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Komati Basin Water Authority
Annual Financial Statements
for the year ended 31 March 2019

Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2019

General Information

Country of incorporation and domicile	South Africa and Eswatini	
Legal form of entity	Bilateral organisation formed in 1992 through a treaty between the Government of the Republic of South Africa and the Kingdom of Eswatini.	
Members	Ms E Magagula	Chairperson
	Mr B Singwane	Vice Chairperson
	Mr A Thobejane	
	Mr L Mzizi	Chairperson, Human Resources and Remuneration Committee
	Dr T Gyedu-Ababio	Chairperson: Finance, Risk and Audit Committee
	Ms N Mabuza	
	Mr C Zwane	CEO
Bankers	Standard Bank	
Auditors	PriceWaterhouseCoopers Inc Chartered Accountants (S.A.) Registered Auditors	
Secretary	Mr M Simelane	
Preparer	The annual financial statements were internally compiled by: Charles Matambo Finance Director	

Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2019

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DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
KOBWA	Komati Basin Water Authority
IFRS	International Financial Reporting Standards
IAS	International Accounting Standards
KOE	Kingdom of Eswatini
IPSAS	International Public Sector Accounting Standards
JWC	Joint Water Commission
RSA	Republic of South Africa
The Parties	Refers to the Government of South Africa and the Kingdom of Eswatini

Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2019

Board's Responsibilities and Approval

The Directors are required to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual 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 the Standards of Generally Recognised Accounting Practice. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

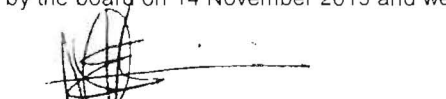
The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the authority and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for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

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

The directors have reviewed the authority's cash flow forecast for the year to 31 March 2020 and, in the light of this review and the current financial position, they are satisfied that the authority has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the authority's annual financial statements. The annual financial statements have been examined by the authority's external auditors and their report is presented on page 5-10.

The annual financial statements set out on page 13-51 which have been prepared on the going concern basis, were approved by the board on 14 November 2019 and were signed on its behalf by:



Ms E Magagula
Board Chairperson

Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2019

Audit Committee Report

We are pleased to present our report for the financial year ended 31 March 2019.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 4 meetings were held.

Name of member	Designation
Dr T Gyedu-Ababio	Chairperson
Ms E Magagula	Member
Mr M Singwane	Member
Mr C Zwane	Ex-Officio Member

Audit committee responsibility

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

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

The effectiveness of internal control

The system of internal controls applied by the entity over financial and risk management is effective, efficient and transparent. The board adopted the King IV Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective.

The Board considered the audit firm Pricewaterhousecoopers Inc (PWC) and the audit partner (Schalk Barnard) in terms of registration and compliance with the JSE regulation as required in terms of the Hambros Bank Loan registered and trading on the JSE. The board was satisfied with the submission that it met the requirements of the JSE.

Evaluation of annual financial statements

The audit committee has reviewed the annual financial statements and recommended to the board for approval.

Internal audit

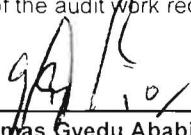
The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.

External Auditor

The audit committee has nominated Pricewaterhousecoopers Inc as the independent auditor and Schalk Barnard as the designated partner, who is a registered independent auditor, for the 2019 audit.

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

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



Dr Thomas Gyedu Ababio
Chairperson of the Finance, Risk and Audit Committee

Date: 14/11/2019



Independent auditor's report

To the Parties of Komati Basin Water Authority

Report on the audit of the Financial Statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Komati Basin Water Authority ("KOBWA", "the Authority") as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practice.

What we have audited

KOBWA's financial statements set out on pages 13 to 51 comprise:

- the statement of financial position as at 31 March 2019;
- the statement of financial performance for the year then ended;
- the statement of changes in net assets for the year then ended;
- the cashflow statement for the year then ended;
- accounting policies; and
- the notes to the financial statements.

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 sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

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

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

Our audit approach

Overview

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Authority, the accounting processes and controls, and the industry in which the Authority operates.

Overall materiality

- *Overall group materiality: R1,636,959 which represents 1% of total expenses*

Key audit matters

- *First time adoption of Generally Recognised Accounting Practice ("GRAP")*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

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

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

<i>Overall materiality</i>	<i>R 1,636,959</i>
<i>How we determined it</i>	<i>1% of Total Expenses</i>
<i>Rationale for the materiality benchmark applied</i>	We have selected total expenses as our materiality benchmark because, in our view, it most appropriately reflects the operations of the Authority. It is a benchmark against which the performance of the Authority would be most relevant to users of the financial statements given the fact that it is a non-profit-oriented entity. We chose 1% which is consistent with the quantitative materiality thresholds that we would typically apply when using this benchmark to compute materiality

Key audit matters

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

Key audit matter

How our audit addressed the key audit matter

First time adoption of Generally Recognised Accounting Practice ("GRAP")

KOBWA has adopted GRAP as its accounting framework for the first time in the 2019 financial year.

The decision to convert from International Financial Reporting Standards ("IFRS") to GRAP was made after management prepared an analysis in accordance with Directive 12, paragraph 11 of GRAP.

This included an assessment of whether the entity:

1. is a financial institution
2. has listed shares
3. has a commercial objective
4. is mainly government funded

Management concluded that KOBWA is not a financial institution and does not have listed

We evaluated management's analysis under Directive 12, paragraph 11 as to whether KOBWA can adopt GRAP as its accounting framework. We were satisfied that KOBWA met the criteria in order to report under GRAP.

We performed an independent analysis of KOBWA's accounting policies under IFRS and GRAP. In doing so, we developed an expectation of what impact the conversion to GRAP would have on the entity's financial performance, financial position and cashflows.

We compared our analysis to that of management and assessed the completeness and accuracy of management's assessment and calculations. We found our analysis to be consistent with management's.

We paid particular attention to the definition of an asset under GRAP, given the difference between

shares. It is government funded and does not have a commercial objective, and can therefore apply the GRAP framework.

The adoption of GRAP required management to consider the differences between IFRS and GRAP for each balance sheet and income statement line item.

Where differences in accounting practice were identified, management calculated the impact of the difference and presented this in the table in note 30 of the financial statements as an adjustment to the opening balance of the 2018 financial year and as an adjustment to the balances of 2018 financial year end.

One of the key differences between IFRS and GRAP is the definition of an asset.

The assessment of whether the dam and weir infrastructure resources meet the definition of an asset under GRAP required judgement.

The judgement included whether these resources have service potential and whether these are under KOBWA's control.

The service potential of these resources is linked to the objective and mandate of KOBWA as per the Treaty, which is the conservation of water resources in the Komati Basin.

The Treaty entered into between the Parties, provides KOBWA with control over the resources in order for it to deliver on its objective.

