



KOBWA

WATER FOR EVER

Komati Basin Water Authority
Financial statements
for the year ended March 31, 2018

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

General Information

Countries of incorporation and domicile

Swaziland and South Africa

Directors

Ms N Mabuza
Mr B Singwane
Mr C Zwane (CEO)
Mr A Thobejane
Dr T Gyedu - Ababio
Mr L Mzizi
Ms E Magagula

Bankers

Standard Bank

Auditors

PriceWaterhouseCoopers Inc
Chartered Accountants
Registered Auditor
Block 5 Riverside Office Park
Aqua Street
Mbombela
South Africa
1200

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Contents

	Page
Audit Committee Report	3
Directors' Responsibilities and Approval	4
Directors' Report	5 - 6
Independent Auditor's Report	7 - 9
Statement of Financial Position	10
Statement of Comprehensive Income	11
Statement of Changes of Government Contribution	12
Statement of Cash Flows	13
Accounting Policies	14 - 20
Notes to the Financial Statements	21 - 40
The following supplementary information does not form part of the financial statements and is unaudited:	
Detailed Income Statement	41 - 42

Preparer

Charles Matambo
Finance Director

Published

August 7, 2018

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Audit Committee Report

1. Members of the Finance, Risk and Audit Committee

The members of the audit committee are all independent non-executive directors of the entity and include:

Name

Dr. T Gyedu-Ababio Chair person

E Magagula

M Singwane

C Zwane - Ex Officio

M Simelane - Authority's Secretary

The committee is satisfied that the members thereof have the required knowledge and experience as set out in the Treaty.

2. Meetings held by the Audit Committee

The audit committee performs the duties laid upon it by the Treaty by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditors.

The committee held 4 scheduled meetings during 2018 financial year and the members of the committee attended all the meetings.

3. External auditor

The audit committee has nominated PriceWaterhouseCoopers as the independent auditor and Andries Oosthuizen is the designated partner, who is a registered independent auditor, for appointment over a 3 year period from 2017 to 2019 and reappointed annually.

The committee satisfied itself through enquiry that the external auditors are independent as per the standards stipulated by the auditing profession.

The audit committee 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 work required and the scope.

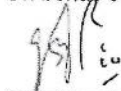
4. Financial statements

Following the review of the financial statements, the audit committee recommend board approval thereof.

5. Accounting practices and internal control

During the current financial year, the entity adopted IFRS for the first time from entity specific reporting framework. Comparative financial information has been updated to be in line with IFRS requirements. Accounting policies and estimates have also been changed in accordance with the requirements of IFRS.

On behalf of the audit committee



Dr. T. Gyedu-Ababio
Chairperson Audit Committee

Date of Signature

Tuesday, August 7, 2018

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Directors' Responsibilities and Approval

The directors are required to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the authority 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 International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are 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 the authority and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss 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 the authority and all employees are required to maintain the highest ethical standards in ensuring the authority's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the authority is on identifying, assessing, managing and monitoring all known forms of risk across the authority. While operating risk cannot be fully eliminated, the authority 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 financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the authority's cash flow forecast for the year to March 31, 2019 and, in light of this review and the current financial position, they are satisfied that the authority has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the authority's financial statements. The financial statements have been examined by the authority's external auditors and their report is presented on pages 7 to 9.

The financial statements set out on pages 10 to 41, which have been prepared on the going concern basis, were approved by the board of directors on August 7, 2018 and were signed on their behalf by:

Approval of financial statements



Ms E Magagula
Board Chairperson

Tuesday, August 7, 2018

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Directors' Report

The directors have pleasure in submitting their report on the financial statements of Komati Basin Water Authority for the year ended March 31, 2018.

1. Constitution and Corporate Profile

The Komati Basin Water Authority (KOBWA) is a bi-national River Basin Authority established under a Treaty between the Republic of South Africa and the Kingdom of Eswatini and is responsible for the construction, operation and maintenance of Maguga (Eswatini) and Driekoppies (South Africa) dams and their ancillary infrastructure. KOBWA operates from its Head Office at Maguga Dam near Pigg's Peak in Eswatini and has a Water Management office at Driekoppies Dam near Schoemansdal in South Africa.

2. Review of financial results and activities

As disclosed in the accounting policies, the Komati Basin Water Authority receives no income in respect of water delivered. The prerogative for that lies with the Kingdom of Eswatini and the Government of South Africa, which as set in the Treaty, fund the operating and loan service costs.

The financial statements have been prepared in accordance with International Financial Reporting Standards. The authority has for the first time adopted IFRS as a reporting framework from the 2018 financial year. The prior Financial Statements have been restated so accounting policies and amounts are consistent with IFRS. The accounting policies have been updated consistently from transition date to current.

Full details of the financial position, results of operations and cash flows of the entity are set out in these financial statements.

3. Directorate

The directors in office at the date of this report are as follows:

Directors	Office	Designation	Nationality
Ms N Mabuza		Non-executive	Eswatini
Mr B Singwane	Vice Chairperson	Non-executive	South African
Mr C Zwane	Chief Executive Officer	Executive officer	South African
Mr A Thobejane		Non-executive	South African
Dr T Gyedu - Ababio	Chairperson: Risk and Audit Committee	Non-executive	South African
Mr L Mzizi	Chairperson: Human Resources and Remuneration Committee	Non-executive	Eswatini
Ms E Magagula	Chairperson	Non-executive	Eswatini

All directors are appointed for a three year period.

4. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

5. Secretary

The authority's secretary is Mr M Simelane.

6. Going concern

As at reporting date the authority's total assets exceeds its total liabilities by R/E 3 872 222 799 (2017: R/E 3 808 663 203). The two governments honor their commitment to the operations of the authority and have ensured contribution of their subventions. The directors have satisfied themselves that the authority is in a sound financial position and its foreseeable cash requirements for operational costs and loans repayments are guaranteed by the two governments as disclosed in the notes to the financial statements. The directors are not aware of any new material changes that may adversely impact the authority. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the authority. Accordingly, the financial statements have been prepared on a going concern basis.

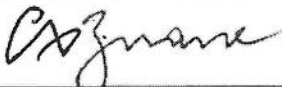
Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Directors' Report

The financial statements set out on pages 10 to 41, which have been prepared on the going concern basis, were approved by the board of directors on August 7, 2018, and were signed on its behalf by:

Approval of financial statements



Mr C Zwane CEO
Chief Executive Officer
Tuesday, August 7, 2018



Independent auditor's report

To the Members of Komati Basin Water Authority

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Komati Basin Water Authority (the Authority) as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard.

What we have audited

Komati Basin Water Authority financial statements set out on pages 10 to 40 comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement 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 requirements of 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 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 International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Other information

The members are responsible for the other information. The other information comprises the information included in the Directors' Report, the detailed income statement, The intermittent Letter, The historical Background of the Komati Basin Water Authority, The scope of the annual report, KOBWA's Strategy and Business Model, Commitment to Corporate Governance, Risk management, Consolidated annual performance, Performance: Water resource development and management, Performance: Finance management and other sources of income, Performance: Technology and

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Chief Executive Officer: T D Shango

Management Committee: S N Madikane, J S Masondo, P J Mothibe, C Richardson, F Tonelli, C Volschenk

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.



business process, Performance: Socio-Economic initiatives, Performance: People, Performance: Customer and stakeholder focus, Audit committee report and the Directors' Responsibility and approval. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do 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, 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 the International Financial Reporting Standard, and for such internal control as the members 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 members 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 members 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 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 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 members.
- Conclude on the appropriateness of the members' 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.

