



KOMATI BASIN WATER AUTHORITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

KOMATI BASIN WATER AUTHORITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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Abbreviations used:

AFS	Annual Financial Statements
FRAC	Finance Risk and Audit Committee
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
JSE	Johannesburg Stock Exchange
JWC	Joint Water Commission
KOBWA	Komati Basin Water Authority
KoE	Kingdom of Eswatini
RSA	Republic of South Africa
The Parties	The Governments of South Africa and the Kingdom of Eswatini
THRC	Technical and Human Resources Committee
Treaty	Refers to the Treaty on the development and utilisation of the Komati River Basin between the Government of the Republic of South Africa and the Government of the Kingdom of Eswatini of 1992.

KOMATI BASIN WATER AUTHORITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
GENERAL INFORMATION

Country of incorporation and domicile	Republic of South Africa and the Kingdom of Eswatini
Legal form of entity	Bilateral organisation formed in 1992 through a Treaty between the Government of the Republic of South Africa and the Kingdom of Eswatini.
Directors	Mr. A. Thobejane Ms. N. Mabuza Ms. E. Magagula Mr. L. Mzizi Mr. B. Singwane Mr. L.C. Mohalaba Mr. T.M. Shongwe (Chief Executive Officer, Ex-Officio)
Bankers	Standard Bank: Republic of South Africa and the Kingdom of Eswatini
Auditors	PricewaterhouseCoopers Inc Chartered Accountants (S.A.) Registered Auditors
Secretary	Mr. T. Sithole
Preparer	The annual financial statements were internally compiled by: Financial Accountant (Futhi Kunene) Supervisor: Finance Director (Juan de Wet)

KOMATI BASIN WATER AUTHORITY
Annual Financial Statements for the year ended 31 March 2023
Board's Responsibilities and Approval

The Directors are required, to maintain adequate accounting records and are responsible for the content and integrity of the AFS and related financial information included in this report. It is their responsibility to ensure that the AFS fairly present the state of affairs of KOBWA as at the end of the financial year and the results of its operations and cash flows for the period then ended in conformity with the Standards of GRAP and the JSE listing requirements. The external auditor is engaged to express an independent opinion on the AFS.

The AFS have been prepared in accordance with GRAP including any interpretations, guidelines and directives issued by the Accounting Standards Board in terms of section 89 of the Public Finance Management Act in South Africa, based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by KOBWA and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout KOBWA and all employees are required to maintain the highest ethical standards in ensuring KOBWA's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in KOBWA is on identifying, assessing, managing and monitoring all known forms of risk across KOBWA. While operating risk cannot be fully eliminated, KOBWA endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the AFS. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Directors have reviewed KOBWA's cash flow forecast for the 12 months from date of signing and, in the light of this review and the current financial position, they are satisfied that the KOBWA has or has access to adequate resources to continue in operational existence for the foreseeable future. The 2023/24 budget was approved and the first two tranches have been received. This gives the Board comfort and assurance that KOBWA has sufficient financial resources to cover expected expenditure for the next 12 months.

The Board is responsible for the completeness and accuracy of all financial information published in annual reports, electronic media, KOBWA's website and submissions to the JSE.

The external auditor is responsible for independently auditing and reporting on KOBWA's AFS. The AFS have been examined by KOBWA's external auditor and his report is presented on page 6 -11.

The AFS set out on pages 14 to 53, which have been prepared on the going concern basis, were approved by the Board and were signed on its behalf by:



Mr. A. Thobejane
Board Chairperson

Date: 31 October 2023

KOMATI BASIN WATER AUTHORITY
Annual Financial Statements for the year ended 31 March 2023
Finance, Risk & Audit Committee Report

We are pleased to present our report for the financial year ended 31 March 2023.

FRAC members and attendance

The FRAC consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference.

Name of member	Designation
Ms. N. Mabuza	Chairperson
Ms. E. Magagula	Member
Mr. L.C. Mohalaba	Member (Appointed 01 February 2023)
Mr. M. Singwane	Member
Mr. C. Zwane	Ex-Officio Member (Contract ended 30 June 2022)
Mr. T.M. Shongwe	Ex-Officio Member (Appointed 01 October 2022)

The Chairperson and Members are independent, non-executive directors and are also Board Members.

FRAC responsibility

The FRAC is satisfied that the members thereof have the required knowledge and experience as set out in the Treaty. The committee held 4 meetings in the financial year which all members attended.

The FRAC also reports that it has adopted appropriate formal terms of reference as its FRAC Charter, has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by KOBWA over financial and risk management is effective, efficient and transparent. The requirements of the Treaty and the Delegation of Authority continue to be complied with and the Board also continues to subscribe to the King IV Report on Corporate Governance requirements. The internal audit function provides the FRAC and management with assurance that the internal controls are appropriate and effective.

As per the JSE regulations, KOBWA adopted the KING IV principles and continues to review them in light of operational environment changes. An Applicator Register which was adopted by the Board outlining how KOBWA adopted the specific principles is available on request.

The Board considered the audit firm PricewaterhouseCoopers Inc and the audit partner (Mr. Johannes Nicolaas Boshoff) in terms of registration as required by the JSE. The Board was satisfied with the submission that it met the requirements of the JSE and that they are suitable to audit KOBWA AFS.

The FRAC has satisfied that the Finance Director, Mr. Juan de Wet, has appropriate experience and expertise to fulfil his duties.

Evaluation of Annual Financial Statements

The FRAC reviewed the AFS and recommended to the Board for approval and refer to Note 26 which relate to prior year adjustments which have been duly considered.

Internal audit

The FRAC is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the

External Auditor

The FRAC nominated PricewaterhouseCoopers Inc as the independent auditor and Johannes Nicolaas Boshoff as the designated partner, who is a registered independent auditor, for the 2022/23 audit. The committee satisfied itself through inquiry that the external auditor is independent as per the standards stipulated by the auditing profession.

The FRAC in consultation with executive management agreed to the terms of the engagement. The audit fee for the external audit has been considered and approved taking into consideration such factors as the timing of the audit, the extent of the audit work required and scope.



Ms. N. Mabuza
Chairperson of the Finance, Risk and Audit Committee

Date: 31 October 2023



Independent auditor's report

To the Directors of Komati Basin Water Authority

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Komati Basin Water Authority ("KOBWA", "the Authority") as at 31 March 2023, and its financial performance and its cash flows for the year then ended in accordance with General Recognised Accounting Practice as issued by the Accounting Standards Board in terms of section 89 of the Public Finances Management Act in South Africa.

What we have audited

Komati Basin Water Authority's financial statements set out on pages 14 to 53 comprise:

- the statement of financial positions at 31 March 2023;
- the statement of financial performance for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

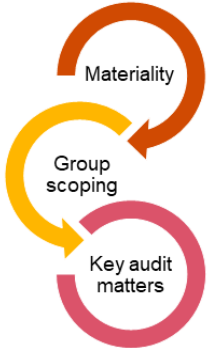
We are independent of the Authority in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

*PricewaterhouseCoopers Inc., Block 5, Riverside Office Park, Aqua Street, Mbombela, 1200
P O Box 1875, Mbombela, 1200
T: +27 (13) 754 3300, F: +27 (13) 754 3400, www.pwc.co.za*

Chief Executive Officer: L S Machaba
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

Our audit approach

Overview

	Overall group materiality - Overall materiality 1 040 000, which represents 1% of total expenses Key audit matters - Excess funding received from the Government of the Republic of South Africa and unspent conditional payments 2022 and 2023
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<i>Overall materiality</i>	R1 040 000
<i>How we determined it</i>	1% of total expenses
<i>Rationale for the materiality benchmark applied</i>	We have selected total expenses as our materiality benchmark because, in our view, it most appropriately reflects the operations of the Authority. It is a benchmark against which the performance of the Authority would be measured by users of the financial statements, given the fact that it is a non-profit-oriented entity. We chose 1% which is consistent with the quantitative materiality thresholds that we would typically apply when using this benchmark to compute materiality.

Key audit matters

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

Key audit matters	How our audit addressed the key audit matter
<i>Excess conditional grant funding received from the Government of the Republic of South Africa. KOBWA was established as a bi-national authority in terms of the Komati Treaty in 1992. KOBWA's mandate under the Komati Treaty is the operation and maintenance of water resources in the Komati Basin. It does not provide KOBWA with the ability to obtain an economic return directly from the users of the water. Instead, the Komati Treaty legally commits the Government of the Republic of South Africa and the Government of the Kingdom of Eswatini ("the Parties") to fund its operations, which includes capital, maintenance, and debt funding.</i> <i>In accordance with the Treaty, KOBWA submits its annual operational cash flow budget to the Joint Water Commission (as representative of the Parties, "JWC") for approval. This budget includes the operational, maintenance as well as capital expenditure which includes debt repayment requirements, for the ensuing year. Once approved, the Parties pay KOBWA the conditional grants in tranches during the financial year.</i> <i>The Government of the Republic of South Africa ("RSA") has paid KOBWA an amount of R186 556 177 in the current financial year, more than its cash flow requirements. This brings the total excess conditional grants including interest earned on these grants up to 31 March 2023 to R584 930 535.</i> <i>KOBWA requested, in a letter dated 4 July 2023, proposals on the way forward for the excess funds. They noted in the same letter that they allocated R19 922 970 to the sinking</i>	<i>We considered the terms and conditions of the Komati Treaty in so far it relates to the Parties' legal obligations to fund the operations of KOBWA and noted that the Komati Treaty require KOBWA to submit an annual short term cash flow budget to the Joint Water Commission ("JWC") for the reimbursement of capital as well as operational and maintenance costs for the ensuing year. Capital costs, as defined in the Treaty includes, amongst others financing costs. Annual financing costs include the servicing of loans and includes both interest and capital repayments, as and when due according to the terms of the respective loan agreements.</i> <i>We inspected the approved budget of the Department of Water and Sanitation of the Republic of South Africa, and in our testing noted that KOBWA was allocated R 248 278,000 for the 2022/23 financial year, which includes the additional funding of R186 884 937(There is an immaterial difference noted in our testing)</i> <i>We inspected KOBWA's approved budget for the 2022/2023 financial year and noted a total budget amounting to R61 393 064 was submitted and approved by the Joint Water Commission.</i> <i>We inspected the written confirmation from the Department of Water and Sanitation dated 2023/09/12 and signed by Mr. F Moatshe, the Chief Financial Officer of the DWS, confirming the excess funding to date and requesting KOBWA to obtain approval for</i>

fund per instruction from the Department of Water and Sanitation ("the Department") and indicated the interest earned on the surplus and sinking fund was R21 499 358 which resulted in a total surplus of R188 461 325.

