



**KOBWA**

**WATER FOR EVER**

Komati Basin Water Authority  
Annual Financial Statements  
for the year ended 31 March 2020

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## General Information

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

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

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### Abbreviations

|             |                                                                                                                                                                                                 |
|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CEO         | Chief Executive Officer                                                                                                                                                                         |
| HRRC        | Human Resource and Resources Committee                                                                                                                                                          |
| DBSA        | Development Bank of South Africa                                                                                                                                                                |
| FRAC        | Finance Risk and Audit Committee                                                                                                                                                                |
| 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                                                                                                                            |
| Treaty      | Refers to the Treaty on the development and utilisation of the Komati River Basin between the Government of the Republic of South Africa and the Government of the Kingdom of Eswatini of 1992. |

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Board's Responsibilities and Approval

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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 KOBWA as at the end of the financial year and the results of its operations and cash flows for the period then ended in conformity with the Standards of Generally Recognised Accounting Practice (GRAP) and the Johannesburg Stock Exchange listing requirements. 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 GRAP including any interpretations, guidelines and directives issued by the Accounting Standards Board in terms of section 89 of the Public Finance Management Act in South Africa, based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by KOBWA and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout KOBWA and all employees are required to maintain the highest ethical standards in ensuring that KOBWA's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management at KOBWA is on identifying, assessing, managing and monitoring all known forms of risk across KOBWA. While operating risks cannot be fully eliminated, KOBWA endeavours to minimise them 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 KOBWA's cash flow forecast for the year to 31 March 2021 and, in the light of this review and the current financial position, they are satisfied that KOBWA has or has access to adequate resources to continue in operational existence for the foreseeable future. The approved budget for KOBWA for financial year 2020/21 is R/E 266,516,567. R/E 111,999,604 has been received in respect of the budget and the bank balance at the time of reporting was R/E 158,568,771. Therefore this gives the Board comfort and assurance that KOBWA has enough resources to cover expected expenditure for the next 12 months. The Board is also satisfied that the Covid-19 pandemic does not affect the going concern aspect of the business nor the level of its operations. The effects will mainly on operational and business processes which KOBWA has the capacity and resources to handle and make necessary changes to the business processes as well as adapt to the new norms of conducting business.

The external auditors are responsible for independent auditing and reporting on KOBWA's annual financial statements. The annual financial statements have been audited by KOBWA's external auditors and their report is presented on page 7-11.

The annual financial statements set out on page 14-53 which have been prepared on the going concern basis, were approved by the Board on 18 August 2020 and were signed on its behalf by:



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Ms E Magagula  
Interim Board Chairperson

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Audit Committee Report

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We are pleased to present our report for the financial year ended 31 March 2020.

### Audit Committee members and attendance

The Audit Committee (Finance Risk and 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 across the organisation is effective, efficient and transparent. The requirements of the Treaty and Delegation of Authority continue to be complied with and the Board adopted the King IV Report on Corporate Governance requirements. The Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective.

In terms of the JSE Regulations, KOBWA has reviewed the adoption of the KING IV principles as required by the regulations. An Applicator Register was developed and adopted by the Board outlining how KOBWA specifically adopted the principles. The Register is available on request and shall be published on the KOBWA website.

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.

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Audit Committee Report

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### 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 2019/20 audit. The committee satisfied itself through inquiry that the external auditors are independent as per the standards stipulated by the auditing profession.

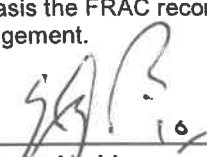
The Audit Committee in consultation with the executive management agreed to the terms of the engagement. The audit fee for the external audit has been considered and approved taking into consideration such factors as the timing of the audit, the extent of the audit work required and scope.

### Covid-19 Impact Assessment

Following the outbreak of Covid-19 pandemic, KOBWA made a detailed assessment of the effects specifically in light of whether it would affect the continued existence and the level of operations of the organisation. The assessment was done at the operational, Executive and Board levels looking at the risks and operational changes and effects. The Board is satisfied that the pandemic does not affect the going concern aspect of the business nor the level of its operations. The effects will mainly be on operational and business processes which KOBWA has the capacity and resources to handle the operational changes, make necessary changes to the business processes and adapt to the new norms of conducting business.

KOBWA continues to enjoy the continued support of the Parties who regard KOBWA as an important organisation in the water resources management. The Treaty is under review and the Parties continue to honour their obligations in terms of the budgets. The approved budget for KOBWA for financial year 2020/21 is R/E 266,516,567. R/E 111,999,604 has been received in respect of the budget and the bank balance at the time of reporting was R/E 158,568,771, therefore this gives the BOARD comfort and assurance that KOBWA has enough resources to cover expected expenditure for the next 12 months. The Parties in their revision of budgets in light of Covid 19 have not curtailed the KOBWA budget for the financial year 2020/21.