We communicate with the members 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.



PricewaterhouseCoopers
Partner: Andries Oosthuizen
Registered Auditor
Mbombela
14 August 2018

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Statement of Financial Position as at March 31, 2018

Figures in Emalangeni/Rands	Note(s)	2018	2017	2016
ASSETS				
Non-current assets				
Property, plant and equipment	3	4,534,284,446	4,585,475,031	4,633,590,226
Investment property	4	13,865,033	14,367,459	14,869,885
Intangible assets	5	7	7	7
		4,548,149,486	4,599,842,497	4,648,460,118
Current Assets				
Deposits and other receivables	8	2,173,261	3,097,361	5,171,699
Prepayments	6	248,487	135,901	116,893
Grants Receivables	7	63,444,145	9,023,345	813,479
Cash and cash equivalents	9	19,317,218	59,652,383	61,435,094
		85,183,111	71,908,990	67,537,165
Non-current assets held for sale	10	1,698	-	-
Total Assets		4,633,334,295	4,671,751,487	4,715,997,283
EQUITY AND LIABILITIES				
EQUITY				
Maintenance Reserves	11	5,532,330	5,532,330	5,532,330
Accumulated Surplus		3,866,690,469	3,803,130,873	3,730,739,547
		3,872,222,799	3,808,663,203	3,736,271,877
LIABILITIES				
Non-Current Liabilities				
Financial liabilities	12	600,215,533	721,862,392	801,143,947
Deferred income	18	7,467,183	6,468,880	2,742,988
		607,682,716	728,331,272	803,886,935
Current Liabilities				
Other payables	17	2,751,221	2,204,151	4,918,147
Financial liabilities	12	130,565,962	106,985,504	150,466,551
Provisions	13	50,416	30,916	12,776
Government Payables	19	11,774,891	17,281,335	13,068,518
Designated Funds	14	2,849,730	2,849,730	2,849,730
Unspent Grants	15	2,631,237	4,325,820	3,875,878
Accruals	16	2,805,323	1,079,556	646,871
		153,428,780	134,757,012	175,838,471
Total Liabilities		761,111,496	863,088,284	979,725,406
Total Equity and Liabilities		4,633,334,295	4,671,751,487	4,715,997,283

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Statement of Comprehensive Income

Figures in Emalangenil/ Rands	Note(s)	2018	2017
Grants Received	20	235,964,180	260,274,386
Fair value adjustments	21	8,764,688	(2,391,450)
EXPENSES			
Operating expenses		(12,012,623)	(11,403,734)
Depreciation and Amortisation		(54,279,715)	(53,270,164)
Provision for doubtful debts		(1,849,390)	-
Administration expenses		(28,064,540)	(23,495,779)
Operating surplus before finance charges	22	148,522,600	169,713,259
Finance costs	25	(84,963,004)	(97,321,930)
Surplus for the year		63,559,596	72,391,329
Total comprehensive surplus for the year		63,559,596	72,391,329

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Statement of Changes in Government Funding

Figures in Emalangeni/ Rands	Share capital	Maintenance Reserves	Accumulated Surplus	Total equity
Opening balance as previously reported	-	5,532,330	41,191,810	46,724,140
Adjustments				
IFRS 1 Adoption adjustments	-	-	3,689,547,734	3,689,547,734
Balance at April 1, 2016 as restated	-	5,532,330	3,730,739,544	3,736,271,874
Surplus for the year	-	-	72,391,329	72,391,329
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	72,391,329	72,391,329
Balance at April 1, 2017	-	5,532,330	3,803,130,873	3,808,663,203
Surplus for the year	-	-	63,559,596	63,559,596
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	63,559,596	63,559,596
Balance at March 31, 2018	-	5,532,330	3,866,690,469	3,872,222,799

Note(s)

11

The IFRS 1 adoption adjustments are disclosed in note 28. A reconciliation between previous GAAP and IFRS is also shown on Note 28.

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Statement of Cash Flows

Figures in Emalangenil/ Rands	Note(s)	2018	2017
Cash flows from operating activities			
Cash receipts from Governments		179,921,811	258,314,693
Cash paid to suppliers and employees		(43,403,858)	(33,312,074)
Cash generated from operations	27	136,517,953	225,002,619
Finance costs		(84,288,083)	(97,321,930)
Net cash from operating activities		52,229,870	127,680,689
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(2,588,402)	(4,309,348)
Cash flows from financing activities			
Repayment of financial liabilities		(89,976,633)	(125,154,052)
Total cash movement for the year		(40,335,165)	(1,782,711)
Cash at the beginning of the year		59,652,383	61,435,094
Total cash at end of the year	9	19,317,218	59,652,383

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Accounting Policies

1. Significant accounting policies

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

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in South African Rands and Eswatini Emalangenji, which are the entity's functional currencies.

The authority has for the first time adopted IFRS as a reporting framework from the 2018 financial year. The prior Financial Statements have been restated so accounting policies and amounts are consistent with IFRS. The accounting policies have been updated consistently from transition date. IFRS adoption changes are set out in note 28: First time adoption of International Financial Reporting Standards. IFRS framework provides for useful information that is relevant and comparable. This will assist management in decision making.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and 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.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Key sources of estimation uncertainty

Useful lives of assets

Management assess the appropriateness of the useful lives of property, plant and equipment, intangible assets as well as investment property at the end of each reporting period. .

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

Provisions

Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosure of these estimates of provisions are included in note 13.

1.3 Investment property

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

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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.

If a property is assigned to a staff member for use (owner occupied), such asset is accounted in terms of IAS 16 and is disclosed as part of property, plant and equipment.

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Accounting Policies

1.3 Investment property (continued)

Cost model

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

Depreciation is provided to write down the cost over the useful life of the property, which is as follows:

Item	Useful life
Investment Property - buildings	2%

1.4 Property, plant and equipment

Property, plant and equipment are tangible assets which the authority holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the authority, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the authority and the cost can be measured reliably. Day to day servicing costs are included in surplus or deficit in the year in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the entity. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

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

Item	Depreciation method	Average useful life
Buildings	Straight line	2%
Infrastructure	Straight line	2% - 5%
Implements	Straight line	20%
Furniture and fixtures	Straight line	20%
Motor vehicles	Straight line	20%
Mobile Units	Straight line	20%
Computer equipment	Straight line	33.33%
Dam equipment and pipelines	Straight line	2%
Dams and weirs	Straight line	1%

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

Accounting Policies

1.4 Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in surplus or deficit when the item is derecognised.

1.5 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the authority; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

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.
- 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.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

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.