The Department acknowledged in writing that they note the surplus funds of R186 884 937 which is still held at KOBWA. The Department noted the condition to the consideration to obtain prior approval from the JWC to utilize the surplus funds of R188 461 325 for strategic projects at Driekoppies Dam, only.

In 2022 the excess funding received was allocated to the sinking fund per Department instruction to fully fund all South African future cash flow requirements to settle the remaining Hambros Bank Limited Loan. The future grant was not correctly accounted for as set out in note 26 to the annual financial statements. The grant income has been restated to unspent conditional grants. The grant will be recognised as revenue to match the future coupon payments on the Hambros Bank Limited Loan until settlement in 2027.

KOBWA's additional grants received from the Parties over and above its annual cash flow requirements and the restatement to correct the 2022 recognition were considered to be matters of most significance to our audit of the financial statements due to the materiality of the amounts, as well as the pervasive nature of the excess grant funding in relation to the treatment of subsequent measurement of the Hambros liability (note 17), the sinking fund (note 10) and the unspent conditional grant (note 16) and note 26.

strategic projects at Driekoppies Dam form the JWC as a condition. We note that KOBWA have accounted for the excess funds in accordance with the instruction of the letter by disclosing it as an Unspent conditional grant and correcting the 2022 excess funding received for future interest to include in the unspent conditional grant account 2022. We tested the treatment of the conditional non exchange revenue transactions and correction of error for compliance with the GRAP statements 23 and GRAP 3 respectively.

We confirmed the bank balance of the Standard Bank Money Market Account directly with the bank and agreed this amount to the general ledger and financial statements of KOBWA.

We inspected the disclosure in the financial statements with regards to the Hambros sinking fund, the correction of error note 26 and we are satisfied that the disclosure describes the nature of the funds and the approved use thereof.

We also noted that per the letter KOBWA was meant to transfer an amount of R19 922 970 to the sinking fund however they allocated R20 513 449 to ensure that the sinking fund covers the full 60% (the South African portion of the Hambros loan) including interest due for the remaining period.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled: "Komati Basin Water Authority Annual Financial Statements for the year ended 31 March 2023", which includes the Directors' Report, the Finance, Risk & Audit Committee's Report, which we obtained prior to the date of this auditor's report, and the document titled "KOBWA Annual Report 2022/2023", which is expected to be made available to us after that date. The other information does not include the separate financial statements and our auditor's report thereon.



Our opinion on the financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with General Recognised Accounting Practice issued by the Accounting Standards Board in terms of section 89 of the Public Finances Management Act in South Africa and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our



conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Komati Basin Water Authority for 7 years.

A handwritten signature in black ink, appearing to read 'Johann Boshoff'.

PricewaterhouseCoopers Inc.
Director: Johann Boshoff
Registered Auditor
Mbombela, South Africa
Date 31 October 2023

KOMATI BASIN WATER AUTHORITY
Annual Financial Statements for the year ended 31 March 2023
Director's Report

The directors have pleasure in submitting their report for the Komati Basin Water Authority for the year ended 31 March 2023.

1. Constitution and corporate profile

KOBWA was established as a bi-national Authority in terms of the Treaty of 1992 signed by the two Member States the Kingdom of Eswatini and the Republic of South Africa for the utilisation of the water resources within the Komati Basin, comprising of the Komati River and the Lomati River. KOBWA's mandate is to implement Phase 1 of the Treaty which comprises the design, construction, operation and maintenance of the Driekoppies Dam on the Lomati River in RSA (phase 1a), and the Maguga Dam on the Komati River in KoE (phase 1b). The design and construction phase of the Dams were completed and currently, KOBWA's mandate is the operation and maintenance of the Dams.

2. Review of activities

KOBWA receives no direct income for the management of water resources for the two countries, it is however the responsibility of the Republic of South Africa and the Kingdom of Eswatini in terms of the Treaty to provide funding for KOBWA's operations mainly through the grant system in line with the provisions of the Treaty.

The AFS have been prepared in accordance with the Standards of GRAP issued by the Accounting Standards Board in terms of section 89 of the Public Finance Management Act in South Africa and the JSE listing requirements.

These AFS are presented in South African Rand and Eswatini Lilangeni, which is the functional currency of the entity. The exchange rate between these two currencies is 1:1.

Full details of financial position, financial performance and cash flows are set out in these financial statements.

3. Going Concern

The AFS have been prepared on the going concern assumption which is underpinned by a commitment from the Parties to continue funding KOBWA with a budget having already been approved for the financial year 2023/24.

In light of the above and to the best knowledge of the Directors, there is no known reason which may negatively impact the continued existence of KOBWA. The AFS have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

KOMATI BASIN WATER AUTHORITY
Annual Financial Statements for the year ended 31 March 2023
Director's Report
(continued)

4. Events after the reporting date

The Directors are not aware of any matter or circumstance arising since the end of the financial year and up to date of the publishing of these financial statements.

5. Directors

The Directors of KOBWA during the 2022/23 year and to the date of the report are as follows:

Name	Nationality	Designation
Mr. A. Thobejane	South Africa	Chairperson - Independent, Non-Executive
Ms. N. Mabuza	Eswatini	Chairperson FRAC - Independent, Non-Executive
Ms. E. Magagula	Eswatini	Chairperson THRC - Independent, Non-Executive
Mr. L. Mzizi	Eswatini	Vice Chairperson - Independent, Non-Executive
Mr. B. Singwane	South Africa	Independent, Non-Executive
Mr. L.C. Mohalaba	South Africa	Independent, Non-Executive, appointed 1 February 2023

Executive Management	Nationality	Designation
Mr. T.M. Shongwe	Eswatini	CEO, appointed 1 October 2022
Mr. J. de Wet	South Africa	Finance Director, appointed 1 May 2022
Mr. S.M. Nkomo	Eswatini	Operations Director
Mr. C.X. Zwane	South Africa	CEO, term ended 30 June 2022
Ms. M. Maseko	Eswatini	Corporate Services Director, resigned 17 April 2023

5. Secretary

The Company Secretary of KOBWA is Mr. T. Sithole of First Corporate Secretaries, appointed 1 January 2022.

KOMATI BASIN WATER AUTHORITY

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2023

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2020			
Figures in Rand/Lilangeni		2023	Restated *
	Note	R/E	2022
			R/E
ASSETS			
Current Assets		303,438,647	146,030,846
Receivables from Exchange Transactions	2.	1,831,562	1,850,988
Receivables from Non-exchange Transactions	3.	-	1,260,272
VAT Receivable	4.	2,745,691	1,588,515
Prepayments	5.	507,305	233,522
Cash and Cash Equivalents	6.	278,104,089	90,472,549
Guaranteed Grant Income Receivable	11.	20,250,000	50,625,000
Non-Current Assets		4,847,552,536	4,844,349,749
Property, Plant and Equipment	7.	4,279,796,966	4,329,198,663
Intangible Assets	8.	1,486,036	1,968,112
Investment Property	9.	11,352,905	11,855,331
Hambros Bank Loan Sinking Fund	10.	376,875,000	356,361,551
Guaranteed Grant Income Receivable	11.	178,041,628	144,966,092
Total Assets		5,150,991,182	4,990,380,595
LIABILITIES			
Current Liabilities		272,494,779	51,252,270
Provisions	12.	881,320	614,211
Accruals	13.	1,178,277	270,536
Payables from Exchange Transactions	14.	3,369,139	1,790,957
Payables from Non-exchange Transactions	15.	24,398,161	18,095,238
Designated Project Funds	18.	21,934,000	28,289,620
Unspent Conditional Grants	16.	220,733,882	2,191,708
Non-Current Liabilities		491,138,183	499,826,653
Unspent Conditional Grants	16	121,500,000	131,361,551
Financial liabilities at amortised cost	17.	369,638,183	368,465,102
Total Liabilities		763,632,962	551,078,923
Net Assets and Liabilities		4,387,358,220	4,439,301,672
Maintenance Reserve	19.	5,532,330	5,532,330
Accumulated Surplus		4,381,825,890	4,433,769,342
Total Net Assets and Liabilities		4,387,358,220	4,439,301,672

* See Note 26.

KOMATI BASIN WATER AUTHORITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31
MARCH 2023

Figures in Rand/Lilangeni			2023	Restated *
	Note		R/E	2022 R/E
REVENUE				
Revenue from Non-exchange Transactions				
Government Grants and Subsidies Received	20.		81,748,453	76,000,922
Finance Income	21.		22,950,536	-
Total Revenue			104,698,989	76,000,922
EXPENDITURE				
Employee Related Costs	22.		22,841,580	21,241,247
Depreciation and Amortisation	23.		53,242,001	54,564,640
Finance Costs	24.		51,798,210	136,386,582
Provision for VAT impairment	4.		1,588,515	807,675
Operating And Administration Expenditure	25.		27,284,223	21,464,858
Loss on Disposal of Property, Plant and Equipment	7.		68,589	508
Total Expenditure			156,823,117	234,465,511
DEFICIT FOR THE YEAR			(52,124,129)	(158,464,589)

* See Note 26.

KOMATI BASIN WATER AUTHORITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2023

Description	Maintenance Reserve	Accumulated Surplus / (Deficit)	Total
Figures in Rand/Lilangeni	R/E	R/E Restated *	R/E Restated *
Balance at 31 March 2021	5,532,330	4,592,233,930	4,597,766,261
Deficit for the year ended 31 March 2022	-	(158,464,589)	(158,464,589)
Closing Balance at 31 March 2022	5,532,330	4,433,769,342	4,439,301,672
Deficit for the year ended 31 March 2023	-	(52,124,129)	(52,124,129)
Proceeds from asset disposal relating to prior years		180,677	180,677
Closing Balance at 31 March 2023	5,532,330	4,381,825,890	4,387,358,220
See Note 19. * See Note 26.			

KOMATI BASIN WATER AUTHORITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2023			
Figures in Rand/Lilangeni		2023	Restated * 2022
	Note	R/E	R/E
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Grants		279,184,915	226,440,062
Payments			
Employee Related Costs		(22,841,580)	(21,241,247)
Interest Paid		(50,625,129)	(50,625,349)
Suppliers		(15,173,934)	(13,867,144)
NET CASH FLOWS FROM OPERATING ACTIVITIES	27.	190,544,272	140,706,322
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	7.	(2,912,734)	(3,401,110)
Purchase of Intangible Assets	8.	-	(187,081)
Decrease / (Increase) in Long-term Receivables - Hambros Loan Sinking Fund	10.	(20,513,449)	(187,636,668)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(23,426,183)	(191,224,859)
CASH FLOWS FROM FINANCING ACTIVITIES			
Funding Received in Advance	10.	20,513,449	48,445,899
NET CASH FLOWS FROM FINANCING ACTIVITIES		20,513,449	48,445,899
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		187,631,540	(2,072,638)
Cash and Cash Equivalents at Beginning of Period		(90,472,549)	(92,545,187)
Total Restricted Cash and Cash Equivalents at End of Period		236,691,043	48,576,567
Total Unrestricted Cash and Cash Equivalents at End of Period		41,413,046	41,895,983
Analysis of Cash and Cash Equivalents at End of Period:			
Government Payables	15.	24,398,161	18,095,238
Unspent Conditional Grants	16.	342,233,882	133,553,259
Less: Unspent Conditional Grant funded by Sinking Fund	10.	(151,875,000)	(131,361,551)
Designated Project Funds	18.	21,934,000	28,289,620
Total Restricted Cash and Cash Equivalents:		236,691,043	48,576,567
Total Unrestricted Cash and Cash Equivalents at End of Period:		41,413,046	41,895,983
Total Cash and Cash Equivalents at End of Period:	6.	278,104,089	90,472,549

* See Note 26.