The assessment of the impact of the change to GRAP has required significant management time and, in some cases, judgement as noted above. As a result, we considered the first time adoption of GRAP to be a matter of most significance in our audit of the financial statements.

GRAP and IFRS. We considered whether management's assessment of service potential and control is in accordance with GRAP and specifically GRAP 17. The service potential of the dam and weir infrastructure is the conservation of water resources in the Komati Basin. This is the objective and mandate of KOBWA per the Treaty and as such we concluded with management's assessment that the service potential criteria were met. The Treaty provides KOBWA with the ability to control the resources in order to deliver its service potential. As such, we concluded that the definition of control was also met, and that an asset is recognised.

We recalculated the impact of changes to the opening balance of the prior period, the impact on the prior period results and the closing balances as at 31 March 2018, with no material exceptions noted.

We tested the disclosure in the financial statements in note 30 for completeness and accuracy and for compliance with GRAP 3. We are satisfied that the adoption of GRAP is appropriately disclosed in the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Komati Basin Water Authority Financial Statements for the Year ended March 31, 2019", which we obtained prior to the date of this auditor's report, and the other sections of the document titled "Komati Basin Water Authority Annual Report 2019", which is



expected to be made available to us after that date. The 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 and will not express an audit opinion or any form of assurance conclusion thereon.

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

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

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with Generally Recognised Accounting Practice and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Komati Basin Water Authority for 3 years.


PricewaterhouseCoopers Inc.

Director: Schalk Barnard

Registered Auditor

Block 5 Riverside Office Park, Nelspruit, 1200

14 November 2019

Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2019

Directors' Report

The directors have pleasure in submitting their report for the Komati Basin Water Authority for the year ended 31 March 2019.

1. Constitution and Corporate profile

The Komati Basin Water Authority (KOBWA) was established as a bi-national agency in terms of the Treaty for the utilisation of the water resources within the Komati basin comprising of the Komati river and the Lomati river. KOBWA's mandate is to implement Phase 1 of the treaty which comprises the design, construction, operation and maintenance of the Driekoppies Dam on the Lomati River in RSA (phase 1a), and the Maguga Dam on the Komati River in Eswatini (phase 1b).

2. Review of activities

Main business and operations

As outlined earlier, KOBWA receives no income for the delivery of water to the two countries, it is however the responsibility of the Republic of South Africa and the Kingdom of Eswatini in terms of the Treaty to provide funding for KOBWA operations mainly through the grant system.

The annual financial statements have been prepared in terms of Generally Recognised Accounting Practice (GRAP). KOBWA has for the first time adopted GRAP as a reporting framework in 2019. Prior year financial statements have been updated to reflect the change in accounting policies consistent with GRAP from the transition date.

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

3. Going concern

The financial statements have been prepared on the going concern assumption which is underpinned by a commitment from the Parties to continue funding the Authority with a budget having already been approved for the following financial year.

In light of the above and to the best knowledge of the directors, there is no known reason which may negatively impact on the continued existence of the Authority, therefore the annual 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.

4. Events after the reporting date

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

5. Board

The directors of the Authority during the year 2019 and to the date of this report are as follows:

Name	Nationality	Designation
Ms E Magagula	Eswatini	Chairperson - Non Exec
Mr B Singwane	South Africa	Vice Chairperson - Non Exec
Mr A Thobejane	South Africa	Non - Exec
Mr L Mzizi	Eswatini	Non - Exec (Chair HRRC)
Dr T Gyedu-Ababio	South Africa	Non - Exec (Chair FRAC)
Ms N Mabuza	Eswatini	Non - Exec
Mr C Zwane	South Africa	Ex Officio (CEO)

6. Secretary

The secretary of the authority is Mr M Simelane.

The annual financial statements set out on page 13-51, which have been prepared on the going concern basis, were approved by the board on 14 November 2019 and were signed on its behalf by:

Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2019

Directors' Report



Mr C Zwane
Chief Executive Officer

Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2019

Statement of Financial Position as at 31 March 2019

Figures in Rand/Emalangi

	Note(s)	2019	2018 Restated*	2017 Restated*
Assets				
Non-Current Assets				
Investment Property	3	13 362 608	13 865 033	14 367 459
PPE	4	4 482 145 022	4 534 286 143	4 585 475 031
Intangible Assets	5	7	7	7
Guaranteed Grant Income	6	384 849 468	481 212 763	623 579 054
		4 880 357 105	5 029 363 946	5 223 421 551
Current Assets				
Guaranteed Grant Income receivable	6	96 363 295	142 366 291	137 040 001
Receivables from Exch Trans	9	1 514 691	1 218 529	3 097 361
VAT	11	1 494 838	953 884	0
Receivables from Non-Exch Trans	10	34 712 476	63 444 145	9 023 345
Prepayments	8	250 319	248 487	135 901
Cash & Cash Equivalence	12	35 626 623	19 317 218	59 652 383
		169 962 242	227 548 554	208 948 991
Total Assets		5 050 319 347	5 256 912 500	5 432 370 542
Non-Current Liabilities				
Financial Liabilities at amortised cost	15	400 401 447	506 644 146	619 526 317
		400 401 447	506 644 146	619 526 317
Liabilities				
Current Liabilities				
Other financial liabilities	15	91 944 070	130 565 962	106 985 504
Designated Project Funds	7	8 949 730	2 849 730	2 849 730
Payable from exchange transactions	18	2 882 321	4 316 727	2 204 151
Payable from non-exchange transactions	19	6 393 931	11 774 891	17 281 335
Unspent Conditional Grant	14	4 480 962	2 631 237	4 325 820
Provisions	16	0	50 416	30 916
Accruals	17	1 068 194	2 805 323	1 079 556
		115 719 208	154 994 286	134 757 012
Total Liabilities		516 120 655	661 638 432	754 283 329
Net Assets		4 534 198 692	4 595 274 068	4 678 087 213
Reserves				
Maintenance Reserves	13	5 532 330	5 532 330	5 532 330
Accumulated Surplus	30	4 528 666 362	4 589 741 738	4 672 554 883
Total Net Assets		4 534 198 692	4 595 274 068	4 678 087 213

Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2019

Statement of Financial Performance

Figures in Rand/Emalangen	Note(s)	2019	2018 Restated*
Revenue			
Revenue from non-exchange transactions			
Conditional Grant Income	20	47,513,144	39,941,606
Finance Income	20	55,107,449	58,414,517
Total revenue from non-exchange transactions		102,620,593	98,356,123
Expenditure			
Employee related costs	21	(18,671,895)	(16,500,068)
Depreciation and amortisation	22	(54,453,372)	(54,279,715)
Finance costs	23	(71,212,326)	(84,965,781)
Debt Impairment		-	(1,849,390)
Operating and administration Expenses	24	(19,358,373)	(23,574,314)
Total expenditure		(163,695,966)	(181,169,268)
Deficit for the year		(61,075,373)	(82,813,145)