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

Item	Useful life
Computer software	20%

1.6 Financial instruments

Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Financial liabilities at fair value through surplus or deficit
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Accounting Policies

1.6 Financial instruments (continued)

Initial recognition and measurement

Financial instruments are recognised initially when the authority becomes a party to the contractual provisions of the instruments.

The authority classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit exclude dividends and interest.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the authority has transferred substantially all risks and rewards of ownership.

Impairment of financial assets

At each reporting date the authority assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit.

Where financial assets are impaired, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

Accounting Policies

1.6 Financial instruments (continued)

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.7 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as such.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale (distribution to owners) are recognised in surplus or deficit.

1.8 Impairment of assets

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

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

Accounting Policies

1.9 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 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. 13th Cheque is accrued for on a monthly basis.

1.10 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 will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

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

Provisions are not recognised for future operating surplus.

If an authority has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

1.11 Government grants

Government grants are recognised when there is reasonable assurance that:

- the entity will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate. These grants are conditional upon being spent and any grant that remains unspent at the end of the reporting period is classified as a liability until spent.

A government grant that becomes receivable as compensation for expenses or surplus already incurred or for the purpose of giving immediate financial support to the authority with no future related costs is recognised as income of the period in which it becomes receivable.

1.12 Borrowing costs

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 until such time as the asset is ready for its intended use. 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 temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the authority on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

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

Capitalisation is suspended during extended periods in which active development is interrupted.

Accounting Policies

1.12 Borrowing costs (continued)

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.

1.13 Designated Funds

These represents funds remaining in the KOBWA account after completion of a project. The funds would have been received as a conditional grant and after the completion of the project the remaining Funds are due to be reimbursed to the grantor or earmarked for another project. Until determined they remain as a liability for KOBWA.

1.14 Deferred Income

Deferred Income represents grants received however its recognition as income is deferred because a certain condition is not met. This usually represents grants for the purchase of depreciable assets which is recognised as the asset is being depreciated.

Deferred income is initially measured to the extent of the asset addition and is subsequently measured as the asset is being depreciated. Deferred income is classified as a liability in the statement of financial position.

On disposal or unwinding of the related asset, the deferred income relating to it is immediately recognised as income in surplus or deficit.

1.15 Unspent Grants

Unspent grant represent conditional Grant allocation that remains unspent at the end of the reporting period. These are payable to the parties in proportion to their contribution and is recognised as a liability in the financial statements.

1.16 Income from other activities

These relates to rentals, interest and other income (other than grant received) accruing to KOBWA. KOBWA is fully funded by Government of South Africa and the Kingdom of Eswatini therefore these funds are recognised as liabilities due to the parties. These remain as liabilities until disclosed to the parties and they have indicated how these are to be used.

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Notes to the Financial Statements

Figures in Emalangeni/ Rands	2018	2017	2016
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2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Amendments to IFRS 12: Annual Improvements to IFRS 2014 - 2016 cycle	January 1, 2017	None
• Amendments to IAS 7: Disclosure initiative	January 1, 2017	Unlikely there will be material impact
• Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	January 1, 2017	None

2.2 Standards and interpretations not yet effective

The Authority has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the authority's accounting periods beginning on or after April 1, 2018 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Insurance Contracts	January 1, 2021	Immaterial
• IFRS 16 Leases	January 1, 2022	Unlikely there will be a material impact
• IFRS 9 Financial Instruments	January 1, 2018	Unlikely there will be a material impact
• IFRS 15 Revenue from Contracts with Customers	January 1, 2018	Unlikely there will be a material impact
• Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers	January 1, 2018	Unlikely there will be a material impact
• Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	January 1, 2018	Unlikely there will be a material impact
• Amendments to IAS 28: Annual Improvements to IFRS 2014 - 2016 cycle	January 1, 2018	Unlikely there will be a material impact
• Amendments to IFRS 1: Annual Improvements to IFRS 2014 - 2016 cycle	January 1, 2018	Unlikely there will be a material impact
• Transfers of Investment Property: Amendments to IAS 40	January 1, 2018	Unlikely there will be a material impact
• Foreign Currency Transactions and Advance Consideration	January 1, 2018	Unlikely there will be a material impact
• Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	January 1, 2018	Unlikely there will be a material impact

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Notes to the Financial Statements

Figures in Emalangenil/ Rands

3. Property, plant and equipment

	2018		2017	
	Cost or revaluation	Accumulated depreciation	Cost or revaluation	Accumulated depreciation
Buildings	63,970,840	(4,192,906)	59,777,934	(2,077,124)
Mobile Units	792,964	(792,936)	28	(792,936)
Plant and machinery	1,026,278	(948,616)	77,662	(1,109,294)
Furniture and fixtures	8,289,498	(5,712,673)	2,576,825	(5,214,340)
Motor vehicles	2,579,799	(1,547,555)	1,032,244	(1,655,743)
Computer equipment	1,570,007	(1,271,342)	298,665	(1,602,941)
Bearer plants	-	-	-	-
Infrastructure	67,940,406	(8,123,312)	59,817,094	(4,061,656)
Dam and Weirs	4,474,825,171	(89,503,690)	4,385,321,481	(44,751,845)
Dam Equipment and pipelines	27,969,830	(2,587,317)	25,382,513	(1,293,658)
Total	4,648,964,793	(114,680,347)	4,534,284,446	(62,559,537)
			4,648,034,568	4,585,475,031

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Transfers	Depreciation	Total
Buildings	61,893,716	-	-	(2,115,782)	59,777,934
Mobile Units	28	-	-	-	28
Implements	84,339	20,046	(3)	(26,720)	77,662
Furniture and fixtures	2,972,896	567,202	(1,695)	(961,578)	2,576,825
Motor vehicles	1,183,428	217,105	-	(368,289)	1,032,244
Computer equipment	314,487	181,938	-	(197,760)	298,665
Infrastructure	62,718,794	1,159,956	-	(4,061,656)	59,817,094
Dams and Weirs	4,430,073,326	-	-	(44,751,845)	4,385,321,481
Dam Equipment and pipelines	26,234,017	442,155	-	(1,293,659)	25,382,513
Total	4,585,475,031	2,588,402	(1,698)	(53,777,289)	4,534,284,446

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Notes to the Financial Statements

Figures in Emalangeni/ Rands	2018	2017
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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Depreciation	Total
Buildings	63,970,840	-	(2,077,124)	61,893,716
Mobile Units	28	-	-	28
Implements	57,677	35,504	(8,842)	84,339
Furniture and fixtures	1,723,516	1,513,988	(264,608)	2,972,896
Motor vehicles	712,142	683,729	(212,443)	1,183,428
Computer equipment	249,625	162,425	(97,563)	314,487
Infrastructure	64,866,748	1,913,702	(4,061,656)	62,718,794
Dams and Weirs	4,474,825,171	-	(44,751,845)	4,430,073,326
Dam equipment and pipelines	27,527,675	-	(1,293,658)	26,234,017
	4,633,933,422	4,309,348	(52,767,739)	4,585,475,031

4. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	14,869,885	(1,004,852)	13,865,033	14,869,885	(502,426)	14,367,459

Reconciliation of investment property - 2018

	Opening balance	Depreciation	Total
Investment property	14,367,459	(502,426)	13,865,033

Reconciliation of investment property - 2017

	Opening balance	Depreciation	Total
Investment property	14,869,885	(502,426)	14,367,459

Details of property

The carrying amount of the investment property at each reporting date approximate fair value.

