and wasteful expenditure | 2 272 706 | | |

2014

| Incident | Amount | Reason for not taking action |
|--|---------------|--|
| Subscription and Insurance fees payable on an unallocated Network /Cell Phone line which was later allocated to the Network Specialist | 8 500 | Two written warning letters were issued to the relevant Managers. |
| Unaccounted for handset from forensic audit by PWC | 52 938 | The staff member involved went through a discipline process in 2013 and was subsequently dismissed. In addition, three warning letters were issued, including to two managers. |
| Fruitless and wasteful expenditure | 61 438 | |

23.2 Losses resulting from criminal conduct

| | 2015 Rand | 2014 Rand |
|--|----------------|--------------|
| Losses from criminal conduct | | |
| Reconciliation of losses resulting from criminal conduct | | |
| Opening balance | - | 119 119 |
| Losses resulting from criminal conduct current year | 585 000 | (119 119) |
| Condoned or written off by Board | - | - |
| To be recovered - contingent asset | - | - |
| Losses resulting from criminal conduct awaiting condonement | 585 000 | - |

2015

| Incident | Amount | Disciplinary steps/criminal proceedings |
|--|----------------|--|
| Fraud committed by a Senior Manager on SED Projects. | 585 000 | Internal disciplinary action and dismissal. The matter has been reported to the police in terms of section 34 of Prevention and Combatting of Corrupt Activities Act, Act No. 12 of 2004 and currently being investigated by South African Police Service. |
| Total | 585 000 | |

2014

| Incident | Amount | Disciplinary steps/criminal proceedings |
|--|----------------|---|
| (1) Stolen IT equipment's/assets | 82 803 | Under Review |
| (2) Missing workstations/furniture | 12 316 | Under Review |
| (3) Cash paid non-refundable tender fees missing | 24 000 | Under Review |
| Total | 119 119 | |

24 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying TCTA's accounting policies, management makes various estimates and judgements based on past experience, expectations of the future and other information. The key sources of estimation uncertainty and the critical judgements that can significantly affect the amounts recognised in the financial statements are disclosed below:

Estimates and assumptions

The following key assumptions and other key sources of estimation uncertainty have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, as presented in these financial statements, within the next financial year. TCTA based its assumptions and estimates on parameters available when the financial statements were prepared. Any changes to existing conditions, such as market changes or circumstances beyond TCTA's control, are reflected in the assumptions when they occur.

24.1 Provision for compensation

This provision relates to compensation payments being paid on the LHWP over a fifty-year period.

TCTA is reliant on the LHDA for information relating to the compensation provision at year end, as well as payments made to the respective recipients. The provision has been based on the expected payments for the water transfer contracts, derived from the information obtained from the LHDA, adjusted for expected future increases in CPI in Lesotho as obtained from Bureau for Economic Research. The future cash flows are present valued at a year-end rate representative of appropriate time value of money for the underlying cash flows. Refer to note 12.3 for the reconciliation of the compensation provision.

24.2 Estimates of cash flows imputed in the tariff receivable financial asset

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

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

TCTA estimates the future receipt of tariffs from DWS using projected demand consumption as forecast by DWS, to arrive at a tariff that will repay all debt and operating costs when the long-term facilities expire. The estimated tariff will also include the forecasting of inflation where the project water supply agreement with DWS allows for inflationary increases in the tariff over the life of the project. Water demand consumption and inflation are revised on an annual basis using the best estimates available from DWS and reputable economic research agencies respectively. Refer to note 7.4.

24.3 Operating segments

IFRS 8 requires that the results and information with regards to identified segments are regularly reviewed by the entity's CODM to make decisions about resources to be allocated to the segment and assess its performance. TCTA considers the monthly reporting to and review by the CODM as "regular". Refer to note 4 for further disclosures.

24.4 Property Plant and Equipment amounts expensed

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

24.5 Property Plant and Equipment estimation of useful lives

The useful life of an asset is defined in terms of the asset's expected utility to TCTA. The asset management policy of TCTA may specify the disposal of assets after a specified time or after consumption of a specified proportion of the future economic benefits embodied in the asset. Thus, the useful life of an asset may be shorter than its economic life and the estimation of the useful life of the asset is a matter of judgement based on the experience of TCTA with similar assets.

Useful life represents:

- (a) the period over which an asset is expected to be available for use by TCTA; or
- (b) the number of production or similar units expected to be obtained from the asset by TCTA.

Consequently, all the following factors are considered in determining the useful life of an asset:

- (a) expected usage of the asset. Usage is assessed by reference to the asset's expected capacity or physical output.
- (b) expected physical wear and tear, which depends on operational factors such as the number of shifts for which the asset is to be used and the repair and maintenance programme, and the care and maintenance of the asset while idle.
- (c) technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset.
- (d) legal or similar limits on the use of the asset, such as the expiry dates of related leases.

Useful life may differ from division to division and may differ from asset to asset. If there are two similar machines, but the one machine runs at a higher capacity than the other, the useful life of the machine running at the higher capacity will probably be shorter than the other machine. If circumstances relating to the usage of an asset change, this may necessitate a change in the useful life of that asset.

The useful lives of assets are assessed as follows:

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

24.6 Provision for incentives

TCTA applies certain judgements and estimates to calculate the present value of the incentives obligation as of the reporting date. The incentive model takes into account inputs and judgements in relation to staff numbers, performance scores, as well as divisional and organisational scores.

25 CONTINGENT LIABILITY

25.1 Litigation and claims against TCTA

In the ordinary course of business, TCTA is involved in various legal actions and claims, including those related to contract awards, and property expropriation required to execute its directives. Although the outcome of the legal proceedings cannot be predicted with certainty, TCTA believes it will succeed in its action and that adequate provisions have been made for such matters. The litigation matters have been detailed below:

25.1.1 Phase II of the Mooi-Mgeni Transfer Scheme - MMTS-2

A summons was served to TCTA on 11 October 2012 following expropriation of land by TCTA. The party from whom the land was expropriated contends that the open market values in respect of the expropriated property is more than the amounts paid by TCTA. The claim for an alleged loss amounts to R800 000. TCTA's appointed attorneys have been instructed to defend the proceedings. TCTA's plea in the matter has been filed.