* See Note 30

Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2019

Statement of Changes in Net Assets

Figures in Rand	Maintenance Reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	5,532,330	3,803,130,872	3 808,663,202
Adjustments			
Change in accounting framework	-	869,424,010	869,424,010
Balance at 01 April 2017 as restated*	5,532,330	4,672,554,883	4,678,087,213
Changes in net assets			
Deficit for the year	-	(82,813,145)	(82,813,145)
Total changes	-	(82,813,145)	(82,813,145)
Restated* Balance at 01 April 2018	5,532,330	4,589,741,735	4,595,274,065
Changes in net assets			
Deficit for the year	-	(61,075,373)	(61,075,373)
Total changes	-	(61,075,373)	(61,075,373)
Balance at 31 March 2019	5,532,330	4,528,666,362	4,534,198,692
Note(s)	13		

* See Note 30

Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2019

Cash Flow Statement

Figures in Rand/Emalangen	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Grants		274,731,160	178,356,291
Payments			
Employee costs		(18,671,895)	(16,500,068)
Suppliers		(21,861,420)	(25,335,495)
Finance costs		(71,212,325)	(84,965,780)
		(111,745,640)	(126,801,343)
Net cash flows from operating activities	26	162,985,520	51,554,948
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(1,811,522)	(2,588,401)
Net cash flows from investing activities		(1,811,524)	(2,588,401)
Cash flows from financing activities			
Repayment of other financial liabilities		(144,864,591)	(89,301,712)
Net cash flows from financing activities		(144,864,591)	(89,301,712)
Net increase/(decrease) in cash and cash equivalents		16,309,405	(40,335,165)
Cash and cash equivalents at the beginning of the year		19,317,218	59,652,383
Cash and cash equivalents at the end of the year	12	35,626,623	19,317,218

* See Note 30

Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2019

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rands (R) and Eswatini Emalangeni (E).

The entity has for the first time in the current financial year adopted GRAP as a reporting framework from IFRS. The prior year annual financial statements have been restated so accounting policies and amounts are consistent with GRAP. The changes have been accounted for in accordance with directive 2 and Directive 12.

1.1 Presentation currency

These annual financial statements are presented in South African Rands and Eswatini Emalangeni, which are the functional currencies of KOBWA. The exchange rate between the two currencies is 1:1.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements and in conformity with GRAP, management is required to make judgements, estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates. The underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical Judgements in applying accounting policies

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

Key sources of estimation and uncertainty

Useful lives of property plant and equipment

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

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

Control

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

KOBWA assessed its business model and set up in light of the element of control and came to the conclusion that the Treaty gives it control over the ownership and use of its assets as defined by GRAP.

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1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

An asset is impaired when the carrying amount of the asset exceeds its recoverable service amount. KOBWA assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Authority makes a formal estimate of the recoverable service amount of the asset. If no indication of a potential impairment loss is present, the GRAP does not require KOBWA to make a formal estimate of recoverable service amount.

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

Provisions

Provisions are inherently raised based on assumptions and estimates based on the best information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Selection of an appropriate reporting framework by KOBWA

KOBWA assessed whether it meets the criteria in paragraph 11 of Directive 12 The Selection of an Appropriate Reporting Framework by Public Entities.

This assessment was performed in the financial period 2018/19 for the first time. This was after assessment was made to determine if the IFRS framework was the most suitable framework for KOBWA given its business model.

In making the assessment, management applied its judgement and considered all relevant facts and KOBWA mandate as enshrined in the KOBWA Treaty, the KOBWA business model, as well as prospective information, ensuring a holistic assessment over an extended period of time.

In its assessment, KOBWA concluded that it is not a commercial entity, it was formed to provide services of a public nature, it is substantially funded by the Government of South Africa and the Kingdom of Eswatini, and it is not a financial institution. As such the most appropriate framework is GRAP.

1.4 Investment property

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

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

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

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

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

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1.4 Investment property (continued)

Cost model

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

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

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

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Percentage
Investment Property - Buildings	2%

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

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

The entity separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements under administration expenses.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

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

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

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

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1.5 Property, plant and equipment (continued)

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

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the expenses section of the statement of surplus and deficit.

1.6 Intangible assets

An intangible asset is recognised when:

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

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

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date. Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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

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

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

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

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1.6 Intangible assets (continued)

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	Depreciation method	Percentage
Computer software	Straight line	20%

1.7 Guaranteed Income Receivable

Grant Income Receivable represents the guaranteed future grants (cash) receivable from the South African and Eswatini governments. The two Governments have guaranteed KOBWA's debt, and in accordance with the Treaty are legally obligated to fund KOBWA for the servicing and repayment of its debt.

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

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

1.8 Financial instruments

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

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

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

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

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

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

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

A financial asset is:

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

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

- deliver cash or another financial asset to another entity; or

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1.8 Financial instruments (continued)

- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

Classification

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

Class	Category
Guaranteed Income Receivable	Financial asset measured at amortised cost
Cash and cash equivalent	Financial asset measured at amortised cost
Receivable from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost

Financial Liabilities

KOBWA upon assesment of GRAP 104 (Financial Instruments), categorises all its long term loans at amortised costs and the following are the names and category in terms of treatment of the loans as reflected in the notes to financial statements as follows:

Name	Category
HAMBROS Bond Notes	Financial liability measured at amortised cost
NEDCOR Loan	Financial liability measured at amortised cost
RMB Loan	Financial liability measured at amortised cost
DBSA Loan	Financial liability measured at amortised cost

Class	Category
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Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

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1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at amortised cost.

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost.

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

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

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1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

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

Financial liabilities

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

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

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

Presentation

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

1.9 Impairment of non-cash-generating assets

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

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1.9 Impairment of non-cash-generating assets (continued)

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

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

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

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

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

Useful life is either:

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

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

Identification

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

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

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

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

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

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1.9 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

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

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

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

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

1.10 Employee benefits

Short-term employee benefits

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

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

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

1.11 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures 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 is recognised when, and only when, it is virtually certain that reimbursement will be received if the Authority settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 27.

1.12 Revenue from non-exchange transactions

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

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1.12 Revenue from non-exchange transactions (continued)

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

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

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

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity. These can either be conditions or restrictions.

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

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

Unspent Conditional Grant

KOBWA recognises a liability in respect of that portion of the Grant Revenue which would not have been spent in the financial year. Such grant will be payable to the Parties in proportion to their contribution. Should KOBWA wish to have access to such funds, she has to seek approval for its use and then can it be re-designated after such approval.

Measurement

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

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

Transfers

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

1.13 Borrowing costs

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

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

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

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the KOBWA on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

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1.13 Borrowing costs (continued)

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

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

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

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

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

1.14 Segment information

A segment is an activity of an entity.