Registers with details of land and buildings are available for inspection by Principals (JWC) and other stakeholders or their duly authorised representatives at the registered office of the authority. The investment property relates to houses that are rented out to non KOBWA personnel and are therefore not classified as owner occupied.

5. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	175,252	(175,245)	7	175,252	(175,245)	7

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Notes to the Financial Statements

Figures in Emalangeni/ Rands

2018

2017

5. Intangible assets (continued)

Reconciliation of intangible assets - 2018

	Opening balance	Total
Computer software	7	7

Reconciliation of intangible assets - 2017

	Opening balance	Total
Computer software	7	7

6. Prepayments

Prepayments	248,487	135,901
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Prepayments represents amounts paid to the Swaziland Electricity Board as well as prepayments for Pastel Sage licence renewal and for assets insurance.

7. Grants Receivables

The balance represents amounts receivable from the parties at the end of the reporting period.

Grants Receivable

Government of South Africa	60,556,202	2,339,483
Kingdom of Eswatini	2,887,943	6,683,862
	63,444,145	9,023,345

8. Deposits and other receivables

Employee costs in advance	107,295	135,888
VAT - SARS	2,803,274	1,849,390
Deposits	1,112,082	1,112,083
Provision for doubtful debts	(1,849,390)	-
	2,173,261	3,097,361

The advances to employees are non-interest bearing and are repayable over an agreed period with the employee which the period does not exceed a period of 9 months. The repayment of the advances are recovered through payroll. The advances are provided to employees to assist in furthering their studies.

Deposits and other receivables impaired

As of March 31, 2018, receivables of R/E1 849 390 - (2017: R/E 0) were impaired and provided for.

The amount of the provision was R/E (1,849,390) as of March 31, 2018 (2017: R/E 0). Recoverability of the VAT receivable of E1 849 390 is doubtful although not definitely irrecoverable and has been impaired. Prudence requires that an allowance be created to recognize the potential loss arising from the possibility of incurring bad debts. The allowance for doubtful debts reduces the receivables balance to the amount that the authority prudently estimates to recover in the future.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Notes to the Financial Statements

Figures in Emalangeni/ Rands 2018 2017

9. Cash and cash equivalents (continued)

Cash on hand	14,914	17,500
Bank balances	9,131,616	20,509,804
Short term deposits	10,170,688	39,125,079
	19,317,218	59,652,383

Facilities are secured over a pledge and session of all deposits held to an amount of R/E 64 719 with Standard Bank dated 28 October 2010.

10. Non-current assets held for sale

A plan was approved to dispose a number of assets before year end and it is expected that these assets will be sold in their current condition. These will be sold in an auction and it is expected that this will take place within 12 months from year end. The fair values less cost to sell were higher than the assets' carrying amount hence the amounts above are reflective of their carrying amount.

Assets and liabilities

Non-current assets held for sale

Property, plant and equipment	1,698	-
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11. Maintenance Reserves

The maintenance reserve was approved by the Board of Directors and the Joint Water Commission as an initiative to create, over a period of time a Rehabilitation Fund with a maximum capital contribution of E/R 5 000 000. This is viewed as one of the components of the business continuity plan aimed to rehabilitate the dams when required. The fund was initiated with the approved amount of E/R 2 650 000 during October 2006. A second transfer of E/R 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. However, the Board of directors passed a resolution on 19 April 2010 that future interest earned from the Rehabilitation Fund be reflected as income and not used to further escalate the Rehabilitation Fund. The rehabilitation process commenced in the 2014 financial period. No additional amount has spent on rehabilitation since then.

Treatment of the interest has changed since the adoption of IFRS as this is now classified as liabilities due to Government of South Africa and Kingdom of Eswatini.

Maintenance Reserves	5,532,330	5,532,330
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12. Financial liabilities

At fair value through surplus or deficit

Bank loan	468,571,388	477,336,075
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Held at amortised cost

Bank loan	262,210,107	351,511,821
	730,781,495	828,847,896

Non-current liabilities

Fair value through surplus or deficit	443,258,888	452,023,575
At amortised cost	156,956,645	269,838,817
	600,215,533	721,862,392

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Notes to the Financial Statements

Figures in Emalangeni/ Rands 2018 2017

12. Financial liabilities (continued)

Current liabilities

Fair value through surplus or deficit	25,312,500	25,312,500
At amortised cost	105,253,462	81,673,004
	130,565,962	106,985,504
	730,781,495	828,847,896

Gensec Bank Limited

The loan was an additional facility secured in 2001 to complete the construction of Maguga Dam. The loan bore interest at 13.08% per annum. The interest and capital repayment was bi-annually in arrears. The liability was guaranteed 100% by the South African Government. There is a back to back guarantee of 40% from the Kingdom of Eswatini. The total loan value of R/E165 000 000 is structured by promissory notes as agreed by both parties. The loan has since been paid in full.

Hambros Bank Limited

The loan consists of registered bonds with a face value of R/E1 million each. The bond's coupon rate is 13.5% with an effective interest rate of 14.87% per annum. The coupon is payable bi-annually 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/E375 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.

Nedbank Limited

The loan is an additional facility secured to complete the construction of the Maguga Dam. The loan bears interest at 9.425% per annum. The interest and the capital is repayable in monthly installments commencing on 30 September 2003. The liability is guaranteed 100% by the South Africa government and has a back to back guarantee of 40% from the Kingdom of Eswatini. The total loan value of R/E233 000 000 is structured by promissory notes as agreed to by both parties.

Rand Merchant Bank Holdings Limited

The loan is an additional facility secured to complete the construction of the Maguga Dam. The loan bears interest at 11.24% per annum. The interest and the capital is repayable in monthly installments commencing on 6 August 2002. The liability is guaranteed 100% by the South Africa government and has a back to back guarantee of 40% from the Kingdom of Eswatini. The total loan value of R/E380 000 000 is structured by promissory notes as agreed to by both parties.

13. Provisions

Reconciliation of provisions - 2018

	Opening balance	Additions	Total
Provision for severance pay	30,916	19,500	50,416

Reconciliation of provisions - 2017

	Opening balance	Additions	Total
Provision for severance pay	12,776	18,140	30,916

The government of Eswatini previously required that a provision for severance pay is raised to cater for when the employee leaves. This has since been uplifted and currently (except as mentioned below) there is no present obligation (legal or constructive) to raise this provision or to pay the severance pay. What remains in the balance is for one employee whose contract expires at the end of June 2018 and this employee will be paid his severance pay.

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Notes to the Financial Statements

Figures in Emalangenil/ Rands	2018	2017
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14. Designated Funds

Designated Funds arose as a result of KOBWA being selected as an implementing agent for projects on behalf of the South African Department of Water and Sanitation. The Department paid KOBWA in advance for implementation of the projects however the funds remaining on the account will be reimbursed on a date to be determined by both KOBWA and the Department.