KOMATI BASIN WATER AUTHORITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1. Presentation of Annual Financial Statements

The AFS have been prepared in accordance with the Standards of GRAP issued by the Accounting Standards Board in terms of section 89 of the Public Finance Management Act in South Africa and the JSE listing requirements.

These AFS have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The numbers in these AFS have been rounded off to the nearest 1 Rand/Lillangeni.

These accounting policies are consistent with the previous period.

1.1 Presentation Currency

These AFS are presented in South African Rand and Eswatini Lilangeni, which is the functional currency of the entity. The exchange rate between these two currencies is 1:1.

1.2 Going Concern Assumption

The AFS have been prepared on the going concern assumption which is underpinned by a commitment from the Parties to continue funding KOBWA with a budget having already been approved for the financial year 2023/24.

In light of the above and to the best knowledge of the Board, there is no known reason which may negatively impact on the continued existence of KOBWA. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Parties continue to honour their bi-lateral obligation and have continued to make commitments for the continued funding of KOBWA. The 2023/24 budget was approved and the first two tranches have been received therefore this gives the Board comfort and assurance that KOBWA has sufficient financial resources to cover expected expenditure for the next 12 months.

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

KOMATI BASIN WATER AUTHORITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1.4 Significant judgements and sources of estimation uncertainty

In preparing the AFS and in conformity with GRAP, management is required to make judgements, estimates and assumptions that affect the amounts represented in the AFS and related disclosures.

These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates. The underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Key sources of estimation and uncertainty

Impairment testing

The fair value for both cash generating and non-cash generating assets is not determined at each reporting date but KOBWA assesses at each reporting date or through its operations manual or assets verification process whether there is an indication that the value of the assets may be impaired since the last reporting date. Impairment, therefore, reflects a decline in the utility of an asset to KOBWA. In so doing KOBWA looks at the indications of impairment as stipulated by the standard and in terms of general understanding of asset usage and maintenance plan.

An asset is impaired when the carrying amount of the asset exceeds its recoverable service potential amount. KOBWA assesses at each reporting date whether there is any indication that an asset may be impaired. Such indications may include a standard deterioration of dam wall and weirs or below expected water outflow due to pump infrastructure failure or deterioration. If any such indication exists, KOBWA makes a formal estimate of the recoverable service amount of the asset. If no indication of a potential impairment loss is present, GRAP does not require KOBWA to make a formal estimate of recoverable service amount.

GRAP defines the value in use of a non-cash-generating asset as the present value of the asset's remaining service potential. The recoverable service amount is the higher of an asset's fair value less costs to sell and its value in use. KOBWA reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

Allowance for doubtful debts

KOBWA's receivables from the non exchange transactions is guaranteed by the agreement between the two Governments, therefore funds will always be paid. In terms of other income, an impairment loss is recognised in the Statement of Financial Performance when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Useful lives of property, plant and equipment

Management assesses the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives are determined based on KOBWA's assets management and disposal policies for the different asset classes. Individual assets within these classes which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of the normal replacement parameters.

When the estimated useful life of an asset differs from the previous estimates, the change is applied prospectively in the determination of depreciation charge and reported as a change in accounting estimate.

KOMATI BASIN WATER AUTHORITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Key sources of estimation and uncertainty (continued)

Control

GRAP Conceptual Framework 5.10 explains control as follows; ‘..... Control of the resource entails the ability of the entity to use the resource (or direct other parties on its use) so as to derive the benefit of the service potential or economic benefits embodied in the resource in the achievement of its service delivery or other objectives.

To fully assess the issue of control KOBWA also considered its service potential in relation to its assets. In terms of GRAP Paragraph 5.7 of the Conceptual Framework service potential is defined as “... the capacity to provide services that contribute to achieving the entity’s objectives. Service potential enables an entity to achieve its objectives without necessarily generating net cash inflows.”

Based on the Treaty, KOBWA's objective is the management of water resources in the Komati Catchment. Therefore, the assets are deployed by KOBWA to achieve the said objective. The Treaty gives KOBWA powers to do everything necessary to achieve such objective including acquiring of assets. The powers also include KOBWA having the sole responsibility of managing such assets including granting or restricting access or use thereof.

KOBWA in its assessment came to the conclusion that the Treaty gives it control over the ownership and use of its assets to meet its objective therefore control as defined by GRAP is met.

1.5 Investment property

Investment property is property held to earn rentals or for capital appreciation or both.

Investment property is recognised as an asset when, and only when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each year. If expectations differ from previous estimates, the change is accounted prospectively as a change in accounting estimate. The depreciation charge is recognised in the Statement of Financial Performance unless it is included in the carrying amount of another asset. Residual value is assumed to be zero.

Impairment tests are performed on investment property when there is an indicator that they may be impaired. When the carrying amount of an item of investment property is assessed to be higher than the recoverable amount, an impairment loss is recognised.

Depreciation is on the straight line basis over the expected useful lives to their estimated residual value over the useful life of the property, which is as follows:

Item	Percentage
Investment Property - Buildings	2%

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Investment property is transferred to PPE when its use has been changed to that of owner occupied.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of retirement or disposal.

KOMATI BASIN WATER AUTHORITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held by KOBWA for use in the supply of services, or for administrative purposes, and are expected to be used for more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- * it is probable that future economic benefits or service potential associated with the item will flow to KOBWA; and
- * the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition. When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to or replace part of it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Depreciation is on the straight line basis over the expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation Method	Percentage
Buildings	Straight-line	2%
Furniture and fittings	Straight-line	10%
Motor vehicles	Straight-line	20%
Office equipment	Straight-line	20%
Mobile Units	Straight-line	20%
IT Equipment	Straight-line	33.33%
Infrastructure	Straight-line	5%
Dams and Weirs	Straight-line	1-5%
Dam Equipment and Pipelines	Straight-line	1%
Sundry Equipment	Straight-line	20%
Implements	Straight-line	20%

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The residual value, useful life and depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in the Statement of Financial Performance unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the Statement of Financial Performance when the item is derecognised and this is the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The entity does not recognise in the carrying amount of an item of property, plant and equipment the costs of the day-to-day servicing of the item. Rather, these costs are recognised in statement of financial performance as incurred. The entity separately discloses expenditure to repair and maintain property, plant and equipment in the expenses section of the statement of financial performance.

KOMATI BASIN WATER AUTHORITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1.7 Intangible assets

An intangible asset is recognised when:

- * it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- * the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Identifiability

An asset is identifiable if it either:

- * is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licenced, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so; or
- * arises from binding arrangements regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- * it is technically feasible to complete the asset so that it will be available for use or sale.
- * there is an intention to complete and use or sell it.
- * there is an ability to use or sell it.
- * it will generate probable future economic benefits or service potential.
- * there are available technical, financial and other resources to complete the development and to use or sell the asset.
- * the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. Residual values are assumed to be Nil.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

The depreciable amount of an intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life. Amortisation shall begin when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation shall cease at the date that the asset is derecognised. The amortisation method used shall reflect the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. If that pattern cannot be determined reliably, the straight line method shall be used. The amortisation charge for each period shall be recognised in the statement of financial performance unless this or another Standard permits or requires it to be included in the carrying amount of another asset.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation Method	Percentage
Computer software	Straight-line	20%

The amortisation charge for each period is recognised in the statement of financial performance.

Intangible assets are derecognised:

- * on disposal; or
- * when no future economic benefits or service potential are expected from its use or disposal.

KOMATI BASIN WATER AUTHORITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1.8 Guaranteed Grant Income Receivable

Guaranteed Grant Income Receivable represents the guaranteed future grants (cash) receivable from the Parties. The Parties have guaranteed KOBWA's debt, and in accordance with the Treaty are legally obligated to fund KOBWA for the servicing and repayment of its debt. The funds form part of KOBWA budget through which the payments are made and therefore are operational funds in respect of cashflows.

The grants from the Parties are paid to KOBWA to enable it to pay its lenders in accordance with the terms and conditions of its loan agreements. Therefore the grants are fixed, determinable and guaranteed.

The receivable is discounted to its present value. As the receivable reaches maturity over time, the interest effect of unwinding the discount is recorded to the statement of financial performance. When KOBWA receives the grant, it is recorded against the receivable and therefore reduces the balance.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or non-collectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- * cash;
- * a residual interest of another entity; or
- * a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- * deliver cash or another financial asset to another entity; or
- * exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

KOMATI BASIN WATER AUTHORITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1.9 Financial instruments (continued)

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- * the entity designates at fair value at initial recognition; or
- * are held for trading.

Classification

Financial Assets

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Guaranteed grant income receivable
Cash and cash equivalents
Receivable from exchange transaction
Receivable from non-exchange transaction
Hambros Loan Sinking Fund

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

Financial Liabilities

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Hambros Bank Loan (Bond Notes)
Designated project funds
Payables from exchange transactions
Payables from non-exchange transactions
Unspent conditional grant

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument at cost including transaction costs. Using trade date accounting.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- * Financial instruments at amortised cost.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance.

KOMATI BASIN WATER AUTHORITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Financial assets measured at amortised cost: (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the Statement of Financial Performance.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- * the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- * the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- * the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in the Statement of Financial Performance in the period of the transfer.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in the Statement of Financial Performance.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the Statement of Financial Performance. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in the Statement of Financial Performance.

KOMATI BASIN WATER AUTHORITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1.10 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The entity recognises statutory receivables as follows:

- * if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- * if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- * if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

The entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- * interest or other charges that may have accrued on the receivable (where applicable);
- * impairment losses; and
- * amounts derecognised.

Impairment losses

The entity assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the entity considers, as a minimum, the following indicators:

- * Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- * It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- * A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- * Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the entity measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in the Statement of Financial Performance.

KOMATI BASIN WATER AUTHORITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Impairment losses (continued)

In estimating the future cash flows, an entity considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in the Statement of Financial Performance.