The matter has subsequently been set settled before the trial and is no longer considered a contingent liability.

25.1.2 Phase II of the Mooi-Mgeni Transfer Scheme - MMTS-2

A summons was served to TCTA on 23 April 2014 following expropriation of land. The claimant now contends that it incurred a financial loss of R2 million. The total claim amounts to R4 million from May 2011 to date of payment. TCTA has entered an appearance to defend but has commenced with out of court settlement negotiations and the settlement amount was accepted. The settlement has since been paid and the matter has been finalised.

25.1.3 Vaal River Eastern Sub-system Augmentation Project - VRESAP

A summons was served on TCTA claiming R15 million for damages suffered by the claimant arising out of land acquisition activities in the implementation of the VRESAP. TCTA instructed its attorneys to enter appearance to defend on TCTA's behalf. TCTA agreed with the claimants attorneys to explore the possibility of settling the matter by 31 July 2014 and consulted with Senior Counsel and attended a site visit to the claimants farm in order for the Senior Counsel to draft TCTA's plea on the summons. TCTA received amended particulars of claim amending the claim amount to R11 million. The three experts visited the property and have submitted their reports to TCTA and Counsel. Consultations with Counsel and the experts were held except Dr Truter whose appointment was scheduled for early December 2014. Once Counsel has consulted with Dr Truter, Counsel will be in a position to draft TCTA's plea.

25.1.4 Acid Mine Drainage (AMD)

An urgent application for an interdict was served to TCTA on 19 April 2013 by the landowner of a property adjacent to the proposed AMD treatment plant in the Central Basin, on which TCTA served an expropriation notice for the expropriation of land rights as part of its project implementation activities.

The application is two-fold:

- i) An application for an urgent interdict to stop the continued construction of the AMD treatment plant, the construction of pipelines and ancillary works at the proposed construction site; and an interdict against the decision of TCTA to expropriate a right of servitude over the Applicant's property to construct three underground pipelines as part of the Central Basin treatment plant. This part has been successfully opposed and the application for interdict was refused.

ii) Secondly, the application request the review of:

- the decision of the Minister of Water and Sanitation on 6 April 2011 directing TCTA in terms of Section 103(2) of the National Water Act to undertake certain emergency works to treat acid mine drainage on the Witwatersrand Goldfields;
- the decision to declare the project as an emergency project;
- the decision of the Minister of Water and Environmental that the works required to discharge the neutralised acid mine drainage into the receiving rivers is of a temporary nature of less than 5 years and not subject to an environmental impact assessment process;
- requesting that the decision of the Department of Environmental Affairs to grant the DWS authorisation for the immediate and short term interventions for the treatment of acid mine drainage and for the construction of an AMD treatment plant in the Central Basin and ancillary works; and
- setting aside of the decision of TCTA and the Minister of Water and Environmental Affairs to expropriate a right of servitude over the Applicant's property.

TCTA is required to file opposition to the review application launched by the applicant, including disclosure of a record of all decisions which are sought to be reviewed and set aside together with reasons which it is required by law to give and to notify the applicant that it has done so. Extensive liaison will be required with the legal representatives acting on behalf of the Minister, DWS, Group Five and DEA, who are cited as co-respondents in the matter. TCTA is continuing with its preparations and the record of decisions will be finalised and disclosed to the applicant shortly.

TCTA attended consultations with Counsel regarding the drafting and re-drafting of Supplementary Affidavit. Following the above consultations, TCTA finalised all Supplementary Answering Affidavits and instructed counsel to attend to the lodgement of some in the High Court. Currently, DWS and DEA are preparing their own Answering Affidavits and this is expected to be filed shortly.

25.1.5 Phase II of the Mooi-Mgeni Transfer Scheme - MMTS-2

Summons was served at TCTA's premises and DWS on 30 July 2013 following expropriation of the land by TCTA. The landowner is claiming higher compensation but sued DWS instead of TCTA and subsequently brought an application to join TCTA into the proceedings. TCTA consented to the joinder application but will be filing a special plea on the basis that the claim has prescribed in that a wrong party was sued and TCTA should not have been joined into the proceedings under such circumstances.

The amended summons was served on TCTA and TCTA filed a notice of intention to defend the summons. TCTA's plea to the claim filed and served in early December 2013. TCTA's plea is essentially that TCTA offered compensation in the amount of R3,9 million and due to the fact that the claimant failed to issue summons on or before 31 July 2013, The Claimant is deemed to have accepted TCTA's offer. In the event that the said plea is dismissed, TCTA pleads that the offer of R3,9 million was appropriate to settle the claim. DWS is also preparing its plea which will be consistent with TCTA's plea.

DWS also filed its plea in the interim. The matter is still pending.

25.1.6 Vaal River Eastern Sub-system Augmentation Project - VRESAP

In this matter, TCTA instructed Attorneys to provide a legal opinion in respect of the Professional Indemnity claim against Vaal Pipeline Consultants and DWS: Mechanical and Electrical Engineering. The parties involved in this litigation matter have agreed that whilst the Contract provides that disputes may be settled by adjudication it may be preferable to finalise the matter by way of arbitration directly as an aggrieved party is entitled to take an adverse decision from adjudication to arbitration in any event.

26 EMPLOYEE BENEFITS

26.1 Short term employee benefits

TCTA does not contribute to any defined retirement or medical aid fund. It does not have a liability for the provision of retirement funding. The emoluments paid to individuals include a sum for the provision of their own medical aid and pension benefits.

27 EVENTS AFTER THE REPORTING PERIOD

No material facts or circumstances have arisen between the year end and the date of the signing of these financial statements.