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

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

1.15 Budget information

In terms of GRAP 24, entities required either through legislation or some instrument are mandated to report on budget information. Entities may elect to report on the same even when they are not mandated. KOBWA's policy is that there will be no budget disclosure in the financial statements.

1.16 Events after reporting date

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

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

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

1.17 Related Parties

Related Parties for KOBWA is in respect of the two Governments to the treaty, the Government of South Africa and the Kingdom of Eswatini and this also covers transactions relating to the Board of directors as well as key management employees.

1.18 Water in dams

KOBWA does not attribute any value to the water stored in its dams. The water is accumulated through natural phenomenon which KOBWA does not pay for, and furthermore KOBWA does not charge for the water delivered.

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Notes to the Annual Financial Statements

Figures in Rand/Emalangen	2019	2018
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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 and as part of its conversion to GRAP, the entity 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	Impact:
GRAP 16 (as amended 2016): Investment Property	01 April 2018	The impact of the is not material.
GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	The adoption of this has not had a material impact on the results of the company but has resulted in more disclosure.
GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	The impact of the is not material.
GRAP 27 (as amended 2016): Agriculture	01 April 2018	Not applicable to KOBWA
GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	The impact of the is not material.
GRAP 103 (as amended 2016) Heritage Assets	01 April 2018	Not applicable to KOBWA
Directive 12 The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Refer to note 1.3

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 104 (amended): Financial Instruments	TBD	Expected impact is material.
Guideline: Guideline on the Application of Materiality to Financial Statements	TBD	Unlikely there will be a material impact
GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact
IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
Directive 7 (revised): The Application of Deemed Cost	01 April 2019	Unlikely there will be a material impact
GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact

Komati Basin Water Authority

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3. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	14,869,885	(1,507,277)	13,362,608	14,869,885	(1,004,852)	13,865,033

Reconciliation of investment property - 2019

	Opening balance	Depreciation	Total
Investment property	13,865,033	(502,425)	13,362,608

Reconciliation of investment property - 2018

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

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3. Investment property (continued)

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

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

There is no restrictions or encumbrances on the investment property.

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

The total repairs and maintenance to investment property can not be reliably disclosed separately from PPE as they are budgeted from the same code. Therefore for such costs please refer to the PPE note 4 below.

The rental income fluctuates annually depending on the houses available for rent and those occupied as this is not core business for KOBWA. However the estimated rental income annually is R/E 0.4 million for all the houses available for rent. The rental income is credited against payables to the Parties as KOBWA does not have right to the funds. Such funds can only be given to KOBWA through a decision by the JWC at which point revenue shall be raised.

Komati Basin Water Authority

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4. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	63 970 840	(6 318 628)	57 652 212	63 970 840	(4 192 906)	59 777 934
Furniture and fixtures	1 619 013	(948 167)	670 846	1 586 875	(699 078)	887 797
Motor vehicles	3 295 094	(2 038 576)	1 256 518	2 579 799	(1 547 555)	1 032 244
Office equipment	404 463	(353 742)	50 721	385 081	(340 658)	44 423
Computer Equipment	1 750 209	(1 461 376)	288 833	1 570 007	(1 271 342)	298 665
Mobile Units	792 964	(792 936)	28	792 964	(792 936)	28
Infrastructure	68 519 140	(12 336 224)	56 182 916	67 940 406	(8 123 312)	59 817 094
Dams and Weirs	4 474 825 171	(134 305 220)	4 340 519 951	4 474 825 171	(89 503 690)	4 385 321 481
Dam Equipment and Pipelines	27 969 830	(3 880 975)	24 088 855	27 969 830	(2 587 317)	25 382 513
Sundry Equipment	6 603 315	(5 222 975)	1 380 340	6 319 240	(4 672 938)	1 646 302
Implements	1 026 278	(972 476)	53 802	1 026 278	(948 616)	77 662
Total	4,650,776,317	(168,631,295)	4,482,145,022	4,648,966,491	(114,680,348)	4,534,286,143

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	59,777,934	-	-	(2,125,722)	57,652,212
Furniture and fixtures	887,797	32,138	-	(249,089)	670,846
Motor vehicles	1,032,244	715,294	-	(491,020)	1,256,518
Office equipment	44,423	21,080	(1,696)	(13,086)	50,721
Computer Equipment	298,665	180,202	-	(190,034)	288,833
Mobile Units	28	-	-	-	28
Infrastructure	59,817,094	578,734	-	(4,212,912)	56,182,916
Dams and Weirs	4,385,321,481	1	-	(44,801,531)	4,340,519,951
Dam Equipment and Pipelines	25,382,513	-	-	(1,293,658)	24,088,855
Sundry Equipment	1,646,302	284,073	-	(550,035)	1,380,340
Implements	77,662	-	-	(23,860)	53,802
	4,534,286,143	1,811,522	(1,696)	(53,950,947)	4,482,145,022

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Depreciation	Total
Buildings	61 893,716	-	(2,115,782)	59,777,934
Furniture and fixtures	887,797	171,593	(171,593)	887,797
Motor vehicles	1 183,428	217,105	(368,289)	1,032,244
Office equipment	14 356	43,153	(13,086)	44 423
Computer Equipment	314,487	181 938	(197 760)	298 665
Mobile Units	28	-	-	28
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
Sundry Equipment	2 070,746	352 455	(776,899)	1,646,302
Implements	84,336	20,046	(26,720)	77,662
	4,585,475,031	2,588,401	(53,777,289)	4,534,286,143

Expenditure incurred to repair and maintain property, plant and equipment as well as Investment property

Included in Statement of Financial Performance

Operating and administration costs	3,868,500	4,962,482
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The asset register in terms of the detailed assets is available for review at the KOBWA Maguga office during normal working days between 7:30am and 4pm.

There are no commitments in respect of major assets or projects resulting in infrastructure. The only budget is in terms of movable assets and small infrastructure around the offices

In the current or prior year additions there is no capitalised interest that was included.

Komati Basin Water Authority

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5. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	175,252	(175,245)	7	175,252	(175,245)	7

Reconciliation of intangible assets - 2019

	Opening balance	Total
Computer software	7	7

Reconciliation of intangible assets - 2018

	Opening balance	Total
Computer software	7	7

Other information

The intangible assets relate to software which is due for replacement but has not yet been replaced. Due to the fact that it is still being utilised it can not be derecognised, however its replacement by a newer version would be in the next 12 months. Such software does not have resale value and any previous patches were expensed as they were not considered as upgrades. The software shall be derecognised once replaced. The expected cost of replacement plus other additional software being acquired in the next financial year is budgeted at R/E 3 million, a budget of which has been made and funds have been set aside and the procurement process is underway.