Derecognition

The entity derecognises a statutory receivable, or a part thereof, when:

- * the rights to the cash flows from the receivable are settled, expire or are waived;
 - * the entity transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
 - * the entity, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.
- In this case, the entity:

- derecognise the receivable; and
- recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in the Statement of Financial Performance in the period of the transfer.

1.11 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

1.12 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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1.12 Impairment of cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

- * the period of time over which an asset is expected to be used by the entity; or
- * the number of production or similar units expected to be obtained from the asset by the entity.

1.13 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- * the period of time over which an asset is expected to be used by the entity; or
- * the number of production or similar units expected to be obtained from the asset by the entity.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash generating assets, are as follows:

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

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External sources of information

- * During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- * Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.
- * Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

Internal sources of information

- * Evidence is available of obsolescence or physical damage of an asset
- * Significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- * A decision to halt the construction of the asset before it is complete or in a usable condition.
- * Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

Management designates assets as cash-generating as follows:

- * Investment Property
- * Loans & Receivables

Management designates assets as non-cash-generating as follows:

- * Property, Plant and Equipment
- * Intangible Assets

An impairment loss is recognised immediately in the Statement of Financial Performance.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

An entity shall assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

In assessing whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased, an entity shall consider, as a minimum, the following indications:

External sources of information

- * The asset's market value has increased significantly during the period.
- * Significant changes with a favourable effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which the asset is dedicated.
- * Market interest rates or other market rates of return on investments have decreased during the period, and those decreases are likely to affect the discount rate used in calculating the asset's value in use and increase the asset's recoverable amount materially.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH :

Internal sources of information

- * Evidence is available that indicates that the asset has been restored following physical damage to the asset.
- * Significant changes with a favourable effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, the asset is used or is expected to be used. These changes include costs incurred during the period to improve or enhance the asset's performance, restructure the operation to which the asset belongs, or a decision to use rather than dispose of an asset.
- * A decision to resume construction of the asset that was previously halted before it was completed or in a usable condition.
- * Evidence is available from internal reporting that indicates that the economic performance of the asset is, or will be, better than expected.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in the Statement of Financial Performance.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.15 Provisions and contingencies

Provisions are recognised when:

- * the entity has a present obligation as a result of a past event;
- * it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- * a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Provisions are only utilised for the expenditure for which they were originally recognised.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if KOBWA settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Provisions are not recognised for future operating surplus / deficits. If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in Note 32.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Rendering of Services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- * the amount of revenue can be measured reliably;
- * it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- * the stage of completion of the transaction at the reporting date can be measured reliably; and
- * the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Sale of Goods

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- * the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- * the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- * the amount of revenue can be measured reliably;
- * it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- * the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- * It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- * The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables. Refer 1.10).

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when KOBWA can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, KOBWA either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Where KOBWA receives other revenue from other sources like rental income, or interest, such revenue does not transfer to KOBWA. In terms of the Treaty such funds are for the Parties who allocate and authorise their use. Until such funds have been approved for use by KOBWA, they are treated as liabilities payable to the Parties in their ratio of contribution.

Recognition

An inflow of resources from a non-exchange transaction that meets the definition of an asset shall be recognised as an asset when, and only when

* it is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and

* the fair value of the asset can be measured reliably.

Unspent Conditional Grant

KOBWA recognises a liability in respect of that portion of the Grant Revenue which have been unspent in the financial year. Such grant will be payable to the Parties in proportion to their contribution. Should KOBWA wish to have access to such funds, KOBWA has to seek approval for its use and only then can the funds be allocated. Such approved funds are recognised as Designated Funds and only recognised as revenue when they are actually spent on the specified project.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by KOBWA.

When, as a result of a non-exchange transaction, KOBWA recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

Transfers

KOBWA recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. KOBWA only needs to have the right to receive such asset for the asset to be recognised but does not necessarily need to have received the actual asset. Transferred assets are measured at their fair value as at the date of transfer.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits or service potential to KOBWA, and the costs can be measured reliably. KOBWA applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of KOBWA. The amount of borrowing costs eligible for capitalisation is determined as follows:

* Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.

* Weighted average of the borrowing costs applicable to KOBWA on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1.18 Borrowing costs (continued)

The capitalisation of borrowing costs commences when all the following conditions have been met:

- * expenditures for the asset have been incurred;
- * borrowing costs have been incurred; and
- * activities that are necessary to prepare the asset for its intended use or sale are undertaken.

Capitalisation is suspended during extended periods should it happen that active development is suspended.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Segment information

A segment is an activity of an entity:

- * that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- * whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- * for which separate financial information is available.

KOBWA is managed as one segment and as such there is no separate segment disclosure.

1.20 Budget information

In terms of GRAP24, an entity may be required, or may elect, to make publicly available its approved budget, its final budget or both its approved and final budget. As KOBWA is not mandated, or elected to make its budget publicly available no statement of comparison of budget and actual amounts has been presented.

1.21 Related parties

Parties are considered to be related if one party has the ability to control (or jointly control) the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

In identifying related party relationships, attention should be given to the substance of a relationship and not merely its legal form.

Control is the power to govern the financial and operating policies of another entity so as to benefit from its activities.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

A related party transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged.

KOBWA discloses the following in the notes to the financial statements:

- related party relationships where control exists, irrespective of whether there have been transactions between the related parties. This disclosure includes the name of its controlling party and if different, the ultimate controlling party.
- the nature of any related party relationships as well as required information about transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements.
- the remuneration of management per person and in aggregate.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1.22 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- * those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- * those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

KOBWA will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

1.23 Water in Dams

KOBWA does not attribute any value to the water stored in its dams. The water is accumulated naturally from upstream, and furthermore KOBWA does not charge for the water released to the Parties.

1.24 Hambros loan sinking fund

The Department of Water and Sanitation have earmarked certain funds that are held by KOBWA for the redemption of the Hambros Bank Loan in 2027 - refer to Note 10 and Note 17.

These funds cannot be used for any other purpose without express approval from RSA Treasury.

Although these funds are deposited in a money market account, it may only be utilised for the repayment of the Hambros Bank Loan in 2027.

KOBWA has reclassified the total fund amount as non-current due to the redemption date in 2027.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2022 or later periods:

Standard/ Interpretation:	Effective date:	Expected Impact:
* GRAP 25 Employee Benefits - Amended	01 April 2025	Material impact unlikely
* GRAP 104 Financial Instruments - Amended	01 April 2023	Material impact unlikely
* GRAP 7 (as revised): Limit on defined asset, minimum funding requirements and their interaction	Not yet set	Material impact unlikely
* GRAP 21: The effect of Past Decisions on Materiality	01 April 2023	Material impact unlikely
* GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Material impact unlikely
* Guideline on The Application of Materiality to Financial Statements	Not yet set	Material impact unlikely

KOMATI BASIN WATER AUTHORITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Figures in Rand/Lilangeni

2023
R/E

2022
R/E

2. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R/E	Provision for Impairment R/E	Net Balances R/E
As at 31 March 2023			
Debtors	240,364	-	240,364
Staff Debtors	410,436	-	410,436
Deposits	1,180,762	-	1,180,762
	-		-
Total Receivables from Exchange Transactions	1,831,562	-	1,831,562

	Gross Balances R/E	Provision for Impairment R/E	Net Balances R/E
As at 31 March 2022			
Debtors	156,420	-	156,420
Staff Debtors	461,570	-	461,570
Deposits	1,232,997	-	1,232,997
	-		-
Total Receivables from Exchange Transactions	1,850,988	-	1,850,988

Employee Advances

The advances to employees relate to housing and study loans, repayable over an agreed period with the employee and recovered through payroll.

410,436 461,570

Deposits

Revolving fund deposited and managed by FinCorp for the benefit of qualifying people within the Komati Basin. FinCorp is an authorised financial services provider in the KoE. The fund has confirmed the balance available.

1,000,000 1,000,000

Other

180,762 232,997

Trade and other receivables impaired

The receivables were reviewed at the reporting date and none are impaired.

3. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Kingdom of Eswatini	-	1,260,272
	-	1,260,272

	Gross Balances R/E	Provision for Impairment R/E	Net Balances R/E
Reconciliation of receivables			
As at 31 March 2023			
Opening balance	1,260,272	-	1,260,272
Operational Budget (net of sundry income)	91,945,793	-	91,945,793
Additional Funding	186,884,937	-	186,884,937
Payments Received - Operational Budget	(93,206,065)	-	(93,206,065)
Payments Received - Additional Funding	(186,884,937)	-	(186,884,937)
	-		-
Total Receivables from Non-exchange Transactions	-	-	-

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Figures in Rand/Lilangeni

2023

2022

3. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS - CONTINUED

	Gross Balances R/E	Provision for Impairment R/E	Net Balances R/E
As at 31 March 2022			
Opening balance	-	-	-
Operational Budget (net of sundry income)	91,412,919	-	91,412,919
Additional Funding	179,807,450	-	179,807,450
Payments Received - Operational Budget	(90,152,647)	-	(90,152,647)
Payments Received - Additional Funding	(179,807,450)	-	(179,807,450)
Prior Year Unspent	-	-	-
Total Receivables from Non-exchange Transactions	1,260,272	-	1,260,272

The balance represents grant receivable not yet paid by the Parties at the reporting date. The Parties have a bi-lateral agreement through the Treaty which is open ended. In the current year, Parties have paid up and cleared the outstanding funds from previous year. Previously the Parties have always paid up the outstanding amounts. There is no credit risk as the Parties have always honoured the provisions of the Treaty.

4. VAT RECEIVABLE

South African Revenue Services

Opening balance - gross amount	3,996,170	2,621,790
Impairment balance	(2,407,655)	(1,599,980)
Net balance after impairment	1,588,515	1,021,810
Current year claims	1,981,680	1,374,380
Current year increase in impairment	(1,588,515)	(807,675)
Total VAT Receivable	1,981,680	1,588,515

Eswatini Revenue Services

Total VAT Receivable	764,011	-
Total VAT Receivable	2,745,691	1,588,515

Included in this balance is an amount equal to R/E 3,996,170 (2022: R/E 2,407,655) that was impaired mainly due to the delay by SARS in refunding VAT due to KOBWA.

In the current financial year, still no refunds were received from SARS. The claims made to Eswatini Revenue Services were recovered after year end.