28 GOING CONCERN

The underlying operating model for TCTA has remained the same as it has been in previous years, and continues to assure the long-term solvency of TCTA, as well as the ability to meet all its obligations as they fall due. TCTA's solvency is secured by the tariff methodology, income agreements and guarantees (explicit and implicit), that provide certainty that all costs incurred by TCTA will be fully funded either through user tariffs as the debt is repaid or through direct cost-recovery payments from the DWS.

TCTA's management is certain that TCTA will have sufficient resources to continue in operational existence for the foreseeable future and for this reason the going concern basis continues to be adopted in preparing the financial statements for the year ended 31 March 2015. Furthermore, no material uncertainties related to events or conditions that may cast a significant doubt on the ability of TCTA to continue as a going concern have been identified.

ANNEXURE A

Segmental Statement of Cash Flows for the period ended 31 March 2015

| | Notes | LHWP R million | BWP R million | VRESAP R million | MCWAP R million |
|--|-------|-------------------|------------------|---------------------|--------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | |
| Cash receipts on tariff receivable | | 3 557 | 187 | 327 | - |
| Cash paid to suppliers and employees | | (1 561) | 3 | (109) | (243) |
| Cash generated from project activities | A | 1 996 | 190 | 218 | (243) |
| Interest paid | C | (1 714) | (88) | (341) | (9) |
| Net cash inflow/(outflow) from operating activities | | 282 | 102 | (123) | (252) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | | | |
| Payments to acquire financial assets | | (340) | (65) | - | (155) |
| Proceeds on the sale of financial assets | | - | - | 22 | - |
| Interest received | B | 205 | 2 | 3 | 9 |
| Addition to property, plant and equipment | | (1) | - | - | - |
| Net cash (outflow)/inflow from investing activities | | (136) | (63) | 25 | (146) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | | |
| Proceeds from long-term borrowings | | - | - | 150 | 500 |
| Repayments on long-term borrowings | | (96) | (78) | (143) | (102) |
| Proceeds from short-term borrowings | | - | 98 | 116 | - |
| Repayments on short-term borrowings | | (50) | (59) | (25) | - |
| Net cash (outflow)/inflow from financing activities | | (146) | (39) | 98 | 398 |
| Net (decrease) in cash and cash equivalents | | - | - | - | - |
| Cash and cash equivalents at beginning of period | | - | - | - | - |
| Cash and cash equivalents at end of period | D | - | - | - | - |

FOR THE YEAR ENDED 31 MARCH 2015

| MMTS R million | ORWRDP R million | KWSAP R million | BOREHOLE R million | AMD R million | MMTS-1 R million | UMGENI R million | Total R million |
|-------------------|---------------------|--------------------|-----------------------|------------------|---------------------|---------------------|--------------------|
| 162 | 550 | 110 | | 112 | - | - | 5 005 |
| (286) | (535) | (35) | - | 7 | - | (1) | (2 760) |
| (124) | 15 | 75 | - | 119 | - | (1) | 2 245 |
| (84) | - | (6) | - | (57) | - | - | (2 299) |
| (208) | 15 | 69 | - | 62 | - | (1) | (54) |
| - | (27) | - | - | (64) | - | - | (651) |
| 10 | - | 77 | - | - | - | - | 109 |
| 12 | 12 | 2 | - | 2 | - | 1 | 248 |
| - | - | - | - | - | - | - | (1) |
| 22 | (15) | 79 | - | (62) | - | 1 | (295) |
| 698 | - | - | - | - | - | - | 1 348 |
| (256) | - | - | - | - | - | - | (675) |
| 144 | - | 1 | - | - | - | - | 359 |
| (400) | - | (149) | - | - | - | - | (683) |
| 186 | - | (148) | - | - | - | - | 349 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |

ANNEXURE A

Notes to the Segmental Statement of Cash Flows for the period ended 31 March 2015

| | LHWP R million | BWP R million | VRESAP R million | MCWAP R million |
|--|-------------------|------------------|---------------------|--------------------|
| A. CASH GENERATED FROM PROJECT ACTIVITIES | | | | |
| Net deficit for the year | (964) | 50 | 73 | 140 |
| Adjustments for non cash flow items and amounts separately disclosed: | | | | |
| Depreciation on non-current assets | 11 | - | - | - |
| Finance cost recognised in profit or loss/ construction costs | 1 821 | 86 | 357 | 93 |
| Foreign exchange gains | (3) | - | - | - |
| Foreign exchange losses | 6 | - | - | - |
| Gain on NPV of financial asset | (862) | (135) | (430) | (234) |
| Construction revenue | (29) | - | (2) | (171) |
| Other income | (785) | (4) | (6) | - |
| Non cash flow in opex | (68) | | | |
| Changes in working capital: | | | | |
| (Increase)/decrease in loans and other receivables | (665) | 1 | 6 | 3 |
| (Increase)/decrease in prepayments | (54) | - | - | - |
| Increase in payables and provisions (excluding interest payable) | (23) | 5 | (107) | (74) |
| Capitalised to/(removed from) Tariff Receivable | 3 557 | 187 | 327 | - |
| Non cash flow item in accounts receivable | 54 | - | - | - |
| Non cash flow item in accounts payable | - | - | - | - |
| Cash generated from project activities | 1 996 | 190 | 218 | (243) |
| B. INTEREST RECEIVED | | | | |
| Amount due at beginning of the year | 18 | - | - | - |
| Income during the year adjusted for non-cash items | 208 | 2 | 3 | 9 |
| Interest accrued ⁽¹⁾ | 371 | 2 | 3 | 9 |
| Bond premium amortised | (109) | - | - | - |
| Imputed interest on compensation | (51) | - | - | - |
| Interest on RSA account | (3) | - | - | - |
| Amount due at the end of the year | (21) | - | - | - |
| Interest received | 205 | 2 | 3 | 9 |