Designated Funds	2,849,730	2,849,730
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15. Unspent Grants

Unspent grants represent conditional grants that remain unspent at the end of the reporting period. These are payable to the Government of South Africa and the Kingdom of Eswatini in proportion to their contribution and is recognised as a liability in the financial statements.

Unspent Grant	2,631,237	4,325,820
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16. Accruals

Bonus and 13th cheque	270,002	259,055
Leave pay	302,978	543,709
Accruals	2,232,343	276,792
	2,805,323	1,079,556

17. Payables

Trade payables	2,013,308	2,048,368
Accrual for interest on loans	674,921	-
Sundry payables	25,150	61,863
SARS (PAYE and Withholding Tax)	18,957	85,821
VAT Control Account	18,885	8,099
	2,751,221	2,204,151

18. Deferred income

Deferred Income	7,467,183	6,468,880
Non-current liabilities	5,912,835	5,885,424
Current liabilities	1,554,348	583,456
	7,467,183	6,468,880

Deferred income represents grants received however its recognition as income is deferred because a certain condition is not met. This usually represents grants for the purchase of depreciable assets which is recognised as the asset is being depreciated.

These represents balance of movable depreciable assets as at transition date plus all additions to both movable and immovable depreciable assets since transition to IFRS.

19. Government Payables

This represents income received by KOBWA other than grants that have not been declared to the respective authorities. As per the Treaty, these monies needs to be disclosed. These will accrue to KOBWA once they have been disclosed, approved and allocated by the authorities and as such before these requirements are met they remain a liability. A break down is provided below:

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Notes to the Financial Statements

Figures in Emalangeni/ Rands

2018

2017

19. Government Payables (continued)

Amounts received in advance	11,774,891	17,281,334
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The amount above is broken down as follows:

Interest payable	7,906,369	14,399,479
Rent payable	3,320,448	2,571,244
Entrance Fee payable	449,015	214,119
Other income payable	99,059	96,492

11,774,891	17,281,334
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20. Revenue

Government grants	235,964,180	260,274,386
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The grants revenue above was accrued from the Republic of South Africa and the Kingdom of Eswatini as follows:

Republic of South Africa	173,740,467	187,980,104
Kingdom of Eswatini	62,223,713	72,294,282

235,964,180	260,274,386
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21. Fair value adjustments

Financial instruments at fair value through surplus or deficit

Listed bonds - Hambros	8,764,688	(2,391,450)
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22. Operating profit (loss)

Operating surplus before finance charges for the year is stated after charging (crediting) the following, amongst others:

Auditor's fees - external

Audit fees	28,224	642,761
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Auditor's fees - internal

183,221	73,083
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Remuneration, other than to employees

Consulting and professional services	1,403,022	503,793
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Employee costs

Salaries, wages, bonuses and other benefits	17,666,196	15,847,430
Other short term costs	2,758,374	2,377,998

Total employee costs	20,424,570	18,225,428
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Depreciation and amortisation

Investment property	502,426	502,426
Property, plant and equipment	53,777,289	52,767,739

Total depreciation and amortisation	54,279,715	53,270,165
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Other

Fair value adjustments	21	8,764,688	(2,391,450)
Provision for doubtful debts		1,849,390	-

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Notes to the Financial Statements

Figures in Emalangen/ Rands	2018	2017
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22. Operating profit (loss) (continued)

Expenses by nature

The total administrative expenses and other operating expenses are analysed by nature as follows:

Employee costs	20,424,570	18,225,428
Depreciation, amortisation and impairment	54,279,715	53,270,165
Other expenses	21,501,981	16,674,084
	96,206,266	88,169,677

23. Employee costs

Employee costs

Basic	16,778,605	15,303,867
UIF	3,000	21,546
WCA	5,029	24,737
SDL	65,925	52,653
Other payroll levies	813,637	444,627
Other short term costs	2,758,374	2,377,998
	20,424,570	18,225,428

24. Depreciation, amortisation and impairment losses

Depreciation

Property, plant and equipment	53,777,289	52,767,739
Investment property on the cost model	502,426	502,426
	54,279,715	53,270,165

25. Finance costs

Financial liabilities	84,963,004	97,321,930
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Finance charges above were from the following financial institutions as a result of the loan to KOBWA:

Hambros	50,625,000	50,625,000
RMB	11,592,728	15,718,224
DBSA	15,477,635	19,319,341
Nedbank	7,267,641	9,976,275
Gensec	-	1,683,090
	84,963,004	97,321,930

26. Taxation

No provision for income taxation is made as Komati Basin Water Authority is exempt from income tax in both South Africa and Eswatini.

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Notes to the Financial Statements

Figures in Emalangen/ Rands	2018	2017
27. Cash generated from operations		
Surplus for the year	63,559,596	72,391,329
Adjustments for:		
Depreciation and amortisation	54,279,715	53,270,165
Finance costs	84,963,004	97,321,930
Fair value (gains) losses	(8,764,688)	2,391,450
Impairment losses and reversals	1,849,390	-
Grant accrual	(63,444,145)	(9,023,345)
Movements in provisions	19,500	18,140
Changes in working capital:		
Deposits and other receivables	(925,293)	2,074,337
Prepayments	(112,586)	(19,008)
Grants and party receivables	9,023,345	813,479
Party Payables	(5,506,443)	4,212,816
Other payables	547,071	(3,057,193)
Deferred income	998,303	3,725,892
Unspent Grants	(1,694,583)	449,942
Accruals	1,725,767	432,685
	136,517,953	225,002,619

28. First-time adoption of International Financial Reporting Standards

The authority has applied IFRS 1, First-time adoption of International Financial Reporting Standards, to provide a starting point for the reporting under International Reporting and Accounting Standards. On principle these standards have been applied retrospectively and the 2016 and 2017 comparatives contained in these financial statements differ from those published in the financial statements published for the year ended March 31, 2017.

The date of transition was 1 April 2016 and the effect of the transition was as follows.

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Notes to the Financial Statements

Figures in Emalangeni/ Rands

2018

2017

28. First-time adoption of International Financial Reporting Standards (continued)

Reconciliation of equity at April 1, 2016 (Date of transition to the new standards)