5. PREPAYMENTS

Prepayments are for various goods and service related to the following year's budget, in line with procurement policies. The major increase can be attributed to insurance.	507,305	233,522
	507,305	233,522

6. CASH AND CASH EQUIVALENTS

Short-term deposits	272,029,601	86,590,793
Bank Accounts	6,056,988	3,864,256
Cash-on-Hand	17,500	17,500
Total Bank, Cash and Cash Equivalents	278,104,089	90,472,549

All funds are under the management of KOBWA and includes funds ringfenced for Designated Project Funds (Note 18), Unspent Conditional Grants (Note 16), Government Payables (Note 15). Reserves may not be used unless if such funds have been allocated to a project to be implemented by KOBWA. KOBWA may place such funds in approved investments for the purposes of bearing interest. Furthermore, the JWC has not yet approved the utilisation of excess funds received.

Details of cash and cash equivalents that is restricted and included in the totals above:

Government Payables	Refer to Note 15.	24,398,161	18,095,238
Unspent Conditional Grants	Refer to Note 16.	342,233,882	133,553,259
Less: Unspent conditional grant funded by Hambros Loan Sinking Fund	Refer to Note 10.	(151,875,000)	(131,361,551)
Designated Project Funds	Refer to Note 18.	21,934,000	28,289,620
		236,691,043	48,576,567

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

7. PROPERTY, PLANT AND EQUIPMENT

31 March 2023

Reconciliation of Carrying Value

Description	Buildings	Infrastructure	Dams and Weirs	Dam Equipment and Pipelines	Furniture and Fittings	Information Technology Equipment	Motor Vehicles	Office Equipment	Mobile Units	Implements	Sundry Equipment	Total
	R/E	R/E	R/E	R/E	R/E	R/E	R/E	R/E	R/E	R/E	R/E	R/E
Carrying values at 01 April 2022	51,236,978	45,442,557	4,206,331,901	22,993,948	805,093	571,287	510,899	(39,550)	28	71,803	1,194,618	4,329,198,663
Cost	63,970,840	69,981,167	4,474,825,171	30,781,574	2,198,441	3,119,096	3,074,568	(153,550)	792,964	1,025,556	8,087,582	4,657,703,408
Accumulated Depreciation:	(12,733,862)	(24,538,609)	(268,493,270)	(7,787,626)	(1,393,348)	(2,547,809)	(2,563,669)	193,100	(792,936)	(953,752)	(6,892,963)	(328,504,745)
Acquisitions	-	1,416,597	-	-	-	176,437	-	-	-	-	1,319,700	2,912,734
Depreciation:	1,815,929	2,382,420	44,769,645	1,792,049	167,630	356,229	262,346	15,898	-	36,602	665,229	52,256,593
Carrying value of Disposals:	-	-	-	-	780	2,585	9	2,000	4	8	63,202	68,589
- Cost	-	-	-	-	157,198	521,931	379,917	17,896	155,506	164,352	1,383,133	2,779,933
- Accumulated Depreciation	-	-	-	-	(156,418)	(521,909)	(379,908)	(15,896)	(155,502)	(164,344)	(1,319,931)	(2,713,907)
Carrying values at 31 March 2023	49,421,049	44,476,735	4,161,562,256	21,201,900	638,242	394,079	248,541	25,652	24	35,209	1,793,279	4,279,796,966
Cost	65,428,793	71,344,618	4,474,825,171	30,339,419	2,082,186	2,777,605	3,329,621	247,041	637,458	712,319	8,092,599	4,659,816,830
Accumulated Depreciation	(16,007,744)	(26,867,883)	(313,262,915)	(9,137,519)	(1,443,944)	(2,383,526)	(3,081,080)	(221,389)	(637,434)	(677,110)	(6,299,320)	(380,019,864)

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

31 March 2022

Reconciliation of Carrying Value

Description	Buildings	Infrastructure	Dams and Weirs	Dam Equipment and Pipelines	Furniture and Fittings	Information Technology Equipment	Motor Vehicles	Office Equipment	Mobile Units	Implements	Sundry Equipment	Total
	R/E	R/E	R/E	R/E	R/E	R/E	R/E	R/E	R/E	R/E	R/E	R/E
Carrying values at 01 April 2021	53,400,767	48,790,851	4,251,083,746	22,482,424	711,953	648,705	934,578	49,601	28	114,500	1,171,289	4,379,388,441
Cost	63,970,840	69,655,664	4,474,825,171	28,950,715	1,934,329	2,777,342	3,891,544	437,356	792,964	1,190,924	7,575,174	4,656,002,022
Accumulated Depreciation:	(10,570,073)	(20,864,813)	(223,741,425)	(6,468,292)	(1,222,376)	(2,128,637)	(2,956,966)	(387,755)	(792,936)	(1,076,424)	(6,403,885)	(276,613,581)
Acquisitions:	-	325,502	-	1,830,859	272,238	378,914	-	12,737	-	-	580,860	3,401,110
Depreciation:	(2,163,789)	(3,673,796)	(44,751,845)	(1,319,335)	(178,691)	(456,327)	(423,665)	(22,717)	-	(42,698)	(557,517)	(53,590,380)
Carrying value of Disposals:	-	-	-	-	(407)	(5)	(14)	(72)	-	2	(13)	(508)
- Cost	-	-	-	-	(8,126)	(37,160)	(816,976)	(603,643)	-	(165,368)	(68,452)	(1,699,725)
- Accumulated Depreciation	-	-	-	-	7,719	37,155	816,962	603,571	-	165,370	68,439	1,699,217
Carrying values at 31 March 2022	51,236,978	45,442,557	4,206,331,901	22,993,948	805,093	571,287	510,899	39,550	28	71,803	1,194,618	4,329,198,663
Cost	63,970,840	69,981,167	4,474,825,171	30,781,574	2,198,441	3,119,096	3,074,568	(153,550)	792,964	1,025,556	8,087,582	4,657,703,408
Accumulated Depreciation	(12,733,862)	(24,538,609)	(268,493,270)	(7,787,626)	(1,393,348)	(2,547,809)	(2,563,669)	193,100	(792,936)	(953,752)	(6,892,963)	(328,504,745)

There are no restrictions or encumbrances on these assets. The asset register is available for inspection by authorised personnel or entities and other stakeholders or their duly authorised representatives at the KOBWA Maguga office during normal operating hours. There are no financial commitments in respect of major assets or projects resulting in infrastructure assets. The Parties own the land on which Dams and Buildings were constructed.

2023

2022

Expenditure incurred to repair and maintain property, plant and equipment and investment property:

Included in Statement of Financial Performance: Operating and administration costs 4,487,041 4,264,926

Differences between the asset register balances and the general ledger balances were identified and corrected in the current year to agree to closing balances. The differences were corrected in the current year and the effect per asset class is shown below:

	Buildings	Infrastructure	Dams and Weirs	Dam Equipment and Pipelines	Furniture and Fittings	Information Technology Equipment	Motor Vehicles	Office Equipment	Mobile Units	Implements	Sundry Equipment	Total
Cost	1,457,953	1,347,639	-	(1,742,780)	(116,255)	(517,934)	255,054	400,591	(155,506)	(313,236)	(1,270,383)	(654,858)
Depreciation	(347,860)	(1,562,606)	17,800	442,155	-	-	-	-	-	-	-	(1,450,511)
Accumulated Depreciation	(885,271)	1,151,640	(17,800)	(56,235)	117,034	722,554	(255,062)	(398,590)	155,502	313,244	1,250,011	2,097,027
Net effect	224,822	936,673	-	(1,356,860)	779	204,620	(9)	2,000	(4)	8	(20,371)	(8,341)

KOMATI BASIN WATER AUTHORITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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8. INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses	1,486,036	1,968,112
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The movement in Intangible Assets is reconciled as follows:

Computer Software:

Carrying values at 01 April	1,968,112	2,252,865
Cost	2,721,510	2,534,429
Accumulated Amortisation	(753,398)	(281,564)
Acquisitions:	(0)	187,081
Amortisation:	(482,982)	(471,834)
Carrying values at 31 March	1,486,036	1,968,112
Cost	2,721,510	2,721,510
Accumulated Amortisation	(1,236,380)	(753,398)

There are no restrictions or encumbrances on Intangible Assets

The asset register is available for inspection at the KOBWA Maguga office during normal hours of operation.

9. INVESTMENT PROPERTY

At Cost less Accumulated Depreciation	11,352,905	11,855,331
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The movement in Investment Property is reconciled as follows:

Carrying values at 01 April	11,855,331	12,357,757
Cost	14,869,885	14,869,885
Accumulated Depreciation	(3,014,555)	(2,512,129)
Depreciation during the Year	(502,426)	(502,426)
Carrying values at 31 March	11,352,905	11,855,331
Cost	14,869,885	14,869,885
Accumulated Depreciation	(3,516,980)	(3,014,555)

The carrying amount of the investment property at each reporting date is cost less accumulated depreciation.

A register with details of the land and buildings which constitute the investment properties is available for inspection by authorised personnel or entities and other stakeholders or their duly authorised representatives at the Maguga office of KOBWA. The investment property relates to houses located at the Glen Village in Piggs Peak town of Eswatini and are houses rented to third parties at market rates therefore do not qualify to be classified as owner occupied.

There are no restrictions or encumbrances on the investment property.

There are no commitments in the foreseeable future to buy or build any investment properties.

The rental income fluctuates annually depending on the occupancy. Annual rental income for all available to rent properties is 2023: R/E 813,197 (2022: R/E 869,070) and is declared back to the Parties. Refer to Note 15.

KOMATI BASIN WATER AUTHORITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

	2023 R/E	2022 R/E
10. HAMBROS BANK LOAN SINKING FUND		
Hambros Loan Sinking Fund		
Standard Bank Money Market - RSA funds to redeem capital	225,000,000	225,000,000
Standard Bank Money Market - RSA funds to service bi-annual interest payments	151,875,000	131,361,551
	<u>376,875,000</u>	<u>356,361,551</u>

These funds were received from the Department of Water and Sanitation in excess of KOBWA's operational budget and have been earmarked for the redemption of the Hambros Bank Loan in 2027. These funds cannot be used for any other purpose without approval from RSA Treasury and are considered conditional. Although these funds are deposited in a money market account, it may only be utilised for the repayment of the Hambros Bank Loan in 2027. The total funds earmarked for bi-annual interest payments are classified as non-current for this reporting period. KOWBA has received additional funding after the reporting period amounting to R/E 186,556,177 from the Department of Water and Sanitation of which R/E 20,513,449 to fully fund the sinking fund in April 2023, therefore no interest earned was allocated to the sinking fund. Funds held by KOBWA will be utilised to settle the RSA portion of the Hambros Bank Loan interest.