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

FOR THE YEAR ENDED 31 MARCH 2015

| MMTS R million | ORWRDP R million | KWSAP R million | BOREHOLE R million | AMD R million | MMTS-1 R million | UMGENI R million | Total R million |
|-------------------|---------------------|--------------------|-----------------------|------------------|---------------------|---------------------|--------------------|
| 527 | - | (17) | - | - | - | 1 | (190) |
| - | - | - | - | - | - | - | 11 |
| 105 | (12) | 109 | - | 55 | - | (1) | 2 613 |
| - | - | - | - | - | - | - | (3) |
| - | - | - | - | - | - | - | 6 |
| (632) | - | (93) | - | - | - | - | (2 386) |
| (411) | (514) | (8) | - | (575) | (31) | (7) | (1 748) |
| - | - | (4) | - | - | - | - | (799) |
| - | - | - | - | - | - | - | (68) |
| (28) | (38) | - | - | (477) | 3 | (62) | (1 257) |
| 29 | 14 | - | - | (89) | 4 | - | (96) |
| 124 | 51 | (22) | - | 630 | (7) | 61 | 638 |
| 162 | - | 110 | - | - | - | - | 4 343 |
| - | 514 | - | - | 575 | 31 | 7 | 1 181 |
| - | - | - | - | - | - | - | - |
| (124) | 15 | 75 | - | 119 | - | (1) | 2 245 |
| 1 | - | - | - | - | - | - | 19 |
| 12 | 12 | 2 | - | 2 | - | 1 | 251 |
| 12 | 12 | 2 | - | 2 | - | 1 | 414 |
| - | - | - | - | - | - | - | (109) |
| - | - | - | - | - | - | - | (51) |
| - | - | - | - | - | - | - | (3) |
| (1) | - | - | - | - | - | - | (22) |
| 12 | 12 | 2 | - | 2 | - | 1 | 248 |

ANNEXURE A

Notes to the Segmental Statement of Cash Flows for the period ended 31 March 2015 (continued)

| | LHWP R million | BWP R million | VRESAP R million | MCWAP R million |
|---|-------------------|------------------|---------------------|--------------------|
| C. INTEREST PAID | | | | |
| Amount not paid at beginning of the year | (501) | (2) | (39) | - |
| Expensed during the year adjusted for non-cash items | (1 714) | (88) | (342) | (9) |
| Amount expensed | (2 192) | (88) | (360) | (102) |
| Less: Bond discount amortised | 2 | - | - | - |
| Foreign loan payments | (1) | - | - | - |
| Loss on switch auction | 1 | - | - | - |
| Capital adjustment to inflation-linked liability | 438 | - | - | - |
| Concessionary portion - on EIB loan | 1 | - | - | - |
| Interest on compensation | 37 | - | - | - |
| Imputed interest on compensation | - | - | - | - |
| Interest capitalised | - | - | 18 | 93 |
| Cash flow in cum/ex div reflected under cash flow from financing activities | - | - | - | - |
| Amount not paid at the end of the year | 501 | 2 | 40 | - |
| Interest paid | (1 714) | (88) | (341) | (9) |
| D. CASH AND CASH EQUIVALENTS AT END OF PERIOD | | | | |
| Cash and cash equivalents consist of cash on hand and balances with banks. | - | - | - | - |

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

FOR THE YEAR ENDED 31 MARCH 2015

| MMTS R million | ORWRDP R million | KWSAP R million | BOREHOLE R million | AMD R million | MMTS-1 R million | UMGENI R million | Total R million |
|-------------------|---------------------|--------------------|-----------------------|------------------|---------------------|---------------------|--------------------|
| (6) | - | - | - | - | - | - | (548) |
| (92) | - | (6) | - | (57) | - | - | (2 308) |
| (117) | - | (111) | - | (57) | - | - | (3 027) |
| - | - | - | - | - | - | - | 2 |
| - | - | - | - | - | - | - | (1) |
| - | - | - | - | - | - | - | 1 |
| - | - | - | - | - | - | - | 438 |
| - | - | - | - | - | - | - | 1 |
| - | - | - | - | - | - | - | 37 |
| 25 | - | 105 | - | - | - | - | 241 |
| - | - | - | - | - | - | - | - |
| 14 | - | - | - | - | - | - | 557 |
| (84) | - | (6) | - | (57) | - | - | (2 299) |
| - | - | - | - | - | - | - | - |

ANNEXURE A

Segmental Statement of Cash Flows for the year ended 31 March 2014

| | Notes | LHWP R million | BWP R million | VRESAP R million | MCWAP R million |
|--|-------|-------------------|------------------|---------------------|--------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | |
| Cash receipts on tariff receivable | | 3 737 | 197 | 381 | - |
| Cash paid to suppliers and employees | | (1 294) | (11) | (37) | (305) |
| Cash generated from project activities | A | 2 443 | 186 | 344 | (305) |
| Interest paid | C | (1 655) | (109) | (283) | (10) |
| Net cash inflow/(outflow) from operating activities | | 788 | 77 | 61 | (315) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | | | |
| Payments to acquire financial assets | | (531) | - | - | - |
| Proceeds on the sale of financial assets | | - | 32 | 82 | 213 |
| Interest received | B | 131 | 4 | 6 | 5 |
| Addition to property, plant and equipment | | (20) | - | - | - |
| Net cash (outflow)/inflow from investing activities | | (420) | 36 | 88 | 218 |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | | |
| Proceeds from long-term borrowings | | - | - | - | 97 |
| Repayments on long-term borrowings | | (99) | (87) | (235) | - |
| Proceeds from short-term borrowings | | 10 | 52 | 98 | - |
| Repayments on short-term borrowings | | (280) | (100) | (12) | - |
| Net cash (outflow)/inflow from financing activities | | (369) | (135) | (149) | 97 |
| Net (decrease) in cash and cash equivalents | | (1) | (22) | - | - |
| Cash and cash equivalents at beginning of period | | 1 | 22 | - | - |
| Cash and cash equivalents at end of period | D | - | - | - | - |