On the above basis the FRAC recommended for BOARD approval of the assessment report and the requisite plans tabled by Executive management.

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

Date: \_\_\_\_\_

18/8/2020



## Independent auditor's report

To the Parties to the Treaty on the Development and Utilisation of the Water Resources of the Komati River Basin between the Government of the Republic of South Africa and the Government of the Kingdom of Eswatini" ("Komati Treaty")

### 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 2020, and its financial performance and its cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice as issued by the Accounting Standards Board in terms of section 89 of the Public Finance Management Act in South Africa.

#### What we have audited

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

- the statement of financial position as at 31 March 2020;
- the statement of financial performance for the year then ended;
- the statement of changes in net assets for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

#### Basis for opinion

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

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

#### Independence

We are independent of the Group 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

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T: +27 (13) 754 3300, F: +27 (13) 754 3400, [www.pwc.co.za](http://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.



Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

## Our audit approach

### Overview

#### Overall materiality

- Overall materiality: R1,554,425 which represents 1% of total expenses.

#### Key audit matters

- Assessing the resources accessible from the Parties to the Komati Treaty.

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.

|                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Overall materiality                             | R1 554 425.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| How we determined it                            | 1% of total expenses.                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Rationale for the materiality benchmark applied | We have selected total expenses as our materiality benchmark because, in our view, it most appropriately reflects the operations of the Authority. It is a benchmark against which the performance of the Authority would be measured by users of the financial statements, given the fact that it is a non-profit-oriented entity. We chose 1% which is consistent with the quantitative materiality thresholds that we would typically apply when using this benchmark to compute materiality. |

## Key audit matters

Key audit matters are those matters that, in our professional 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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><i>Assessing the resources accessible from the Parties to the Komati Treaty</i></p> <p>KOBWA was established as a bi-national authority in terms of the “Komati Treaty in 1992.</p> <p>KOBWA’s mandate under the Komati Treaty is the management and preservation of water resources in the Komati Basin. It does not provide KOBWA with the ability to obtain an economic return directly from the users of the water. Instead, the Komati Treaty legally binds the Government of the Republic of South Africa and the Government of the Kingdom of Eswatini (“the Parties”) to fund its operations, including providing guaranteed grant income for funding requirements such as debt from external parties.</p> <p>As such, KOBWA is currently solely dependent on the Parties for its existence. Please refer to notes 1.2 and 1.4 to the financial statements in this regard.</p> <p>The COVID-19 pandemic has had a significant impact on the Parties’ respective economies.</p> <p>KOBWA’s access to resources from the Parties was considered to be a matter of most significance to our audit of the financial statements due to the degree of KOBWA’s dependence on the support of the respective Parties.</p> | <p>We considered the terms and conditions of the Komati Treaty in so far it relates to the Parties’ legal obligations to fund the operations of KOBWA and noted that the Komati Treaty is an open ended agreement which binds the Parties to continued funding of KOBWA, unless the Parties give KOBWA a minimum of 12 months’ notice that it will no longer continue to do so. We inquired from the directors and the Joint Water Commission (“the JWC”) of any such notification and they confirmed that nothing has been received from the Parties in this regard.</p> <p>We inspected the approved budget for 2020/21 financial year of R266,516,567 of which R233,093,000 is funded by the Republic of South Africa, and R31,101,520 is funded by the Kingdom of Eswatini.</p> <p>We inspected the approved budget for the Department of Water and Sanitation of the Republic of South Africa, and noted that KOBWA have been allocated R233,093,000 for the 2020/21 financial year.</p> <p>We inspected the Report of the Select Committee on Appropriations on Division of Revenue Amendment Bill B9-2020 dated 21 July 2020 and noted that the budget allocated to the Department of Water and Sanitation of the Republic of South Africa was not amended.</p> <p>We inspected the “Overview Department of Water and Sanitation 2020/21 special adjustments to Budget Vote 41 and revisions to the Strategic Plan” and Annual Performance Plans tabled on 8 July 2020 to the Republic of South Africa National Assembly Water and Sanitation Committee and noted that no reallocations were affected on KOBWA’s allocated budget.</p> |

For the Kingdom of Eswatini portion of the 2020/21 budget of E31,101,520, we obtained the JWC approval and inquired of management and the directors whether they have received any communication from the Kingdom of Eswatini Government with regards to amendments to the approved 2020/21 budget. No such communication has been received up to the date of this report.

Subsequent to year-end, we inspected bank statements reflecting that KOBWA received R99,523,000 from the Republic of South Africa, E12,476,600 from the Kingdom of Eswatini.