Movements in carrying amount

Opening balance	356,361,551	168,719,882
Increase in sinking fund - excess funding received	20,513,449	179,807,450
Increase in sinking fund - Interest earned on excess funding	-	7,831,219
Closing balance	<u>376,875,000</u>	<u>356,358,551</u>

11. GUARANTEED GRANT INCOME RECEIVABLE

Designated at amortised cost

Guaranteed Grant Income Receivable - Capital	102,667,436	94,656,129
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Rights to receive grants for the payment of Loans are 100% guaranteed by the Government of South Africa and back to back 40% by the Kingdom of Eswatini. The funds for the loan repayment are received by KOBWA as part of the conditional grant towards payment of the loans and the amounts are known. Grant guaranteed income is the present value of the funds receivable from the Parties for the repayment of the loan.

Guaranteed Grant Income Receivable - Interest	95,624,192	100,934,963
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Rights to receive grants for the payment of Loans are 100% guaranteed by the Government of South Africa and back to back 40% by the Kingdom of Eswatini. The funds for the loan repayment are received by KOBWA as part of the conditional grant towards payment of the loans and the amounts are known. Grant guaranteed income is the present value of the funds receivable from the Parties for the repayment of the loan.

Total Guaranteed Grant Income Receivable	<u>198,291,628</u>	<u>195,591,092</u>
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Non-current assets

At amortised cost	<u>178,041,628</u>	<u>144,966,092</u>
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Current assets

At amortised cost	<u>20,250,000</u>	<u>50,625,000</u>
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Financial assets at amortised cost

	Opening Balances R/E	Cash Funding from parties R/E	Unwinding of finance income R/E	Closing Balances R/E
Reconciliation as at 31 March 2023				
Guaranteed Income Receivable	<u>195,591,092</u>	<u>(50,625,000)</u>	<u>53,325,536</u>	198,291,628
Less: Current Portion transferred to Current Receivables:-				20,250,000
Total Non-current Guaranteed Grant Income Receivable				<u>178,041,628</u>

	Opening Balances R/E	Cash Funding from parties R/E	Unwinding of finance costs R/E	Closing Balances R/E
Reconciliation as at 31 March 2022				
Guaranteed Income Receivable	<u>348,878,860</u>	<u>(230,432,455)</u>	<u>77,144,683</u>	195,591,092
Less: Current Portion transferred to Current Receivables:-				50,625,000
Total Non-current Grant Guaranteed Income Receivable				<u>144,966,092</u>

KOMATI BASIN WATER AUTHORITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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	2023	2022
	R/E	R/E
12. PROVISIONS		
13th Cheque	399,608	336,344
Leave Pay	481,712	277,866
Total Provisions	881,320	614,211
Current Provisions:		
13th Cheque:		
Balance at beginning of year	336,344	363,410
Contributions to provision	399,608	336,344
Utilised during the year	(336,344)	(363,410)
Balance at end of year	399,608	336,344
Leave Pay:		
Balance at beginning of year	277,866	290,034
Contributions to provision	1,024,920	277,866
Utilised during the year	(821,075)	(290,034)
Balance at end of year	481,712	277,866
13th cheques are part of employees' structured packages and paid out annually in December. Leave pay is provided for per KOBWA human resource policies and becomes due over the passage of time, increasing the liability. Leave is redeemed by the employee upon taking it or selling leave back to KOBWA, reducing the liability. Time value of money is considered insignificant and immaterial for the provisions listed above In 2022, the balances at end of year of the provisions were swapped around in the breakdown, but reflects correctly above.		
13. ACCRUALS		
Accruals	1,178,277	270,536
Total accruals at end of year	1,178,277	270,536
14. PAYABLES FROM EXCHANGE TRANSACTIONS		
Contractors and Suppliers	3,016,474	1,578,542
Employee Related Payables	352,665	212,415
Total Payables	3,369,139	1,790,957
15. PAYABLES FROM NON-EXCHANGE TRANSACTIONS (GOVERNMENT PAYABLES)		
Bank Interest	22,519,922	16,886,425
Rental income collected on behalf of Parties	1,374,114	-
Gate Entrance fees Payable to Governments	-	524,030
Other Government Payables	504,124	684,783
Total Payables	24,398,161	18,095,238
Reconciliation of Government Payables		
Opening Balance	18,095,238	8,969,034
Additions - Gate Entrance Fees	533,970	3,040
Additions - Rental Income	813,197	869,070
Additions - Insurance proceeds	-	504,106
Additions - Other	26,947	35,883
Additions - Interest earned	10,897,714	10,714,578
Allocated to - unspent grant	(524,012)	-
Approved and allocated by the Parties	(5,444,893)	(3,000,473)
	24,398,161	18,095,238

KOMATI BASIN WATER AUTHORITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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15. PAYABLES FROM NON-EXCHANGE TRANSACTIONS (GOVERNMENT PAYABLES) - CONTINUED

The amounts represent income received by KOBWA other than grants that are in the process of being declared to the JWC. In accordance with the Treaty, all non-grant income must be declared to the JWC which will approve and allocate these funds. Until such time that this process is complete, KOBWA is not entitled to the funds. Instead, these funds are payable to the respective Parties. The general ratio of contribution between the Government of RSA and the KoE is 60:40, for Maguga dam and 100% RSA for Driekoppies Dam. This results in a ratio of roughly RSA 72:28 KoE, depending on the budget for the year.

The allocation also considers actual contributions made, draw downs made and the funds are accounted for to the specific Party taking these factors into account.

16. UNSPENT CONDITIONAL GRANTS

Non-current liabilities

Unspent Conditional Grants	121,500,000	131,361,551
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Current liabilities

Unspent Conditional Grants	220,733,882	2,191,708
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Total Unspent conditional grants

	342,233,882	133,553,259
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Unspent grants represent conditional grants that remain unspent at the reporting period. These are payable back to the Parties in proportion to their contribution and is recognised as a liability in the financial statements. In the following financial year, such grants are only utilised upon approval by the JWC or Parties as the condition can only be met in the respective financial year in which the budget relates. Such approval would be either for other projects designated by the JWC in which case revenue would be recognised to the extent of the amounts approved, reducing the amount payable by the Parties in future financial years or the Parties may request the funds to be paid back.

Movements during the year

Balance at the beginning of year	133,553,259	1,139,805
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Additions during the year

Additions - Approved Operational Budget including sundry income	305,252,938	278,795,428
Additions - Income received in advance for future finance payments	96,130,415	96,130,415
Additions - Additional funds received from RSA	20,513,449	131,361,551
Additions - Interest earned on additional funds received in advance from RSA	166,042,728	48,445,899
Additions - Additional funds received from KoE	21,499,358	
Additions - Savings from Designated Project Funds	432,445	
Additions - Designated Project Funds	634,542	

Utilised

Utilised - Recognised as Grant Income	(96,572,315)	(146,381,974)
Utilised - Hambros Bank Loan Sinking Fund	(45,728,338)	(45,625,922)
Utilised - Grant Income	-	(48,445,900)
Utilised - Guaranteed Income	(30,375,000)	(30,375,000)
Utilised - Budget overspend 2022/23	(20,250,000)	(20,250,000)
Utilised - Allocated to Designated Project Funds	(218,977)	-
	-	(1,685,152)

Balance at the end of year

	342,233,882	133,553,259
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17. FINANCIAL LIABILITIES AT AMORTISED COST

Hambros Bank Limited Loan	369,638,183	368,465,102
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The Loan consists of registered bonds with a face value of R/E 1 million each. The bond's coupon rate is 13.5% with an effective interest rate of 14.87% per annum. The notes were issued at a discount at 90.91946%. The coupon is payable biannually in arrears. The balance of the unpaid interest is accumulated with the capital and is payable on the maturity date on 31 October 2027 to the amount of R/E 375 million. The loan is explicitly guaranteed 100% by the South African Government. The Kingdom of Eswatini guarantees 40% of the loan to the Government of South Africa.

Total financial liabilities at amortised cost

	369,638,183	368,465,102
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KOMATI BASIN WATER AUTHORITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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	2023	2022
	R/E	R/E
18. DESIGNATED PROJECT FUNDS		
Opening Balance	28,289,620	29,059,537
Additions - Unspent grant	-	2,087,647
Conditions met, transferred to Revenue	(6,355,620)	(2,857,563)
	<u>21,934,000</u>	<u>28,289,620</u>
Breakdown of Funds		
Driekoppies Dam Projects - RSA	20,119,711	20,119,711
DWS Projects	155,621	3,794,517
LMPC	196,936	360,246
Recapitalisation Project	-	130,172
JWC Projects	1,461,732	3,884,975
	<u>21,934,000</u>	<u>28,289,620</u>

Designated project funds are earmarked, requested and approved for specific projects with conditions attached to it. Funds are either provided by the Parties or approved from the Party payables already in KOBWA's custody and utilised for the implementation of specific projects or acquisition of key KOBWA assets. These funds may be allocated at the request of KOBWA. Once the projects are delivered and meet all requirements and conditions, revenue is recognised and funds are utilised from designated funds.

19. RESERVES

Maintenance Reserve	5,532,330	5,532,330
Total Reserves	<u>5,532,330</u>	<u>5,532,330</u>

The maintenance reserve is for Maguga Dam only and was approved by the Board and the JWC as an initiative to create, over a period of time a Rehabilitation Fund with a maximum capital contribution of R/E 5,000,000. This is viewed as one of the components of the business continuity plan aimed to rehabilitate the dams if and when required. The partial funding was initiated with the approved amount of R/E 2,650,000 during October 2006. A second transfer of R/E 2,350,000 was approved by the Board at their meeting held on 2 July 2007. Between 1 April 2007 and April 2010 interest earned on the fund was not reflected in the summary income statement but credited directly to the statement of financial position to escalate the Rehabilitation Fund.

The Board passed a resolution on 19 April 2010 that the value of the fund had reached a level where the interest would be treated as any other interest earned by KOBWA. Such interest forms part of the payables from non exchange transactions. The rehabilitation process commenced in the 2014 financial period. No additional amount has been spent on rehabilitation since then. This reserve relates to refurbishment and replacement of capital dam assets and components.

KOMATI BASIN WATER AUTHORITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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20. GOVERNMENT GRANTS AND SUBSIDIES

Operational Grants:

Conditional Operational Grants Received - RSA	34,620,622	32,185,722
Conditional Operational Grants Received - KoE	11,103,770	10,582,637
Conditional Operational Grants Received - Other	5,649,061	2,857,563
Conditional Interest Grant Received - RSA	30,375,000	30,375,000

Total Government Grants and Subsidies

81,748,453 **76,000,922**

KOBWA receives grant funding from the Parties on an annual basis to fund its operations and repay its debt. The condition of this funding is for KOBWA to utilise it in the year in which it is receivable. The portion of grant that is not utilised is recorded as Unspent Grant in the Statement of Financial Position. Only the portion of the grant that relates to operations is recorded as revenue.