FOR THE YEAR ENDED 31 MARCH 2015

| MMTS R million | ORWRDP R million | KWSAP R million | BOREHOLE R million | AMD R million | MMTS-1 R million | Total R million |
|-------------------|---------------------|--------------------|-----------------------|------------------|---------------------|--------------------|
| 185 | 625 | 110 | - | 158 | - | 5 393 |
| (383) | (595) | (80) | - | (264) | - | (2 969) |
| (198) | 30 | 30 | - | (106) | - | 2 424 |
| (61) | - | (20) | - | (9) | - | (2 147) |
| (259) | 30 | 10 | - | (115) | - | 277 |
| (13) | (41) | (63) | - | - | - | (648) |
| - | - | - | - | 113 | - | 440 |
| 8 | 11 | 3 | - | 2 | - | 170 |
| - | - | - | - | - | - | (20) |
| (5) | (30) | (60) | - | 115 | - | (58) |
| 255 | - | - | - | - | - | 352 |
| (100) | - | - | - | - | - | (521) |
| 299 | - | 99 | - | - | - | 558 |
| (190) | - | (49) | - | - | - | (631) |
| 264 | - | 50 | - | - | - | (242) |
| - | - | - | - | - | - | (23) |
| - | - | - | - | - | - | 23 |
| - | - | - | - | - | - | - |

ANNEXURE A

Notes to the Segmental Statement of Cash Flows for the year ended 31 March 2014

| | LHWP R million | BWP R million | VRESAP R million | MCWAP R million |
|--|-------------------|------------------|---------------------|--------------------|
| A. CASH GENERATED FROM PROJECT ACTIVITIES | | | | |
| Net deficit for the year | (926) | 44 | (76) | (50) |
| Adjustments for non cash flow items and amounts separately disclosed: | | | | |
| Depreciation on non-current assets | 12 | - | - | - |
| Finance cost recognised in profit or loss/ construction costs | 1 820 | 88 | 349 | 57 |
| Foreign exchange gains | (11) | - | - | - |
| Foreign exchange losses | 18 | - | - | - |
| Gain on NPV of financial asset | (970) | (132) | (272) | (6) |
| Construction revenue | (42) | (1) | (112) | (350) |
| Other income | (920) | (4) | (23) | - |
| Non cash flow in opex | 40 | - | - | - |
| Changes in working capital: | | | | |
| (Increase)/decrease in loans and other receivables | (282) | (1) | 9 | (8) |
| (Increase)/decrease in prepayments | (12) | - | 1 | - |
| Increase in payables and provisions(excluding interest payable) | (28) | (5) | 99 | 52 |
| Capitalised to/(removed from) Tariff Receivable | 3 737 | 197 | 381 | - |
| Non cash flow item in accounts receivable | 11 | - | - | - |
| Non cash flow item in accounts payable | (4) | - | (12) | - |
| Cash generated from project activities | 2 443 | 186 | 344 | (305) |
| B. INTEREST RECEIVED | | | | |
| Amount due at beginning of the year | 13 | - | - | 1 |
| Income during the year adjusted for non-cash items | 136 | 4 | 6 | 4 |
| Interest accrued ⁽¹⁾ | 273 | 4 | 6 | 4 |
| Bond premium amortised | (102) | - | - | - |
| Imputed interest on compensation | (33) | - | - | - |
| Interest on RSA account | (2) | - | - | - |
| Amount due at the end of the year | (18) | - | - | - |
| Interest received | 131 | 4 | 6 | 5 |

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

FOR THE YEAR ENDED 31 MARCH 2015

| MMTS R million | ORWRDP R million | KWSAP R million | BOREHOLE R million | AMD R million | MMTS-1 R million | Total R million |
|-------------------|---------------------|--------------------|-----------------------|------------------|---------------------|--------------------|
| (494) | - | (143) | - | - | - | (1 645) |
| - | - | - | - | - | - | 12 |
| 75 | (11) | 113 | - | 7 | - | 2 498 |
| - | - | - | - | - | - | (11) |
| - | - | - | - | - | - | 18 |
| 418 | - | 29 | - | - | - | (933) |
| (262) | (541) | (53) | - | (595) | (41) | (1 997) |
| - | - | (15) | - | - | - | (962) |
| | | | | | | 40 |
| (6) | 10 | 4 | 1 | (498) | 29 | (742) |
| (48) | 110 | - | - | 32 | (3) | 80 |
| (66) | (79) | (15) | (1) | 353 | (26) | 284 |
| 185 | - | 110 | - | - | - | 4 610 |
| - | 541 | - | - | 595 | 41 | 1 188 |
| - | - | - | - | - | - | (16) |
| (198) | 30 | 30 | - | (106) | - | 2 424 |
| - | - | - | - | - | - | 14 |
| 9 | 11 | 3 | - | 2 | - | 175 |
| 9 | 11 | 3 | - | 2 | - | 312 |
| - | - | - | - | - | - | (102) |
| - | - | - | - | - | - | (33) |
| - | - | - | - | - | - | (2) |
| (1) | - | - | - | - | - | (19) |
| 8 | 11 | 3 | - | 2 | - | 170 |

ANNEXURE A

Notes to the Segmental Statement of Cash Flows for the year ended 31 March 2014 (continued)

| | LHWP R million | BWP R million | VRESAP R million | MCWAP R million |
|---|-------------------|------------------|---------------------|--------------------|
| C. INTEREST PAID | | | | |
| Amount not paid at beginning of the year | (501) | (19) | (27) | - |
| Expensed during the year adjusted for non-cash items | (1 655) | (92) | (295) | (10) |
| Amount expensed | (2 093) | (92) | (355) | (61) |
| Less: Bond discount amortised | 2 | - | - | - |
| Foreign loan payments | (1) | - | - | - |
| Loss on switch auction | 1 | - | - | - |
| Capital adjustment to inflation-linked liability | 340 | - | - | - |
| Concessionary portion - on EIB loan | 1 | - | - | - |
| Interest on compensation | 25 | - | - | - |
| Imputed interest on compensation | 70 | - | - | - |
| Interest capitalised | - | - | 60 | 51 |
| Cash flow in cum/ex div reflected under cash flow from financing activities | - | - | - | - |
| Amount not paid at the end of the year | 501 | 2 | 39 | - |
| Interest paid | (1 655) | (109) | (283) | (10) |
| D. CASH AND CASH EQUIVALENTS AT END OF PERIOD | | | | |
| Cash and cash equivalents consist of cash on hand and balances with banks. | - | - | - | - |