Komati Basin Water Authority

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Figures in Rand	2019	2018
6. Guaranteed grant receivable		
Designated at amortised cost		
Guaranteed Grant Income - Capital	231,527,346	341,139,036
Loans 100% guaranteed by the Government of South Africa and back to back 40% by the Kingdom of Eswatini. The loans repayment amounts are paid to KOBWA as part of the conditional grant towards payment of the loans and the amounts are known. Guaranteed grant income is the present value of the funds receivable from the Governments.		
Guaranteed Grant Income - Interest	249,685,417	282,440,018
Loans 100% guaranteed by the Government of South Africa and 40% by the Kingdom of Eswatini. The interest relating to the loans are paid to KOBWA as part of the conditional grant towards payment of the loans interest and the amounts are known. Guaranteed grant income is the present value of the funds receivable from the Governments.		
	481,212,763	623,579,054
Non-current assets		
At amortised cost	384,849,468	481,212,763
Current assets		
At amortised cost	96 363,295	142 366,291

Guaranteed grant receivable is in respect of the Long term loans which KOBWA borrowed for the construction of the dams. The loans are guaranteed 100% by the Government of South Africa and a 40% back to back guarantee by the Kingdom of Eswatini.

On an annual basis, the Parties fund KOBWA an amount equal to the repayment of capital and interest of the loans. These amounts are fixed, determinable and guaranteed. The cashflows have been discounted to the net present value and disclosed as either capital or interest, being amounts received to service capital loan repayments and interest on loans.

KOBWA has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year. There is no creation and release of provision for impairment receivables as these financial assets are for the repayment of the financial liabilities.

2019	HAMBROS Bank Loan	Nedbank Loan	RMB Loan	DBSA Loan	Total
Opening balance	353,774,615	50,221,836	80,802,349	138,780,254	623,579,054
Cash Funding from parties	(50,625,000)	(33,734,516)	(54,819,307)	(58,294,917)	(197,473,740)
Unwinding finance income	52,124,508	339,940	1,298,751	1,344,250	55,107,449
Total	355,274,123	16,827,260	27,281,793	81,829,587	481,212,763
2018	HAMBROS Bank Loan	Nedbank Loan	RMB Loan	DBSA Loan	Total
Opening Balance	352,413,178	83,070,162	132,414,219	192,721,495	760,619,054
Cash funding from parties	(50,625,000)	(33,734,516)	(54,643,364)	(56,451,637)	(195,454,517)
Unwinding finance income	51,986,438	886,190	3,031,494	2,510,395	58,414,517
Total	353,774,616	50,221,836	80,802,349	138,780,253	623,579,054

7. Designated Project Funds

Current liabilities	8,949,730	2,849,730
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Komati Basin Water Authority

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7. Designated Project Funds (continued)

Designated Funds arise as a result of KOBWA being selected as an implementing agent for projects on behalf of the Department of Water and Sanitation South Africa. Further funds are from approved funds by the parties from money payable to them for the implementation of specific projects or acquisition of key KOBWA assets. Such funds may be allocated at the request of KOBWA. The funds are either paid in advance into the KOBWA account or they are already in the custody of KOBWA at the time of approval of such projects or acquisitions. As the projects are delivered, and all conditions are met, the funds are transferred to revenue.

8. Prepayments

Prepayments represent amounts paid to Eswatini Electricity Company, prepaid insurance amounts covering a portion of the following financial year as well as some portion of pastel licence renewal.

Description	2019	2018
Prepayments	250,319	248,487

9. Other Receivables

Trade debtors	206,072	7,864
Employee costs in advance	196,537	98,583
Deposits	1,112,082	1,112,082
	1,514,691	1,218,529

The advances to employees are non-interest bearing and are repayable over an agreed period with the employee. The agreed 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

Deposits are in respect of a revolving fund deposited and managed by FinCorp R/E 1 million, as well as for ESKOM R/E 112,083. The revolving fund is for the benefit of people within the basin established as part of the dam construction and the affected communities borrow for projects based on a set criteria. The managing fund is an authorised financial services organisation in terms of Eswatini and charge interest on the borrowings which cover the running costs of the fund. The fund is still 1 million from the reports submitted by the fund managers. There has been no movement in the current year.

The trade and other receivables were reviewed at the reporting date for impairment and it was viewed that none were impaired.

10. Receivables from non-exchange transactions

Government of South Africa	33,634,051	60,556,202
Kingdom of Eswatini	1,078,425	2,887,943
	34,712,476	63,444,145

The Balance represents grant receivable not yet paid by the Parties at the reporting date. The Governments have a bi-lateral agreement through the treaty which is open ended. Previously the Government have always paid up the outstanding amounts. The amounts therefore do not have a credit risk as the Governments have always honoured the provisions of the treaty.

11. VAT receivable

VAT	3,344,228	2,803,274
Provision for impairment	(1,849,390)	(1,849,390)
Balance	1,494,838	953,884

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11. VAT receivable (continued)

Included in this balance is an amount equal to R/E 1 849 390 (2018: R/E 1 849 390) that was considered doubtful and a provision was raised. Recoverability of this VAT receivable is doubtful although not definitely irrecoverable and has been impaired. Prudence requires an allowance be created to recognise the potential loss arising from the possibility of incurring bad debts. The allowance for doubtful debts reduces the receivable balance to the amount that KOBWA prudently estimates to recover in the future.

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	17,500	14,914
Bank balances	19,581,528	9,131,616
Short-term deposits	16,027,595	10,170,688
	35,626,623	19,317,218

All funds are under the management of KOBWA, however the Authority may not use beyond the amounts due to her. Therefore designated funds, unspent grants, amounts payable to the Parties and reserves may not be used unless if such funds have been allocated to a project to be implemented by KOBWA. However KOBWA may place such funds in short term investments for the purposes of bearing interest.

13. Maintenance Reserve

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 R/E 5 000 000. This 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 R/E 2 650 000 during October 2006. A second transfer of R/E 2 350 000 was approved by the board at their meeting held on 2 July 2007. Between 1 April 2007 and April 2010 interest earned on the fund was not reflected in the summary income statement but credited directly to the statement of financial position to escalate the Rehabilitation Fund. However, the Board of directors passed a resolution on 19 April 2010 that future interest earned from Rehabilitation Fund be reflected as income and not used further escalate the rehabilitation Fund. The rehabilitation process commenced in the 2014 financial period. No additional amount has been spent on rehabilitation since then. This reserve relates to refurbishment and replacement of capital dam assets and components.