The grant portion that relates to servicing of KOBWA loans is recorded against Guaranteed Grant Receivable income in the Statement of Financial Position

21. FINANCE INCOME

Unwinding of finance income - financial instruments	Refer to Note 11.	53,325,536	-
Reclassified to Government Grant and Subsidies	Refer to Note 20.	(30,375,000)	-
Total Finance Income		<u>22,950,536</u>	<u>-</u>

22. EMPLOYEE RELATED COSTS

Basic	22,483,397	20,992,621
Performance Bonus	287,227	180,173
Workmen's Compensation	-	4,762
Skills Development Levy	70,956	63,691
Total Employee Related Costs	<u>22,841,580</u>	<u>21,241,247</u>

23. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	52,256,593	53,590,380
Amortisation: Intangible Assets	482,982	471,834
Depreciation: Investment Property	502,426	502,426
Total Depreciation and Amortisation	<u>53,242,001</u>	<u>54,564,640</u>

24. FINANCE COSTS

Hambros Bank Loan	50,625,000	50,625,000
Unwinding of Finance	1,173,081	55,386,233
Unwinding of Finance Reclassified as Government Grants and subsidies		30,375,000
Other	129	349
Total Finance Costs	<u>51,798,210</u>	<u>136,386,582</u>

KOMATI BASIN WATER AUTHORITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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25. OPERATING AND ADMINISTRATION EXPENDITURE

Included in Operating and Administration Expenditure are the following:

Advertising	977,863	875,128
Directors fees, training and meeting related costs	997,602	644,461
Auditors Remuneration	1,209,398	382,000
Bank Charges	95,343	95,815
Boats And Trailers	91,689	34,548
Communication Dam Management	249,022	215,321
Computer Expenses	737,636	831,455
Consulting And Professional Fees	23,400	76,530
Consulting Costs	137,950	52,042
Corporate Social Responsibility	3,631,079	662,332
Dam Enclosure - Fencing	944	32,233
Dam Maintenance General	508,969	439,498
Dam Ops And Maintenance	3,216	6,111
Dam Structure Maintenance	1,870,031	2,057,052
Electricity	762,428	766,054
Entertainment	66,948	15,760
Generators And Other Equipment	1,039,955	635,154
Guarding Of Property	1,991,515	2,314,945
Honorarium	67,160	21,500
Information Centre Management	293,166	301,544
Insurance	1,517,493	1,229,738
Iso Certification	244,182	96,612
Kobwa Houses Maintenance	620,120	671,071
LMPC Allowances	163,310	142,770
Loan Management Costs	421,147	161,168
Motorbikes Maintenance	3,891	5,224
Office Maintenance Cost	1,167,752	1,153,454
Postage And Courier	16,975	45,980
Printing And Stationery	113,612	142,606
Project Other Costs	27,075	50,428
Protective Clothing	222,623	201,968
Secretarial Fees	237,387	367,932
Staff Recruitment Costs	571,528	375,174
Staff Welfare	362,490	582,546
Subscriptions And Membership Fees	248,665	261,554
Telephone And Internet Costs	1,451,380	1,559,047
Tractors And Trailers Maintenance	154,922	231,997
Training	867,792	701,728
Traveling	366,456	373,077
Treaty Review Costs	282,068	-
Vehicle Costs - Other	1,919,175	1,449,878
Water Quality And Dam Risk Management	1,548,864	1,201,423
Total Operating and Administration Expenditure	27,284,223	21,464,858

KOMATI BASIN WATER AUTHORITY
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26. PRIOR YEAR ADJUSTMENTS

26.1 Adjustments to the statement of financial performance

Presented below are those line items contained in the statement of financial performance that have been affected by prior-year adjustments resulting from an error in accounting for guaranteed grant income. The finance income in Note 21 was incorrectly recorded. The cash received from RSA totaling R/E 131,361,551 related to future interest payments of the Hambros Bank Loan was incorrectly accounted for as finance income instead of unspent conditional grant. This resulted in the restatement of the prior year numbers as set out below:

Statement of financial performance 2022	Note	As previously Reported	Correction of error	Restated
Finance Income	21	(77,144,683)	77,144,683	-
Finance Costs	24	51,794,714	84,591,868	136,386,582
		(25,349,969)	161,736,551	136,386,582

26.2 Adjustments to the statement of financial position

Presented below are those line items contained in the statement of financial position that have been affected by prior-year adjustments resulting from an error as described in Note 26.1 above. This resulted in the restatement of the prior year numbers as set out below:

Statement of financial position 2022	Note	As previously Reported	Correction of error	Restated
Unspent conditional grant	16			-
Non-current liabilities		-	131,361,551	131,361,551
Current liabilities		2,191,708	-	2,191,708
		2,191,708	131,361,551	133,553,259

The movement of the note was also affected and resulted in the restatement of the prior year numbers as set out below:

	Note	As previously Reported	Correction of error	Restated
Unspent conditional grant	16			
Balance at the beginning of year		1,139,805	-	1,139,805
Additions during the year		278,795,428	-	278,795,428
Additions - Approved Operational Budget including sundry income		96,130,415	-	96,130,415
Additions - Income received in advance for future finance payments			131,361,551	131,361,551
Additions - Additional funds received from RSA		179,807,450	(131,361,551)	48,445,899
Additions - Designated Project Funds		2,857,563	-	2,857,563
Utilised		(277,743,524)	131,361,551	(146,381,974)
Utilised - Recognised as Grant Income		(45,625,922)	-	(45,625,922)
Utilised - Hambros Bank Loan Sinking Fund		(179,807,450)	131,361,551	(48,445,900)
Utilised - Grant Income		-	(30,375,000)	(30,375,000)
Utilised - Guaranteed Income		(50,625,000)	30,375,000	(20,250,000)
Utilised - Allocated to Designated Project Funds		(1,685,152)		(1,685,152)
Balance at the end of year		2,191,709	131,361,551	133,553,259

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26.3 Adjustment to the cash flow statement

Presented below are those line items contained in the cash flow statement that have been affected by prior-year adjustments resulting from an error as described in Note 26.1 above. This resulted in the restatement of the prior year numbers as set out below:

The effect of the correction of error is as follows:

	Note	As previously Reported	Correction of error	Restated
Receipts				
Government Grant and Subsidies		95,078,511	131,361,551	226,440,062
Payments				
Employee Related Costs		(21,241,247)	-	(21,241,247)
Interest Paid		(50,625,349)	-	(50,625,349)
Suppliers Paid		(13,862,133)	5,011	(13,867,144)
NET CASH FLOWS FROM OPERATING ACTIVITIES	27	<u>9,349,782</u>	<u>131,366,562</u>	<u>140,706,322</u>
Purchase of Property, Plant and Equipment	7	(3,401,110)	-	(3,401,110)
Purchase of Intangible Assets	8	(187,081)	-	(187,081)
Decrease / (Increase) in Hambros Loan Sinking Fund	10	(187,636,668)	-	(187,636,668)
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(191,224,860)</u>	<u>-</u>	<u>(191,224,859)</u>
Funding Received in Advance		179,807,450	131,361,551	48,445,899
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>179,807,450</u>	<u>131,361,551</u>	<u>48,445,899</u>
Cash and Cash Equivalents at Beginning of Period		(92,545,187)		(92,545,187)
Total Restricted Cash and Cash Equivalents at End of Period		48,576,567		48,576,567
Total Unrestricted Cash and Cash Equivalents at End of Period		41,895,983		41,895,983
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(2,067,636)</u>	<u>-</u>	<u>(2,072,638)</u>
TOTAL CASH AND CASH EQUIVALENTS				
Net Cash Flows from Operating Activities				
	27	As previously Reported	Correction of error	Restated
Deficit for the Year		(27,103,038)	(131,361,551)	(158,464,589)
Adjustment for Non-cash Transactions included in Deficit:				
Finance Income		(77,144,683)	77,144,683	0
Depreciation and Amortisation		54,564,640	-	54,564,640
Provision for VAT impairment		807,675	-	807,675
Finance Costs - amortised interest cost		1,169,714	54,216,868	55,386,582
Disposal of Property, Plant and Equipment		508	-	508
Expenditure incurred from Current Provisions		(39,234)	-	(39,234)
Operating surplus before working capital changes		<u>(47,744,418)</u>	<u>-</u>	<u>(47,744,418)</u>
(Increase)/Decrease in Receivables from Exchange Transactions		(164,428)	-	(164,428)
Decrease/(Increase) in Receivables from Non-exchange Transactions		(1,260,272)	-	(1,260,272)
Decrease/(Increase) in VAT Receivable		(1,374,380)	-	(1,374,380)
Decrease/(Increase) in Prepayments		(30,647)	-	(30,647)
Increase/(Decrease) in Payables from Accruals		(37,222)	-	(37,222)
Increase/(Decrease) in Payables from Exchange Transactions		(71,696)	-	(71,696)
Increase/(Decrease) in Payables from Non-exchange Transactions		9,115,537	(5,008)	9,110,529
Increase/(Decrease) in Designated Project Funds		(759,599)	-	(759,599)
Increase/(Decrease) in Conditional Grants and Receipts		1,051,904	131,361,551	132,413,455
Increase/(Decrease) in Guaranteed Grant Income		50,625,000	-	50,625,000
Cash generated by Operations		<u>9,349,779</u>	<u>131,356,543</u>	<u>140,706,322</u>

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26.4 Adjustment to the statement of changes in net assets

Presented below are those line items contained in the statement of net assets that have been affected by prior-year adjustments resulting from an error as described in Note 26.1 above. This resulted in the restatement of the prior year numbers as set out below:

The effect of the correction of error is as follows:

	As previously Reported	Correction of error	Restated
Accumulated Surplus / (Deficit)			
Balance at 31 March 2021	4,592,233,930	-	4,592,233,930
Deficit for the year ended 31 March 2022	(27,103,038)	(131,361,551)	(158,464,589)
Closing Balance at 31 March 2022	4,565,130,893	(131,361,551)	4,433,769,342
Total Net Assets			
Balance at 31 March 2021	4,597,766,261		4,597,766,261
Deficit for the year ended 31 March 2022	(27,103,038)	(131,361,551)	(158,464,589)
Closing Balance at 31 March 2022	4,570,663,223	(131,361,551)	4,439,301,672