	Note	As reported under previous GAAP	Effects of transition to IFRS	IFRS
Property, plant and equipment		21,275,593	4,612,314,633	4,633,590,226
Maguga Dam - Immovable assets		1,073,052,255	(1,073,052,255)	-
Drikoppies Dam - Immovable assets		649,758,265	(649,758,265)	-
Capitalised interest on loans		1,344,750,344	(1,344,750,344)	-
Intangible assets		-	7	7
Investment Property		-	14,869,885	14,869,885
Total non-current assets		3,088,836,457	1,559,623,661	4,648,460,118
Grants and Party Receivables		-	813,479	813,479
Trade and other receivables		23,820,398	(18,648,699)	5,171,699
Prepayments		-	116,893	116,893
Cash and cash equivalents		61,435,094	-	61,435,094
Total current assets		85,255,492	(17,718,327)	67,537,165
Borrowings Maguga Dam - Non current		548,314,016	(548,314,016)	-
Borrowings Maguga Dam - current		87,521,755	(87,521,755)	-
Borrowings Drikoppies Dam - Non current		163,011,091	(163,011,091)	-
Borrowings Drikoppies Dam - Current		39,323,261	(39,323,261)	-
Financial liabilities - non-current		-	801,143,947	801,143,947
Financial liabilities - current		-	150,466,551	150,466,551
Accruals		646,872	-	646,872
Unspent grants		-	3,875,878	3,875,878
Deferred Income - Non-current		-	2,742,988	2,742,988
Provisions		2,697,363	(2,684,587)	12,776
Other payables		26,418,501	(21,500,354)	4,918,147
Party Payables		-	13,068,518	13,068,518
Designated Funds		130,172	2,719,558	2,849,730
Total liabilities		868,063,031	111,662,376	979,725,407
Total assets less total liabilities		2,306,028,918	1,430,242,958	3,736,271,876
Government Funding		2,259,304,778	(2,259,304,778)	-
Maintenance reserve		5,532,330	-	5,532,330
Accumulated surplus		41,191,810	3,689,547,737	3,730,739,547
Total equity		2,306,028,918	1,430,242,959	3,736,271,877

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Notes to the Financial Statements

Figures in Emalangeni/ Rands

2018

2017

28. First-time adoption of International Financial Reporting Standards (continued)

Reconciliation of equity at March 31, 2017

	Note	As reported under previous GAAP	Effects of transition to IFRS	IFRS
Property, plant and equipment	3	4,555,186	4,580,919,845	4,585,475,031
Maguga Dam - Immovable assets	3	735,024,202	(735,024,202)	-
Driekoppies Dam - Immovable assets	3	418,924,647	(418,924,647)	-
Capitalised Interest on loans	3	1,344,750,344	(1,344,750,344)	-
Intangible assets		-	7	7
Investment Property		-	14,367,459	14,367,459
Total non-current assets		2,503,254,379	2,096,588,118	4,599,842,497
Grants and Party Receivables		-	9,023,345	9,023,345
Deposit and other receivables		24,556,898	(21,459,538)	3,097,360
Prepayments		-	135,901	135,901
Cash and cash equivalents		59,652,383	-	59,652,383
Total current assets		84,209,281	(12,300,292)	71,908,989
Borrowings Maguga Dam - Non current		479,446,717	(479,446,717)	-
Borrowings Maguga Dam - Current		68,867,300	(68,867,300)	-
Borrowings Driekoppies Dam - Non current		123,363,796	(123,363,796)	-
Borrowings Driekoppies Dam - Current		41,338,259	(41,338,259)	-
Financial liabilities - Non-current		-	721,862,392	721,862,392
Financial liabilities - Current		-	106,985,504	106,985,504
Deferred Income - Non-current		-	5,885,424	5,885,424
Deferred Income - Current		-	583,456	583,456
Unspent grants		-	4,325,820	4,325,820
Accruals		802,764	276,792	1,079,556
Provisions		2,874,311	(2,843,395)	30,916
Other payables		26,129,556	(23,925,406)	2,204,150
Government Payables		-	17,281,334	17,281,334
Designated Funds		130,172	2,719,558	2,849,730
Total liabilities		742,952,875	120,135,407	863,088,282
Total assets less total liabilities		1,844,510,785	1,964,152,419	3,808,663,204
Government Funding		2,375,860,299	(2,375,860,299)	-
Maintenance reserve		5,532,330	-	5,532,330
Accumulated surplus		(536,881,844)	4,340,012,717	3,803,130,873
Total equity		1,844,510,785	1,964,152,418	3,808,663,203

Notes to the Financial Statements

Figures in Emalangen/ Rands

2018

2017

28. First-time adoption of International Financial Reporting Standards (continued)

Notes

Property, plant and equipment

Under the previous GAAP:

KOBWA had accounted for capitalised interest as a separate asset to the qualifying assets (dams) to which it relates or financed; and the presented capitalised interest had never been apportioned to individual assets and in turn not depreciated entirely.

The carrying amounts of the two dams presented in the financial statements were misstated to the extent the borrowing costs are not accounted correctly.

With the adoption of IFRS in the current year, KOBWA has elected to adopt the exemption provided by IAS 23 thereby applying its requirements from transition date. The authority had engaged the services of a service provider during the 2017 financial year to decompose the Dam assets and provide their fair value. These fair values were used retrospectively as deemed cost at transition date. The corresponding fair value movement was taken to accumulated surplus.

The useful lives of Dam assets and related were revised at transition from 50 to 100 years and this has resulted in reduced depreciation and an increase in accumulated surplus.

Included under the previous GAAP, all buildings were classified as part of immovable assets under each dam. IAS 40 requires that buildings leased under operating lease be accounted for under the requirements of its scope. As such all buildings that meet the requirements to be classified under IAS 40 have been reclassified to investment property out of property, plant and equipment.

Intangible assets that were previously included under property, plant and equipment have been reclassified out to intangible assets and are disclosed separately. These meet the requirements under IAS 38 and have been accounted for under such.

Investment Property

Under the previous GAAP, all buildings were classified under immovable assets for each respective dam. In terms of IAS 40, buildings owned by an authority and leased out under operating lease falls within the scope of IAS 40 and must be accounted for as investment property. Buildings leased under operating lease have been reclassified out of PPE to investment property. The cost of these buildings was the deemed cost at transition.

These buildings are depreciated for separately over their expected useful lives using the straightline method. The effect of this has resulted in a reduction in PPE and increase in Investment property and a decrease in accumulated surplus for the effect of depreciation.

Intangible assets

Under the previous GAAP, the intangible assets were disclosed as part of the Property, plant and equipment. The nature of intangible assets is different from PPE and has its applicable IFRS standard that deals with it. IFRS requires that these are disclosed separately.

Prepayments

Prepayments were disclosed as part of Trade and other receivables under the previous GAAP. This is now separately disclosed under IFRS. Included in 2017 previous GAAP balance were invoices to the value of R65 820 paid in March 2016 as a prepayment that should have been expensed in 2017. This has been corrected in IFRS with the respective invoices expensed in 2017 financial year.

Deposits and other receivables

Prepayments were reclassified out of trade and other receivables and they are now separately disclosed on the face of the statement of financial position.

Employee costs in advance - Medical aid not recoverable were written off at transition

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Notes to the Financial Statements

Figures in Emalangen/ Rands

2018

2017

28. First-time adoption of International Financial Reporting Standards (continued)

Part of sundry receivables were incorrectly included under the line "Provision for interest receivable" and have now been included in its appropriate line.

Long outstanding sundry receivables that were not recoverable were written off at transition date.

Provision for interest receivable - Sundry receivables that were incorrectly mapped to this balance have been reclassified out.

Government Funding

Government Funding has been reclassified into accumulated surplus as this represents previous grant income received. As noted under Grants received in the income statement, these are all treated as income unless they are deferred or remain unspent at year end.

Grants that were received in the 2017 financial year and were accounted for directly in equity have been included in surplus or deficit.

Accumulated surplus

Accumulated surplus has been updated with the effect of all the adjustments.