Description	2019	2018
Maintenance Reserve	5,532,330	5,532,330

14. Unspent Conditional Grant

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

Movement during the year

Balance at the beginning of the year	2,631,237	4,325,820
Utilised during the year	-	(2,115,973)
Additions during the year	1,849,725	421,390
	4,480,962	2,631,237

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Figures in Rand	2019	2018
15. Other financial liabilities		
At amortised cost		
HAMBROS Bank Limited Loan	375,000.000	375,000,000
Rand Merchant Bank Holdings Limited Loan	25,571.625	72,263,398
Nedbank Limited Loan	15,978.511	45,462,826
Development Bank of South Africa Loan	75,795,381	144,483,884
	492,345,517	637,210,108
Total other financial liabilities	492,345,517	637,210,108
Hambros Bank Limited		
The Loan consists of registered bonds with a face value of R/E 1 million each. The bond's coupon rate is 13.5% with an effective interest rate of 14.87% per annum. The 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/E 375 million. The loan is explicitly guaranteed 100% by the South African government. The Kingdom of Eswatini guarantees 40% of the loan to the government of South Africa.		
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 capital is repayable in monthly installments commencing on 30 September 2003. The liability is guaranteed 100% by the South African Government and has a back guarantee of 40% from the Kingdom of Eswatini. The total loan value of R/E 233 million is structured by promissory notes as agreed to by both Parties. The loan is payable on the maturity date in September 2019		
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 capital is repayable in monthly installments commencing on 6 August 2002. The liability is guaranteed 100% by the South African Government and has a back guarantee of 40% from the Kingdom of Eswatini. The total loan value of R/E 380 million is structured by promissory notes as agreed to by both Parties. The loan is payable on the maturity date on the 6th of August 2019.		
Development Bank of South Africa		
The loan is an additional facility secured to complete the construction of the Driekoppies Dam. The loan bears interest at 10% per annum. The interest and capital is repayable in six-monthly installments payable on the first day of the half year. The liability is guaranteed 100% by the South African Government. The total loan value of R/E 488 401 000 is structured by promissory notes as agreed to by both Parties. The loan is payable on the maturity date on the 30th of September 2020.		
Non-current liabilities		
At amortised cost	400,401,447	506,644,146
Current liabilities		
At amortised cost	91,944,070	130,565,962

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16. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Utilised during the year	Total
Severance pay	50,416	(50,416)	-

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Severance pay	30,916	19,500	50,416

17. Accruals

Description	2019	2018
Bonus & 13th Cheque	306,383	270,002
Leave Pay	244,474	302,978
Accruals	517,337	2,232,343
	1,068,194	2,805,323

18. Payables from exchange transactions

Trade payables	2,550,285	3,579,663
Employee related payables	94,632	62,143
Interest on Loans	237,404	674,921
	2,882,321	4,316,727

19. Government Payables (non - exchange)

This represents income received by KOBWA other than grants that are in the process of being declared to the Joint Water Committee. In accordance with the Treaty, all non-grant income must be declared to the JWC which will approve and allocate these funds. Until such time that this process is complete, KOBWA is not entitled to the funds. Instead, these funds are payable to the respective governments of RSA and Kingdom of Eswatini. The general ratio of contribution between the Government of South Africa and the Kingdom of Eswatini is 60:40, however the allocation also considers actual contributions made, funds specific to one government as well as draw downs made by each party.

Reconciliation of Government Payables	2019	2018
Opening Balance	11,774,891	17,281,335
Additions during the year	3,944,105	-
Approved and Allocated to projects	(9,325,065)	(5,506,444)
	6,393,931	11,774,891
Bank Interest Payable	1,265,808	7,906,369
Rental Payable to Governments	4,386,080	3,320,448
Gate Entrance fees Payable to Governments	585,068	449,015
Other Government Payables	156,975	99,059
	6,393,931	11,774,891

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20. Government grants and subsidies

Revenue

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

Only the portion of the grant that relates to operations is recorded as revenue.

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

Conditional Grant Income

Conditional Operation grants received - RSA	36,440,225	29,998,851
Conditional Operational grant received - SD	10,851,520	9,942,755
Miscellaneous other income	221,399	-
	47,513,144	39,941,606

Other income R/E 221,399 relates to funds in respect of profit on sale of vehicles which was approved by the JWC to add to the purchase of replacement vehicles. Such funds would ordinarily be repayable to the Parties. The funds were recognised as other income after the approval of the funds to be utilised by KOBWA.

Cash flow statement: Grants Receivable

The grant receipts disclosed in the cash flow statement includes the total funding/grants received from the Parties, both operational and debt servicing.

The table below reconciles the total grant receivable for the year and where it has been recognised in these financial statements.

Total cash receivable	246,615,210	235,817,512
Recognised as Revenue in the Statement of Financial Performance	(47,291,745)	(39,941,605)
Recognised as reduction in Guaranteed Income	(197,473,740)	(195,454,517)
Unspent Grant	(1,849,725)	(421,390)
	-	-

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21. Employee related costs		
Basic	18,581,875	16,429,114
Staff Workman's Compensation	42,761	5,029
Skills Development Levy	47,259	65,925
	18,671,895	16,500,068
Chief executive officer		
Annual Remuneration	1,487,070	1,464,872
Finance Director - appointed 01/09/2017		
Annual Remuneration	916,728	499,154
Acting Allowance	105,552	-
	1,022,280	499,154
Director operations - resigned 04/01/2019		
Annual Remuneration	759,207	890,130
Terminal benefits	70,270	-
	829,477	890,130
Director Operations - Appointed 1/03/2019		
Annual Remuneration	73,405	-
Director Corporate Services - Appointed 01 January 2019		
Annual Remuneration	214,490	-
Director corporate services - resigned 31/03/2018		
Annual Remuneration	-	869,730
22. Depreciation and amortisation		
Description	2019	2018
Depreciation Property Plant & Equipment	53,950,946	53,777,289
Depreciation Investment Property	502,426	502,426
	54,453,372	54,279,715
23. Finance costs		
Non-current borrowings	71,180,602	84,963,005
Other interest paid	31,724	2,776
	71,212,326	84,965,781