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

FOR THE YEAR ENDED 31 MARCH 2015

| MMTS R million | ORWRDP R million | KWSAP R million | BOREHOLE R million | AMD R million | MMTS-1 R million | Total R million |
|-------------------|---------------------|--------------------|-----------------------|------------------|---------------------|--------------------|
| (6) | - | - | - | - | - | (553) |
| (61) | - | (20) | - | (9) | - | (2 142) |
| (84) | - | (116) | - | (9) | - | (2 810) |
| - | - | - | - | - | - | 2 |
| - | - | - | - | - | - | (1) |
| - | - | - | - | - | - | 1 |
| - | - | - | - | - | - | 340 |
| - | - | - | - | - | - | 1 |
| - | - | - | - | - | - | 25 |
| - | - | - | - | - | - | 70 |
| 23 | - | 96 | - | - | - | 230 |
| - | - | - | - | - | - | - |
| 6 | - | - | - | - | - | 548 |
| (61) | - | (20) | - | (9) | - | (2 147) |
| - | - | - | - | - | - | - |

WE NEED ACTIVE PARTICIPATION OF OUR PEOPLE IN THE WATER SECTOR TO ENSURE THAT WATER-ISSUES SUCH AS WATER CONSERVATION AND WATER DEMAND MANAGEMENT PROGRAMMES, WATER AWARENESS EDUCATION AND VANDALISM OF INFRASTRUCTURE GET TAKEN UP AS SOCIETAL ISSUES

by Minister:
Ms. Nomvula Mokonyane

PART G:
GLOBAL REPORTING INITIATIVE CONTENT INDEX



GRI Content Index

| No | Description | Compliance | Notes |
|------|---|------------|--|
| 1. | Strategy and analysis | | |
| 1.1 | Statement from the most senior decision-maker of the organisation | Fully | Refer to pages 16 |
| 1.2 | Description of key impacts, risks and opportunities | Fully | Refer to pages 73 to 75 |
| 2. | Organisational profile | | |
| 2.1 | Name of the organisation | Fully | Trans-Caledon Tunnel Authority |
| 2.2 | Primary brands, products and/or services | Fully | Refer to page 13 |
| 2.3 | Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures | Fully | Refer to page 79 |
| 2.4 | Location of organisation's headquarters | Fully | TCTA operates from its offices in Centurion, Gauteng, South Africa |
| 2.5 | Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report | Fully | TCTA is only active in South Africa. On the Phase 2 of the Lesotho Highlands Water Project it raises the money in South Africa for the water transfer component and pays it over to the Lesotho Highlands Development Authority for implementation |
| 2.6 | Nature of ownership and legal form | Fully | Refer to page 11 |
| 2.7 | Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries) | Fully | Not applicable |
| 2.8 | Scale of the reporting organisation | Fully | Refer to pages 18 (Summary of Financial Information) and 24 (Performance Information) |
| 2.9 | Significant changes during the reporting period regarding size, structure or ownership | Fully | None |
| 2.10 | Awards received in the reporting period | Fully | None |
| 3. | Report parameters | | |
| 3.1 | Reporting period (e.g. fiscal or calendar year) for information provided | Fully | This report relates to the financial year from 1 April 2014 to 31 March 2015 |
| 3.2 | Date of most recent previous report (if any) | Fully | 31 March 2014 |
| 3.3 | Reporting cycle (annual, biennial, etc.) | Fully | Annual |
| 3.4 | Contact point for questions regarding the report or its contents | Fully | Feedback on the report is welcome. The Chief Operating Officer may be contacted in this regard |
| 3.5 | Process for defining report content | Fully | Refer to page 2: About the Integrated Annual Report |

| No | Description | Compliance | Notes |
|------|--|------------|---|
| 3.6 | Boundary of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers) | Fully | The report covers the activities of TCTA, with regard to the mandate and the directives received from the Minister and associated activities. |
| 3.7 | State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope) | Fully | There were no specific limitations on the scope or boundary of the report |
| 3.8 | Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations | Fully | None |
| 3.9 | Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the Global Reporting Initiative Indicator Protocols | Partially | Refer to page 8 to 35 |
| 3.10 | Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement (e.g. mergers and acquisitions, change of base years or periods, nature of business, measurement methods) | Fully | Refer to Note 21 in the annual financial statements |
| 3.11 | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report | Fully | No significant changes were identified from the previous reporting period |
| 3.12 | Table identifying the location of the Standard Disclosures in the report | Fully | Refer to pages Global Reporting Initiative content index |
| 3.13 | Policy and current practice with regard to seeking external assurance for the report | Fully | Refer to page 3 |
| 4. | Governance, commitments and engagement | | |
| 4.1 | Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight | Fully | Refer to Section D |

| No | Description | Compliance | Notes |
|-----|---|------------|--|
| 4.2 | Indicate whether the Chair of the highest governance body is also an executive officer | Fully | For the period 1 April to 31 August 2014 the Chairman of the TCTA Board was an Independent Non-executive Director and thereafter the Accounting Authority was the CEO. |
| 4.3 | For organisations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or Non-executive members | Fully | Refer to pages 66 to 69 |
| 4.4 | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body | Fully | In line with Treasury Regulations shareholder input is received through the Shareholder Compact |
| 4.5 | Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance) | Partially | Refer to page 71 |
| 4.6 | Processes in place for the highest governance body to ensure conflicts of interest are avoided | Fully | Refer to page 71 |
| 4.7 | Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity | Fully | Refer to pages 66 to 69 for details of Board. Process of determining composition is the prerogative of the Minister and occurs when the Board is appointed. |
| 4.8 | Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation | Fully | Refer to Section C: Sustainability and Transformation, page 44 |
| 4.9 | Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social and labour performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles | Fully | Refer to Section C: Sustainability and Transformation, page 44 |