Deferred Income

Grants used to purchase depreciable assets is recognised in surplus or deficit to the extent of depreciation recognised. The remaining balance remains as deferred income until the asset is depreciated. Grant that remains unspent at year end is not recognised as income until the related expenditure is incurred.

Trade and other payables

The Adjustment in Trade payables was due to an adjustment to the audit fees provided for.

Sundry payables that were confirmed to not be owed by KOBWA were written off so true payables where there was a present obligation are disclosed.

The unearned income above is as a result of income received by KOBWA other than Grants that has not been declared to the respective authorities. As per the Treaty, these monies needs to be disclosed. These will accrue to KOBWA once they have been disclosed, approved and allocated by the authorities and as such before these requirements are met they remain a liability.

An amount equal to R 2 719 558 owed to Department of Water and Sanitation (DWA) was previously included under Trade and other payables. This balance relates to funds that remained unspent after completion of the project and KOBWA is engaging DWS on what needs to be done with these funds. These funds have therefore been reclassified from trade and other payables to designated funds.

Accruals

The standard requires that expenses be recognised in profit or loss in the period that they are incurred and not necessarily when they are paid. Where it was determined that invoices paid in the current year related to the previous year, these were accrued for in the previous financial year.

Unspent grants

Grants that remain unspent at year end is recognised as a liability until the expenditure related to it is incurred. This will be recognised as income to the extent that the expenditure is incurred or on the basis as stipulated in the grant agreement.

Provisions

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Notes to the Financial Statements

Figures in Emalangen/ Rands

2018

2017

28. First-time adoption of International Financial Reporting Standards (continued)

The provision for severance pay has been revised as was disclosed in the prior years. The government of Eswatini previously required that a provision for severance pay is raised to cater for when the employee leaves. This has since been uplifted and currently (except as mentioned below) there is no present obligation (legal or constructive) to raise this provision or to pay the severance pay. What remains in the balance is for one employee whose contract expires at the end of June 2018 and this employee will be paid his severance pay, after that the contract will be amended accordingly.

Designated Funds

An amount equal to R 2 719 558 owed to DWS was previously included under Trade and other payables. This balance relates to funds that remained unspent after completion of the project and KOBWA is engaging DWS on what needs to be done with these funds. These funds have therefore been reclassified from trade and other payables to designated funds.

Financial Liabilities

In the previous GAAP the Hambros loan was accounted for using held to maturity however under IFRS, the loan is accounted for at fair value with fair value movements taken to surplus or deficit. The Hambros loan consists of registered bond notes that are listed on the stock exchange and their fair value is readily available

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Notes to the Financial Statements

Figures in Emalangenil/ Rands	2018	2017
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28. First-time adoption of International Financial Reporting Standards (continued)

Reconciliation of surplus or deficit for 2017

	Note	Other	IFRS
Grants Received		20	260,274,386
Gross profit			260,274,386
Operating expenses			(11,403,734)
Depreciation			(53,270,164)
Administration expenses			(23,495,779)
Fair value adjustments			(2,391,450)
Finance costs		25	(97,321,930)
Net profit			72,391,329

Notes

Grant Received

Under the previous GAAP, the Grants for the repayment of loans were accounted for as adjustments to equity (Government Funding). Under IFRS, Grant income is recognised in surplus or deficit when it accrues to KOBWA. An adjustment was processed to correct Grant income disclosed in the statement of comprehensive income.

Grants used to purchase depreciable assets is recognised in surplus or deficit to the extent of depreciation recognised. The remaining balance remains as deferred income until the asset is depreciated. Grant that remains unspent at year end is not recognised as income until the related expenditure is incurred.

Interest Income

KOBWA was formed such that its only source of income is grants received from the two governments. Any other source of income therefore needs to be disclosed to the parties and can either be used to reduce future grants allocations or be refunded back to them. Under the previous GAAP any interest income was included in profit or loss for the period in which it was earned. Under IFRS, income is recognised in the period in which it is earned. It therefore remains that until the interest is disclosed to the parties and approved as income it remains as a liability (possible refund or reduction of future grants) in nature and must be disclosed as such in the financial statements. Interest income has therefore been reclassified to Unearned income.

Other Income

KOBWA was formed such that its only source of income is grants received from the two governments. Any other source of income therefore needs to be disclosed to the parties and can either be used to reduce future grants allocations or be refunded back to them. Under the previous GAAP any other income was included in profit or loss for the period in which it was earned. Under IFRS, income is recognised in the period in which it is earned. It therefore remains that until the other income is disclosed to the parties and approved as income it remains as a liability (possible refund or reduction of future grants) in nature and must be disclosed as such in the financial statements. Other income has therefore been reclassified to Unearned income.

Depreciation

Depreciation reported in the prior year has been updated to take into account the effect of fair value used as deemed cost at transition for immovable assets. The useful lives of Dams and related assets have been revised from 50 to 100 years and this has resulted in a decreased depreciation.

The separation of Investment property from property, plant and equipment has resulted in a separate disclosure of depreciation from investment properties that was previously recognised under PPE. Refer to note under property, plant and equipment as well as Investment Property above for the explanation of other movements.

Fair value adjustment

In the previous GAAP the Hambros loan was accounted for using held to maturity however under IFRS, the loan is accounted for at fair value with fair value movements taken to surplus or deficit. The Hambros loan consists of registered bond notes listed on the Johannesburg Stock Exchange and their fair value is readily available.

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Notes to the Financial Statements

Figures in Emalangen/ Rands	2018	2017
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28. First-time adoption of International Financial Reporting Standards (continued)

Explanation of material adjustments to the statement of cash flows for 2018

Cash flows from operating activities

There were no major changes from operating activities except that the grants portion that was previously included under financing activities now forms part of operating activities. Other income and interest income now form part of working capital movements as they have been transferred to payables until declared.

The presentation of the Cash generated from operations note has also changed taking into account the additional line items introduced on the face of the statement of financial position.

Cash generated from investing activities

No major changes in the account except for the effect of grouping all PPE additions under one line.

Cash generated from financing activities

The major change is the effect of grant received which has now been classified as part of operating activities

29. Related parties

Relationships

Government of South Africa
Kingdom of Eswatini
Board of directors
Key management and employees

Related party balances

Grants Receivable at year end

Government of South Africa	60,556,202	2,339,483
Kingdom of Eswatini	2,887,943	6,683,862

Designated Funds

Department of Water SA	(2,849,730)	(2,849,730)
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Loans to employees	107,295	146,661
Unspent Grants	2,631,237	(4,325,820)

Related party transactions

Grants Received

Government of South Africa	173,740,467	187,980,104
Kingdom of Eswatini	62,223,713	72,294,282

Compensation to directors and other key management

Short-term employee benefits	1,166,375	711,046
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Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Notes to the Financial Statements

Figures in Emalangen/ Rands

2018

2017

30. Directors' emoluments

Non-executive

2018

	Directors' fees	Subsistence and travel	Secretarial	Total
Ms N Mabuza	75,177	69,098	-	144,275
Mr B Singwane	45,748	3,747	-	49,495
Mr M Simelane	-	-	306,971	306,971
Mr A Thobejane	50,380	48,147	-	98,527
Dr T Gyedu - Ababio	33,020	26,808	-	59,828
Mr L Mzizi	86,303	46,878	-	133,181
Ms E Magagula	46,598	26,694	-	73,292
	337,226	221,372	306,971	865,569

31. Prior period errors

KOBWA has for the first time in the current year adopted International Financial Reporting Standards and comparatives figures as previously reported in terms of authority specific accounting framework have been restated. Refer to Note 28 for the reconciliation of previous GAAP to IFRS.