27. CASH GENERATED BY OPERATIONS

Deficit for the Year		(52,124,129)	(158,464,589)
Adjustment for Non-cash Transactions included in Deficit:			
Finance Income	Note 21.	(53,325,536)	-
Depreciation and Amortisation	Note 23.	53,242,001	54,564,640
Provision for VAT impairment		1,588,515	807,675
Finance Costs - amortised interest cost	Note 24.	1,173,081	55,386,582
Disposal of Property, Plant and Equipment	Note 7.	68,589	508
Expenditure incurred from Current Provisions	Note 12.	267,109	(39,234)
Operating surplus before working capital changes		(49,110,370)	(47,744,418)
(Increase)/Decrease in Receivables from Exchange Transactions		19,425	(164,428)
Decrease/(Increase) in Receivables from Non-exchange Transactions		1,260,272	(1,260,272)
Decrease/(Increase) in VAT Receivable		(2,745,899)	(1,374,380)
Decrease/(Increase) in Prepayments		(273,782)	(30,647)
Increase/(Decrease) in Payables from Accruals		907,742	(37,222)
Increase/(Decrease) in Payables from Exchange Transactions		1,578,182	(71,696)
Increase/(Decrease) in Payables from Non-exchange Transactions		6,297,923	9,110,529
Increase/(Decrease) in Designated Project Funds		(6,355,620)	(759,599)
Increase/(Decrease) in Conditional Grants and Receipts		218,716,401	132,413,455
Increase/(Decrease) in Guaranteed Grant Income		20,250,000	50,625,000
Cash generated / (utilised) by Operations		190,544,273	140,706,322

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28. COMMITMENTS FOR EXPENDITURE

Total Capital Commitments	2,385,550	1,081,360
Total Operational Commitments	897,699	1,957,575

29. FINANCIAL INSTRUMENTS

29.1 Classification

FINANCIAL ASSETS:

The Financial Assets of KOBWA are classified as follows:

Financial Assets at Amortised Cost:

Non-current Investments	Hambros Bank Loan Sinking Fund	376,875,000	356,361,551
Long-term Receivables	Guaranteed Grant Income Receivables	178,041,628	144,966,092
Receivables from Exchange Transactions	Debtors	240,364	156,420
Receivables from Exchange Transactions	Deposits	1,180,762	1,232,997
Receivables from Exchange Transactions	Staff Debtors	410,436	461,570
Receivables from Non-exchange Transactions	Statutory Receivables - KoE	-	1,260,272
Cash and Cash Equivalents	Short-term Portion of Investments	272,029,601	86,590,793
Cash and Cash Equivalents	Bank Balances	6,056,988	3,864,256
Cash and Cash Equivalents	Cash Floats and Advances	17,500	17,500
Current Portion of Long-term Receivables	Debtors Capitalised Loans	20,250,000	50,625,000
Total Financial Assets		855,102,279	645,536,452

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the Entity are classified as follows:

Financial Liabilities at Amortised Cost:

Long-term Liabilities	Hambros Bank Limited Loan	369,638,183	368,465,102
Payables from Exchange Transactions	Creditors	3,016,474	1,578,542
Payables from Exchange Transactions	Employee related payables	352,665	212,415
Payables from Non-exchange Transactions	Unspent Conditional Grant	342,233,882	133,553,259
Designated Project Funds	Designated Project Funds	21,934,000	28,289,620
Total Financial Liabilities		737,175,204	532,098,938

29.2 Financial Risk Management Objectives

KOBWA's overall risk management program focuses on the unpredictability of money markets and seeks to minimise potential adverse effects on KOBWA's cashflow position. The Board through the budgeting and other policies approve policies and procedures for overall risk management, as well as written policies covering specific areas.

29.3 Significant Risks

It is the policy of KOBWA to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which KOBWA is exposed to on the reporting date.

KOBWA's activities has exposure to the following financial risks from its operations in Financial Instruments which include:

- Currency risk
- Interest rate risk
- Liquidity Risk; and
- Credit Risk;

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Risks and exposures are disclosed as follows:

29.3.1 Liquidity Risk

Liquidity Risk is the risk that the Entity will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset.

Prudent liquidity risk management for KOBWA implies maintaining sufficient cash and easily convertible deposits, the availability of timely funding through grants from the Parties following submission and approval of budget as well as reminder letters in respect of such budget. As enshrined by the Treaty, it also includes the availability of surplus funds or access to short term credit facilities to mitigate for late payment of grants.

KOBWA's risk to liquidity is a result of the funds available to cover future commitments. KOBWA manages liquidity risk through an ongoing review of future commitments and facilities.

Cash flow forecasts are prepared two months before the beginning of each quarter and request or reminder letters sent to the Governments to allow them to follow internal processes to pay grants by the beginning of each quarter.

29.3.2 Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk consists mainly of cash deposits, cash equivalents, Guaranteed Grant Income receivable and Parties receivable. KOBWA only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. KOBWA is exposed to the country's credit risk of both governments of RSA and KoE.

No credit limits were exceeded during the reporting period, and management does not expect any surplus (deficit) from non-performance by these counterparties. KOBWA does not calculate credit risk exposure.

29.3.3 Foreign Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. KOBWA predominantly transacts in South African Rands and Eswatini Emalangeni which are pegged at the exchange rate of 1:1 and also are the currencies in which the grants are received. The percentage of procurement in foreign currencies is very limited and payment is in the short term therefore the level of currency risk is very negligible.

Receivables comprise deposits, employee advances as well as grant guaranteed receivables from the Parties. The utilisation of funds is regularly monitored based on the Parties meeting their obligations. Most of this is limited to delay in funding than actual non-payment and this is monitored through cash flow management. The timing of the payments of grants is managed through the risk register and financial reports to both Board and JWC.

KOBWA is exposed to guarantees for the loan repayments and the bi-lateral agreement ensures the budget commitments are honoured. In terms of investments, KOBWA chooses short term risk free investments which provide liquidity whenever the funds are needed. Designated and other funds under the control of the Parties are at the disposal of KOBWA which cushions KOBWA in case of delays of grant payments.

29.3.4 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

KOBWA is exposed to interest rate risk through variable and potentially volatile market interest rates. The Parties guarantee KOBWA's operational and funding needs, thereby mitigating KOBWA's exposure to market interest rate volatility to being very negligible.

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30. RELATED PARTY TRANSACTIONS

RELATED PARTY RELATIONSHIPS

Directors and executive management of KOBWA Refer to Note 31.

Government of RSA

Government of KoE

Employees Refer to Note 12 & 22.

RELATED PARTY BALANCES

Grants Receivable at year end

Grants Receivable - KoE Refer to Note 3. - 1,260,272

Designated Project Funds

Designated Project Funds Refer to Note 18. 21,934,000 28,289,620

Loans to employees

Loans to employees Refer to Note 2. 410,436 461,570

Unspent conditional grants

Unspent conditional grants - non-current Refer to Note 16. 121,500,000 131,361,551

Unspent conditional grants - current 220,733,882 2,191,708

Payables from non-exchange transactions

Interest payable Refer to Note 15. 22,519,922 16,886,425

Rental payable 1,374,114 -

Gate entrance fees payable - 524,030

Other government payables 504,124 684,783

Guaranteed grant income receivable

Guaranteed grant income receivable - Non-current Refer to Note 11. 181,153,446 144,966,092

Guaranteed grant income receivable - Current 20,250,000 50,625,000

Hambros Loan Sinking Fund

Standard Bank - Money Market - Capital Refer to Note 10. 225,000,000 225,000,000

Standard Bank - Money Market - Interest 151,875,000 131,361,551

RELATED PARTY TRANSACTIONS

Revenue

Conditional operational grant income for the year Refer to Note 20. 81,748,453 76,000,922

Grant receivable for loan repayment Refer to Note 11. 20,250,000 50,625,000

Gate entrance fees Refer to Note 15. 533,970 3,040

Rental Income Refer to Note 15. 813,197 869,070

Insurance Proceeds Refer to Note 15. - 504,106

Other Refer to Note 15. 26,947 35,883

Interest Refer to Note 15. 10,897,714 10,714,578

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		2023 R/E	2022 R/E
31. DIRECTORS EMOLUMENTS			
2023			
	Annual Remuneration	Contributions	Total
	R/E	R/E	R/E
Compensation to executive management			
Mr. C.X. Zwane (term ended 30 June 2022)	Chief Executive	571,857	50,958
Mr. T.M. Shongwe (appointed 1 October 2023)	Chief Executive	814,684	58,025
Mr. J. de Wet (appointed 1 May 2022)	Finance Director	916,100	57,547
Mr. S. Nkomo	Operations Director	1,181,646	133,961
Ms. M. Maseko (resigned 17 April 2023)	Corporate Services Director	1,172,193	80,180
		4,656,480	380,671
			5,037,151
Compensation to non-executive directors			
Mr. A. Thobejane		117,425	44,447
Ms. N. Mabuza		37,809	3,011
Ms. E. Magagula		31,389	13,092
Mr. L. Mzizi		36,662	39,109
Mr. B. Singwane		39,472	8,672
Mr. L.C. Mohalaba (appointed 1 February 2023)		5,827	1,784
		268,584	110,116
			378,701
		4,522,262	490,789
			5,013,052
2022			
	Annual Remuneration	Contributions	Total
	R/E	R/E	R/E
Compensation to executive management			
Mr. C.X. Zwane	Chief Executive	1,617,973	-
Mr. C. Matambo	Finance Director	369,018	-
Mr. S. Nkomo	Operations Director	984,817	-
Ms. M. Maseko	Corporate Services Director	919,773	-
		3,891,581	3,891,581
Compensation to non-executive directors			
Mr. A. Thobejane		80,143	-
Ms. N. Mabuza		78,324	-
Ms. E. Magagula		78,936	-
Mr. L. Mzizi		97,734	-
Mr. B. Singwane		80,554	-
		415,691	415,691
		4,307,272	4,307,272
2023			
Company Secretary			
Mr. T. Sithole (First Corporate Secretaries)		435,490	435,490
		435,490	435,490
2022			
Company Secretary			
Mr. T. Sithole		95,007	95,007
Mr. M. Simelane		273,017	273,017
		368,024	368,024

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32. CONTINGENT LIABILITIES

32.1 Court Proceedings: **310,191**

32.1.1

KOBWA is opposing a matter where the claimant is making a claim of R/E 150,000.00 against KOBWA. There is a high possibility of the matter being dismissed since a similar matter was previously dismissed by the court.

150,000

32.1.2

A service provider has a claim of unfair termination of contract amounting to R/E 4,717,000.00. KOBWA is defending the claim since all pre-termination notices were given to the contractor and they failed to produce statutory documentation required for them to carry out business with KOBWA as per the contract agreement. KOBWA has declined out of court settlement advances by the contractor's lawyers and should the matter proceed to trial, it is estimated that settlement or costs will not exceed R/E 100,000.

100,000

32.1.3

There is a pending matter with the Industrial Court of KoE related to alleged unfair dismissal of a former KOBWA employee amounting to R/E 60,191.00. There is a high possibility of the matter being dismissed.

60,191

33. TAXATION

No provision for income taxation is made as KOBWA is exempt from income tax in both RSA and KoE.

34. EVENTS AFTER THE REPORTING DATE

No material transactions occurred from year end to the date the AFS were authorised for issue that may necessitate disclosure in the current financial statements.