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Figures in Rand	2019	2018
23. Finance costs (continued)		
Reconciliation of Finance Cost from non-current borrowings	2019	2018
HAMBROS Loan	50,625,000	50,625,000
Development Bank of South Africa	9,880,582	15,477,635
Rand Merchant Bank	6,424,818	11,592,728
Nedbank	4,250,201	7,267,641
	71,180,601	84,963,004
24. Operating and administration expenses		
ISO Certification	95,543	119,862
Advertising, Marketing and Publicity	623,853	1,662,469
Assessment rates & municipal charges	840,995	859,404
Auditors remuneration	319,015	211,445
Bank charges	208,252	148,374
Computer expenses	474,962	632,546
Consulting and professional fees	258,185	183,072
Corporate Social Responsibility	344,025	586,698
Entertainment	48,203	22,932
Loans Management Costs	130,374	184,346
Office Maintenance Costs	1,013,784	1,146,493
Insurance Costs	802,980	982,139
Consulting Costs	58,440	1,065,558
Vehicle Costs	1,108,398	1,182,259
Travel Costs	362,927	485,455
Honorarium	77,599	71,000
Staff Recruitment Costs	511,157	368,785
Postage and courier	30,533	39,464
Printing and stationery	299,456	456,070
Protective clothing	141,174	239,163
Secretarial fees	242,856	306,971
Security (Guarding of property)	2,233,421	2,352,507
Staff welfare	319,875	316,429
Subscriptions and membership fees	145,270	130,496
Telephone and fax	1,552,463	890,711
Training	1,192,623	950,832
Dams Ops & Maintenance	109,583	98,570
Communication - Dam Management	63,590	154,041
Electricity	841,212	871,934
Treaty review costs	164,121	175,865
LMPC Allowance	231,591	167,715
Dam Maintenance General	430,816	583,493
Dam Structure Maintenance	1,730,695	2,329,992
Dam enclosure - fencing	14,624	14,008
Tractors and trailers maintenance	43,144	79,801
Generators and other equipment	351,733	233,223
Information centre management	289,239	283,241
Boats and trailers	34,786	102,133
Motorbikes maintenance	13,694	8,568
KOBWA houses maintenance	526,784	715,565
Water quality and dam risk management	1,076,398	2,041,055
Projects Other costs	-	119,630
	19,358,373	23,574,314

25. 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

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Figures in Rand	2019	2018
26. Cash generated from operations		
Deficit	(61,075,373)	(82,813,145)
Adjustments for:		
Depreciation and amortisation	54,453,372	54,279,715
Debt impairment	-	1,849,390
Movements in provisions	(50,416)	19,500
Changes in working capital:		
Receivables from exchange transactions	(296,162)	883,835
Receivables from non-exchange transactions	28,731,669	(54,420,800)
Prepayments	(1,832)	(112,586)
Payables from exchange transactions	(1,434,408)	546,221
VAT	(540,954)	(241,917)
Payables from non-exchange transactions	720,738	(5,506,444)
Unspent Conditional Grant	1,849,725	(1,694,583)
Guaranteed grant income	142,366,290	137,039,995
Accruals	(1,737,129)	1,725,767
	162,985,520	51,554,948

27. 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 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 Eswatini Electricity Company ("EEC") in 2004. Since then, MPJV has been demanding a refund from EEC 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 EEC to respond to the demand made by MPJV. The total amount claimed by MPJV is R/E 4 589 623. KOBWA has not recognised any liabilities relating to the matter as the negotiations are ongoing and at this point it is improbable that it will result in a payment, therefore due to the unlikelihood of KOBWA being required to settle, a liability is not recorded.

Komati Basin Water Authority

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
28. Related parties		
Relationships		
Directors of KOBWA	Refer to note 29	
Government of South Africa		
Kingdom of Eswatini		
Key management and employees	Refer to employee related costs note 21	
Related party balances		
Grants receivable at year end		
Grants receivable at year end	34,712,476	63,444,145
Payables - Designated Funds		
Designated Funds	8,949,730	2,849,730
Loans to employees		
Loans to employees	196,537	98,583
Unspent grants		
Unspent grants	4,480,962	2,631,237
Guaranteed Income receivable		
Guaranteed Income receivable - non-current	384,849,468	481,212,763
Guaranteed Income receivable - current	96,363,295	142,366,295
Related party transactions		
Revenue		
Conditional operational grant Income for the year	47,513,144	39,941,606
Finance Income	55,107,449	58,414,517
Refer to note 20 for a reconciliation of total actual grants received for the year.		
Compensation to key Management		
Compensation to key Management	3,626,722	3,723,886
Compensation to directors		
Directors fees	689,064	558,598
Key management information		
Remuneration of management		
Executive management		

Komati Basin Water Authority

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Notes to the Annual Financial Statements

Figures in Rand 2019 2018

29. Directors' emoluments

Non-executive

2019

	Directors' fees	Subsistence and travel	Total
Ms E Magagula	112,193	32,426	144,619
Mr B Singwane	72,077	33,621	105,698
Mr A Thobejane	68,977	34,720	103,697
Mr L Mzizi	119,453	47,531	166,984
Dr T Gyedu-Ababio	72,459	13,791	86,250
Ms N Mabuza	56,293	25,523	81,816
	501,452	187,612	689,064

2018

	Directors' fees	Subsistence and Travel	Total
Ms E Magagula	46,598	26,694	73,292
Mr B Singwane	45,748	3,747	49,495
Mr A Thobejane	50,380	48,147	98,527
Mr L Mzizi	86,303	46,878	133,181
Dr T Gyedu-Ababio	33,020	26,808	59,828
Ms N Mabuza	75,177	69,098	144,275
	337,226	221,372	558,598

Company Secretary

2019

	Secretarial	Total
Mr M Simelane	242,856	242,856

2018

	Secretarial	Total
Mr M Simelane	306,971	306,971

Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2019

Notes to the Annual Financial Statements

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30. Change in accounting framework

As noted at note 1.3, the KOBWA Board resolved to adopt GRAP as the reporting framework for the entity. In previous years, KOBWA reported under IFRS.

KOBWA is not a commercial entity and is wholly funded by the South African and Eswatini governments. It manages infrastructure assets under the Treaty in order to achieve its objective, being the conservation and management of water resources in the Komati Basin. Whilst KOBWA is not regulated by a governmental administration act in South Africa or Eswatini, it is regarded as a government organisation.

The application of GRAP as a reporting framework eliminates some of the complexities under IFRS such as the different definition of an asset between the two frameworks.

The application of GRAP has retrospectively been applied to the Statement of Financial Position as at 1 April 2017 and 30 March 2018. The Statement of Financial Performance for the 2018 financial year has been restated.

These financial statements therefore supersede the financial statements previously issued under IFRS.

The following tables present the adjustments made to the Statement of Financial Position to report under GRAP as at 1 April 2017 and 30 March 2018. Only the impacted balances have been disclosed.