32. Comparative figures

Comparative figures as presented in the financial statements have been restated to be in line with the requirements of IFRS. The financial statements were previously presented using the authority specific framework and have for the first time in the current year been presented using the IFRS. Refer to Note 28 for the explanations of all the restatements.

33. Risk management

Capital risk management

The authority's objectives when managing capital are to safeguard the authority's ability to continue as a going concern in order to provide returns for the treaty parties and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the authority consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 12, cash and cash equivalents disclosed in note 9, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the authority may sell assets to reduce debt.

There are no externally imposed capital requirements.

There have been no changes to what the authority manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

The authority's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The authority's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the authority's financial performance. Risk management is carried out by treasury division under policies approved by the board of directors. The board of directors provides written principles for overall risk management, as well as written policies covering specific areas.

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Notes to the Financial Statements

Figures in Emalangeni/ Rands

2018

2017

33. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying activities, authority treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the authority's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At March 31, 2018	Less than 1 year	More than a year
Financial liabilities	130,565,962	600,215,533
Other payables	2,751,221	-
Party payables	11,774,891	-
At March 31, 2017	Less than 1 year	More than a year
Financial liabilities	106,985,504	721,862,392
Other payables	2,204,150	-
Party payables	17,281,334	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The authority only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Receivables comprise deposits, employee advances as well as grants receivables. The utilisation of credit limits is regularly monitored.

No credit limits were exceeded during the reporting period, and management does not expect any surplus from non-performance by these counterparties.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2018	2017
Deposits and other receivables	2,173,261	3,097,361
Grants receivables	63,444,145	9,023,345

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Notes to the Financial Statements

Figures in Emalangeni/ Rands

2018

2017

34. Fair value information

Levels of fair value measurements

Level 1

Recurring fair value measurements

Liabilities

Note(s)

Financial liabilities at fair value through surplus or deficit

12

Financial liabilities - non-current

443,258,888

452,023,575

Financial liabilities - current

25,312,500

25,312,500

Total financial liabilities at fair value through surplus or deficit

468,571,388

477,336,075

Total

(468,571,388) (477,336,075)

The Hambros loan is measured at fair value. This instrument is listed in the Johannesburg Stock Exchange and therefore its fair value as at each reporting date was obtained from the listing. All other financial instruments are measured at amortised cost.

35. Going concern

We draw attention to the fact that at March 31, 2018, the authority had accumulated surplus of R/E 3,866,690,469 and that the authority's total assets exceed its liabilities by R/E 3,872,222,799.

The financial statements 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.

The two governments honor their commitment to the operations of the authority and have ensured contribution of their subventions. The directors have satisfied themselves that the authority is in a sound financial position and its foreseeable cash requirements for operational costs and loans repayments are guaranteed by the two governments as disclosed in notes to the financial statements. The directors are not aware of any new material changes that may adversely impact the authority. The directors are also not aware of any material non-compliance with statutory or regularity requirements or of any pending changes to legislation which may affect the authority. Accordingly, the financial statements have been prepared on a going concern basis.

36. Events after the reporting period

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

37. Contingencies

In 1996 the Authority entered into an agreement with Maguga Power Joint Venture ("MPJV"), which contained a clause that Komati Basin Water Authority ("KOBWA") would refund the MPJV any withholding taxes arising from invoices received by KOBWA from the MPJV in terms of a contract entered into between the two parties. KOBWA, through the use of a memorandum of understanding delegated the responsibility for paying the refunds to Swaziland Electricity Company ("SEC") in 2004. Since then, MPJV has been demanding a refund from SEC of all withholding taxes on the contract. Having delegated the responsibility to make any further payments, KOBWA is disputing the claim as the directors are of the view that the authority has not breached its agreements with MPJV. There are ongoing negotiations between KOBWA and SEC to respond to the demand made by MPJV. The total amount claimed by MPJV is R/E 4 589 623. KOBWA has not recognized any liabilities relating to the matter as the negotiations are ongoing and have yet to be finalized. The amount payable if any, on conclusion of the negotiations cannot be reliably estimated.

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Notes to the Financial Statements

Figures in Emalangenil/ Rands

2018

2017

37. Contingencies (continued)

KOBWA recently implemented the restructuring exercise which has been proceeding over a few years, and the implementation date was December 2017. Staff members were given a month to bring forward any grievances or issues. Three grievances were raised, two are being addressed and nearing conclusion with management just having to inform the board. The one was concluded with the employee leaving the organisation on resignation, after his grievance came out negative and there was an unrelated case of DC against the same. The authority is not sure if the employee will approach the courts for constructive dismissal as per his allegation, but are confident there is no wrong doing.

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Detailed Income Statement

Figures in Emalangeni/ Rands	Note(s)	2018	2017
Revenue			
Government grants		235,964,180	260,274,386
Other operating gains (losses)			
Fair value adjustments		8,764,688	(2,391,450)
Expenses (Refer to page 43)		(96,206,266)	(88,169,677)
Operating surplus or loss	22	148,522,602	169,713,259
Finance costs	25	(84,963,004)	(97,321,930)
Surplus for the year		63,559,598	72,391,329

Komati Basin Water Authority

Financial Statements for the year ended March 31, 2018

Detailed Income Statement

Figures in Emalangenil/ Rands	Note(s)	2018	2017
Other operating expenses			
Advertising and Publicity		(479,864)	(374,796)
Auditors remuneration - external auditors	22	(28,224)	(642,761)
Auditors remuneration - internal audit	22	(183,221)	(73,083)
Bank charges		(148,374)	(130,397)
Provision for doubtful debts		(1,849,390)	-
Cleaning		(196,291)	(167,716)
Consulting and professional fees - accounting		(119,862)	(98,264)
Consulting and professional fees - Other		(1,100,088)	(340,406)
Consulting and professional fees - legal fees		(183,072)	(65,123)
Consumables		(9,917)	(15,604)
Depreciation		(54,279,715)	(53,270,165)
Donations		(586,698)	(483,487)
Employee and director related costs		(20,424,570)	(18,225,428)
Entertainment		(130,623)	(108,685)
Other expenses		(4,471,720)	(3,749,669)
KOBWA 25th Annivesary		(729,587)	-
Insurance		(982,139)	(972,720)
IT expenses		(423,979)	(205,923)
Lease rentals		(390,180)	(383,718)
Motor vehicle expenses		(659,430)	(579,215)
Municipal expenses		(1,288,879)	(1,133,221)
Courier and Postage		(39,464)	(25,989)
Repairs and maintenance		(3,578,295)	(4,182,314)
Security		(2,352,507)	(1,911,282)
Stationery		(816,703)	(423,305)
Telephone and fax		(753,474)	(606,406)
		(96,206,266)	(88,169,677)