| No | Description | Compliance | Notes |
|---------------|---|------------|--|
| 4.10 | Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance | Partially | Refer page 71 |
| 4.11 | Explanation of whether and how the precautionary approach or principle is addressed by the organisation | None | |
| 4.12 | Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses | Fully | In the implementation of its projects TCTA subscribes to the principles contained in the Construction Sector Charter |
| 4.13 | Memberships in associations | Fully | Institute of Internal Auditors, South African National Committee on Large Dams. World Economic Forum, Water Institute of Southern Africa, Association of Corporate Treasurers of Southern Africa and Corporate Executive Board |
| 4.14 | List of stakeholder groups engaged by the organisation | Fully | Refer to page 22 |
| 4.15 | Basis for identification and selection of stakeholders with whom to engage | Fully | Refer to page 22 |
| 4.16 | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group | None | Refer to page 22 |
| 4.17 | Key topics and concerns that have been raised through stakeholder engagement | Partially | Refer to page 22 |
| DMA EC | Disclosure on management approach: Economic | | |
| Aspects | Economic performance | Fully | Refer to page 51 |
| | Market presence | Fully | Refer to pages 12, 14 and 15 |
| | Indirect economic impacts | Fully | Refer to page 26. TCTA delivers in support of the Government Outcomes |
| DMA EN | Disclosure on management approach: Environmental | | |
| Aspects | Materials | Fully | None. In line with other major organisations TCTA does not report on the materials consumed in capital projects. |
| | Energy | Fully | None. In line with other major organisations TCTA does not report on the energy consumed in capital projects |

| No | Description | Compliance | Notes |
|---|--|------------|---|
| | Water | Fully | None. In line with other major organisations TCTA does not report on the water consumed in capital projects |
| | Biodiversity | Fully | Refer to page 62 |
| | Emissions, effluents and waste | Fully | None. In line with other major organisations TCTA does not report on the emissions, effluent and waste produced in capital projects |
| | Products and services | Fully | Refer to page 12 |
| | Compliance | Partially | Refer to page 61 for Health and Safety on site and page 62 for compliance against the Environmental Management Plan |
| | Transport | Fully | None. In line with other major organisations TCTA does not report on the transport requirement in capital projects |
| | Overall | Partially | Each element reported separately |
| DMA LA Disclosure on management approach: Labour | | | |
| Aspects | Employment | Fully | Refer to page 67 |
| | Labour/management relations | Fully | Refer to page 68 |
| | Occupational health and safety | Partially | Refer to page 61 (for project sites) |
| | Training and education | Fully | Refer to page 70 |
| | Diversity and equal opportunity | Fully | Refer to page 67 |
| | Equal remuneration for women and men | None | |
| DMA HR | | | |
| Aspects | Investment and procurement practices | Fully | Refer to page 57 |
| | Non-discrimination | Fully | Refer to Employment Equity as reflected on page 67 |
| | Freedom of association and collective bargaining | Fully | Refer to page 68 |
| | Child labour | Fully | All project sites comply with South African legislation |
| | Prevention of forced and compulsory labour | Fully | All project sites comply with South African legislation |
| | Security practices | Fully | All project sites comply with South African legislation |

| No | Description | Compliance | Notes |
|---|---|------------|---|
| | Indigenous rights | Fully | TCTA complies with South African legislation in terms of Employment Equity |
| | Assessment | Fully | Not required |
| | Remediation | Fully | Not required |
| DMA SO | | | |
| Aspects | Local communities | Fully | Refer to page 49 |
| | Corruption | Partially | Refer to note 23.2 in the annual financial statements for losses resulting from criminal conduct |
| | Public policy | None | |
| | Anti-competitive behaviour | Fully | Not applicable |
| Compliance | | Fully | TCTA seeks to create sustainable value for shareholder and establish itself as a leader in water infrastructure development. TCTA is committed to responsible business conduct and best practice. An ethical governance framework and a commitment to legal compliance guide all its organisational activities. The Bank upholds the principles expressed in the King III Code that good governance combines both regulatory requirements and voluntary standards of excellence |
| DMA PR | | | |
| Disclosure on management approach: Product responsibility | | | |
| Aspects | Customer health and safety | Fully | Not applicable |
| | Product and service labelling | Fully | Not applicable |
| | Marketing communications | Fully | Not applicable |
| | Customer privacy | Fully | Not applicable |
| | Compliance | Fully | Not applicable |
| Performance indicators | | | |
| Economic | | | |
| EC1 | Direct economic value generated and distributed | Fully | Not applicable. TCTA is a non-profit organisation and does not create a surplus or loss |

| No | Description | Compliance | Notes |
|----------------------------------|---|------------|---|
| EC3 | Coverage of the organisation's defined benefit plan obligations | Fully | Not applicable. TCTA does not have a defined benefit pension plan |
| EC4 | Significant financial assistance received from the government | Fully | Where TCTA is directed by the Minister to implement on-budget (ORWRDP-2C), or partially on budget projects (MCWAP), transfers are received from the DWS to enable it to implement the project |
| Market presence | | | |
| EC6 | Policy, practices and proportion of spending on locally based suppliers at significant locations of operation | Partially | TCTA subscribes to the Construction Sector Charter, which stipulates employment, preferential procurement and enterprise development targets for local development on each project site |
| EC7 | Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation | Fully | TCTA is only based in South Africa and all staff are hired locally |
| Indirect economic impacts | | | |
| EC8 | Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement | Fully | Refer to page 26 |
| EC9 | Understanding and describing significant indirect economic impacts, including the extent of impacts | Fully | Refer to page 26 |
| Environmental | | | |
| Materials | | | |
| EN1 | Materials used by weight or volume | None | None. In line with other major organisations TCTA does not report on the materials consumed in capital projects. |
| EN3 | Percentage of materials used that are recycled input materials | None | None. In line with other major organisations TCTA does not report on recycled materials consumed in capital projects. |
| Energy | | | |
| EN3 | Direct energy consumption by primary energy source | None | None. In line with other major organisations TCTA does not report on direct energy consumption by primary energy source in capital projects. |