Statement of financial position

2017

	Note	As previously reported	Change in accounting framework	Restated
Guaranteed income receivable		-	760,619,055	760,619,055
Financial Liabilities		(721,862,392)	102,336,075	(619,526,317)
Deferred Income		(6,468,880)	6,468,880	-
Accumulated Surplus		(3,803,130,873)	(869,424,010)	(4,672,554,883)

2018

	Note	As previously reported	Change in accounting framework	Re-classification	Restated
Property, plant and equipment	4	4,534,284,446	-	1,697	4,534,286,143
Non-current assets held for sale		1,697	-	(1,697)	-
Guaranteed income receivable - current	6	-	142,366,291	-	142,366,291
Guaranteed income receivable - non-current	6	-	481,212,767	-	481,212,767
Other Receivables	9	2,173,261	-	(954,732)	1,218,529
VAT Receivable	11	-	-	953,884	953,884
Financial liabilities - non-current	15	(600,215,533)	93,571,387	-	(506,644,146)
Deferred income		(7,467,183)	7,467,183	-	-
Payables from exchange transactions	18	(2,751,221)	(1,566,359)	848	(4,316,732)
Accumulated surplus (opening balance)		(3,866,690,469)	(723,051,269)	-	(4,589,741,738)

Komati Basin Water Authority

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Notes to the Annual Financial Statements

Figures in Rand		2019	2018		
30. Change in accounting framework (continued)					
Statement of financial performance					
2018					
	Note	As previously reported	Change in accounting framework	Re-classification	Restated
Revenue from non-exchange transactions	20	235,964,180	(196,022,574)	-	39,941,606
Finance Income	20	-	58,414,517	-	58,414,517
Fair Value Adjustments		8,764,688	(8,764,688)	-	-
Finance costs	23	(84,963,004)	-	(2,776)	(84,965,780)
Operating and administration expenses	24	(40,077,163)	5	16,502,844	(23,574,314)
Depreciation and amortisation	22	(54,279,715)	-	-	(54,279,715)
Debt impairment		(1,849,390)	-	-	(1,849,390)
Employee related costs	21	-	-	(16,500,068)	(16,500,068)
Deficit for the year		63,559,596	(146,372,740)	-	(82,813,144)
Cash flow statement					
2018					
	Note	As previously reported	Change in accounting framework	Re-classification	Restated
Cash flow from operating activities					
Cash received from grants	26	179,921,811	(1,565,520)	-	178,356,291
Cash paid to suppliers and employees	26	(43,403,858)	-	43,403,858	-
Finance costs	26	(84,288,083)	(674,921)	(2,775)	(84,965,779)
Cash paid to suppliers	26	-	1,565,519	(26,901,014)	(25,335,495)
Cash paid to employees	26	-	-	(16,500,068)	(16,500,068)
		52,229,870	(674,922)	1	51,554,949
Cash flow from investing activities					
Purchase of Property Plant & Equipment		(2,588,402)	-	-	(2,588,402)
Cash flow from financing activities					
Repayment of financial liabilities		(89,976,633)	674,921	-	(89,301,712)

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30. Change in accounting framework (continued)

Change in accounting framework

The entity adopted GRAP accounting framework for the first time in the current financial year from IFRS. The prior year reported amounts have been restated to comply with the GRAP requirements. The following changes have been effected as a result of changes in accounting policies:

Guaranteed grant income asset

KOBWA acquired loans at its inception for the construction of dams which are fully guaranteed by the Parties. KOBWA receives funding from the Parties to service the loans. Given that this funding is guaranteed, a financial asset has been recorded (refer to note 1.9). On conversion to GRAP, an asset was raised at transition date, with a corresponding credit to the retained income to account for the present value of the remaining guaranteed payments from the Parties. The impact of this change at transition is R/E 760,619,055 and in 2018 is R/E 623,579,055. As time passes, the unwinding of interest on the present value of the assets, are recorded as finance income (refer to revenue from non-exchange transactions below)

Financial liabilities

All loans under GRAP are stated at amortised cost. The HAMBROS loan was previously recorded at fair value. An adjustment was made to bring the HAMBROS loan balance to its amortised cost with a corresponding adjustment to accumulated surplus for an amount of R/E 102,336,075 in 2017 and in 2018 of R/E 93,571,387.

The 2018 Statement of Financial Performance has been adjusted by reversing the 2018 current year fair value measurement on the HAMBROS loan of R/E 8,764,688.

Deferred income

Under IFRS, grant relating to assets (PPE) is recognised through use which would be through the depreciation of the assets. Therefore a deferred income asset was raised under IFRS, which was adjusted annually with the effect of depreciation and additions and the corresponding amounts against grant income. With the adoption of GRAP, all the grant income accrues to KOBWA as the conditions are met immediately the grant becomes payable to KOBWA except for the unspent grant. To that effect the deferred income amount of R/E 6,468,880 at transition date R/E 7,467,183 at 2018 has been released to Accumulated surplus.

Accumulated surplus

As a result of the above changes and in terms of the transition to GRAP, the accumulated surplus was adjusted accordingly in respect of the changes as per the 2017 and 2018 tables above. The net effect of such changes to the accumulated surplus in 2017 is R/E 869,424,010 and in 2018 is R/E 723 051,269.

Revenue from non-exchange transactions

Grant income as previously reported in 2018 has been reduced by R/E 196,022,574 which is the portion of the grant received for the servicing of the KOBWA debt. This amount has been recorded against Guaranteed income receivable. Finance income has been increased by R/E 58,414,517 which is the unwinding of interest on the guaranteed grant receivable noted above.

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30. Change in accounting framework (continued)

Reclassifications

Property, plant and equipment

In financial year 2018, KOBWA recorded assets held for sale in terms of IFRS 5 to the value of R/E 1,698. However GRAP 100 caters for discontinued operations and not for assets held for sale. As such, those assets have been reclassified back to PPE in terms of GRAP increasing the value of PPE. Other than that, there is no changes to PPE. To bring more clarity on disclosure of PPE, the Furniture and Fittings was split into Furniture and Fittings, Office Equipment and Sundry equipment.

Non-current assets held for sale

In financial year 2018, KOBWA recorded assets held for sale in terms of IFRS 5 to the value of R/E 1,698. However GRAP 100 caters for discontinued operations and not for assets held for sale. As such, the assets have been reclassified back to PPE in terms of GRAP. The effect being that this line is taken off the financial statements.

VAT receivable

VAT has been reclassified out of receivables from exchange transactions and are now separately disclosed.

Employee related costs

Employee related costs have been separately disclosed on the face of the statement of financial performance out of operating expenses.

Operating and administration costs

All the operating and administration expenses have been grouped together and the employee related costs have been reclassified.

31. Comparative figures

Comparative figures as presented in the financial statements have been restated to be in line with the requirements of GRAP. The financial statements were previously presented using IFRS and have adopted GRAP for the first time in the current year.

32. Risk management

Financial risk management

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

The entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance. The board of directors provides written principles for overall risk management, as well as written policies covering specific areas.

Liquidity risk

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

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

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

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32. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and Governments receivable. The entity 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 limit is regularly monitored based on the performance by Governments in meeting their subventions. Most of this is limited to delay in funding than actual non-payment and this is monitored through the risk register and financial reports to both Board and JWC.

33. Going concern

The annual 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 Parties honor their commitment to the operations of the entity and have ensured contribution of their subventions. The directors have satisfied themselves that the entity is in sound financial position and its foreseeable cash requirements for operational costs and loan repayments are guaranteed by the Parties as disclosed in the notes to the financial statements. The directors are not aware of any new material changes that may adversely impact the entity. 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 entity. Accordingly, the financial statements have been prepared on a going concern basis.

34. Events after the reporting date

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.