| No | Description | Compliance | Notes |
|---------------------------------------|---|------------|---|
| EN4 | Indirect energy consumption by primary source | None | None. In line with other major organisations TCTA does not report on indirect energy consumption by primary energy source in capital projects |
| EN5 | Energy saved due to conservation and efficiency improvements | None | On once off capital projects, each of which is unique in nature and of limited lifespan it is difficult to institute programmes which record reduction in consumption of energy |
| EN6 | Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives | None | On once off capital projects, each of which is unique in nature and of limited lifespan it is difficult to institute programmes which record reduction in consumption of energy |
| EN7 | Initiatives to reduce indirect energy consumption and reductions achieved (internal) | Fully | On once off capital projects, each of which is unique in nature and of limited lifespan it is difficult to institute programmes which record reduction in consumption of energy |
| Water | | | |
| EN8 | Total water withdrawal by source | None | Each project withdraws from the adjacent source and the head office draws water from the Vaal River System through Rand Water and Tshwane Metropolitan Municipality. |
| Biodiversity | | | |
| EN11 | Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | Fully | Refer to Section C: Mitigation of Environmental Impacts page 49 |
| EN13 | Habitats protected or restored | Fully | Refer to Section C: Mitigation of Environmental Impacts page 49 |
| EN14 | Strategies, current actions and future plans for managing impacts on biodiversity | Fully | Refer to Section C: Mitigation of Environmental Impacts page 49 |
| Emissions, effluents and waste | | | |
| EN16 | Total direct and indirect greenhouse gas emissions by weight | None | Not applicable |
| EN18 | Initiatives to reduce greenhouse gas emissions and reductions achieved | None | Not applicable |
| EN22 | Total weight of waste by type and disposal method | None | Not applicable |

| No | Description | Compliance | Notes |
|--|--|------------|--|
| EN23 | Total number and volume of significant spills | Partially | Refer to page 49 |
| Products and services | | | |
| EN26 | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation | Fully | Not applicable |
| EN27 | Percentage of products sold and their packaging materials that are reclaimed by category | Fully | Not applicable |
| Compliance | | | |
| EN28 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations | Fully | No significant non-compliance with environmental laws and regulations was identified |
| Transport | | | |
| EN29 | Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce | Fully | None. In line with other major organisations TCTA does not report on significant environmental impacts of transporting products and other goods and materials used for the organisation's capital projects |
| Social: Labour practices and decent work | | | |
| Employment | | | |
| LA1 | Total workforce by employment type, employment contract and region, broken down by gender | Fully | Refer to page 56 |
| LA2 | Total number and rate of new employee hires and employee turnover by age group, gender and region | Partially | Refer to page 56 |
| Labour/management relations | | | |
| LA4 | Percentage of employees covered by collective bargaining agreements | Fully | 53% of employees belong to a recognised union |
| Occupational health and safety | | | |
| LA6 | Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes | Fully | 100% |

| No | Description | Compliance | Notes |
|---|---|------------|--|
| LA7 | Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region and by gender | None | |
| Training and education | | | |
| LA10 | Average hours of training per year per employee by gender and by employee category | Partially | Refer to page 58 |
| LA11 | Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings | None | |
| LA12 | Percentage of employees receiving regular performance and career development reviews, by gender | Fully | All TCTA employees receive regular performance reviews and are required to submit a Personal Development Plan each year. |
| Diversity and equal opportunity | | | |
| LA13 | Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity | Fully | Refer to pages 56 and 57 |
| Equal remuneration for women and men | | | |
| LA14 | Ratio of basic salary and remuneration of women to men (internal) | None | |
| Social: Human rights | | | |
| Non-discrimination | | | |
| HR4 | Total number of incidents of discrimination and actions taken | Fully | No incidents of discrimination were reported during the period under review |
| Freedom of association and collective bargaining | | | |
| HR5 | Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights | Fully | No violations were identified |
| Child labour | | | |
| HR6 | Measures taken to contribute to the effective abolition of child labour | Fully | No violations were identified |

| No | Description | Compliance | Notes |
|-------------------------------------|--|------------|--|
| Forced and compulsory labour | | | |
| HR7 | Measures to contribute to the elimination of all forms of forced or compulsory labour | Fully | No violations were identified |
| Indigenous rights | | | |
| HR9 | Total number of incidents of violations involving rights of indigenous people and actions taken | Fully | No violations were identified |
| Assessment | | | |
| HR10 | Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments | Fully | None |
| Remediation | | | |
| HR11 | Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms | Fully | None |
| Social: Society | | | |
| Local communities | | | |
| SO1 | Percentage of operations with implemented local community engagement, impact assessments and development programmes | Partially | Refer to Section C: Mitigation of Social Impact, page 49 |
| Public policy | | | |
| SO5 | Public policy positions and participation in public policy development and lobbying | Fully | As a government Institution, TCTA does not take any policy positions but works with Government in the development of policy to ensure a financially sustainable water sector. Refer to pages 29 and 37 |
| SO6 | Total value of financial and in-kind contributions to political parties, politicians and related institutions by country | Fully | None |
| Anti-competitive behaviour | | | |
| SO7 | Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes | Fully | Not applicable |

| No | Description | Compliance | Notes |
|---------------------------------------|---|------------|---|
| Compliance | | | |
| SO8 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations | Fully | No significant fines were incurred for non-compliance with laws and regulations |
| Social: Product responsibility | | | |
| Customer health and safety | | | |
| PR1 | Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures | Fully | Not applicable |
| Product and service labelling | | | |
| PR3 | Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements | Fully | Not applicable |
| Marketing communications | | | |
| PR6 | Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship | Fully | Not applicable |
| PR7 | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes | Fully | Not applicable |
| Customer privacy | | | |
| PR8 | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data | Fully | Not applicable |
| Compliance | | | |
| PR9 | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services | Fully | Not applicable |



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