### *Other information*

The directors are responsible for the other information. The other information comprises the information included in the document titled "Komati Basin Water Authority Annual Financial Statements for the Year ended March 31, 2020", which we obtained prior to the date of this auditor's report, and the other sections of the document titled "Komati Basin Water Authority 2019/2020 Annual Report", 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 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 Standards of Generally Recognised Accounting Practice as issued by the Accounting Standards Board issued by the Accounting Standards Board in terms of section 89 of the Public Finance Management Act in South Africa and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using

the going concern basis of accounting unless the directors either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the 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 conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



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

*PricewaterhouseCoopers Inc.*

PricewaterhouseCoopers Inc.  
Director: Schalk Barnard  
Registered Auditor  
Nelspruit  
18 August 2020

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Directors' Report

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The directors have pleasure in submitting their report for the Komati Basin Water Authority for the year ended 31 March 2020.

### 1. Constitution and Corporate profile

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

### 2. Review of activities

#### Main business and operations

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

The Annual Financial Statements have been prepared in terms of Standards of Generally Recognised Accounting Practice (GRAP).

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

### 3. Going concern

The Annual Financial Statements have been prepared on the going concern assumption which is underpinned by a commitment from the Parties to continue funding KOBWA with a budget having already been approved for the financial year 2020/21.

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 KOBWA. 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.

Following the outbreak of Covid-19 pandemic, KOBWA made a detailed assessment of the effects specifically in light of whether it would affect the continued existence and/or the level of operations of the organisation. The assessment was done at the operational, Executive and Board levels looking at the risks and operational changes and effects. The Board is satisfied that the pandemic does not affect the going concern aspect of the business nor the level of its operations. The Parties in their revision of budgets in light of Covid 19 have not curtailed the KOBWA budget for the financial year 2020/21. The approved budget for KOBWA for financial year 2020/21 is R/E 266,516,567. R/E 111,999,604 has been received in respect of the budget and the bank balance at the time of reporting was R/E 158,568,771. Therefore this gives the Board comfort and assurance that KOBWA has enough resources to cover expected expenditure for the next 12 months. There has been no communication from the Parties that either funding will be withdrawn or that the Treaty will be revoked.

On this basis the Board noted the assessment report and the plans tabled by Executive management as recommended by FRAC.

### 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. Covid-19 outbreak happened before the reporting date and its further effects are assessed not to have reportable effects for KOBWA in the financial year 2019/20.

### 5.

The Directors of KOBWA during the year 2019/20 and to the date of this report are as follows:

| Name          | Nationality | Designation                         |
|---------------|-------------|-------------------------------------|
| Ms E Magagula | Eswatini    | Interim Chairperson - Non Executive |

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Directors' Report

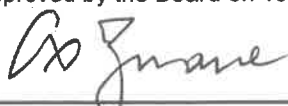
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|                   |              |                                  |
|-------------------|--------------|----------------------------------|
| Mr B Singwane     | South Africa | Vice Chairperson - Non Executive |
| Mr A Thobejane    | South Africa | Non - Executive                  |
| Mr L Mzizi        | Eswatini     | Non - Executive (Chair HRRC)     |
| Dr T Gyedu-Ababio | South Africa | Non - Executive (Chair FRAC)     |
| Ms N Mabuza       | Eswatini     | Non - Executive                  |
| Mr C Zwane        | South Africa | Ex Officio (CEO)                 |

### 6. Secretary

The Company Secretary of KOBWA is Mr M Simelane.

The Annual Financial Statements set out on page 14-53, which have been prepared on the going concern basis, were approved by the Board on 18 August 2020 and were signed on its behalf by:



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Mr C Zwane  
Chief Executive Officer

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Statement of Financial Position as at 31 March 2020

| Figures in Rand/Emalangen                  | Note(s) | 2020                 | *Restated 2019       |
|--------------------------------------------|---------|----------------------|----------------------|
| <b>Assets</b>                              |         |                      |                      |
| Current Assets                             |         |                      |                      |
| Guaranteed grant income receivables        | 6       | 50,625,000           | 96,363,295           |
| Receivables from exchange transactions     | 9       | 1,563,181            | 1,514,691            |
| Receivables from non-exchange transactions | 10      | 1,620,512            | 34,712,476           |
| VAT receivable                             | 11      | 807,675              | 1,494,838            |
| Prepayments                                | 8       | 310,563              | 250,319              |
| Cash and cash equivalents                  | 12      | 87,051,871           | 35,626,623           |
|                                            |         | <b>141,978,802</b>   | <b>169,962,242</b>   |
| Non-Current Assets                         |         |                      |                      |
| Investment property                        | 3       | 12,860,182           | 13,362,608           |
| Property, plant and equipment              | 4       | 4,430,770,784        | 4,482,145,022        |
| Intangible assets                          | 5       | 1,631,650            | 7                    |
| Guaranteed grant income receivables        | 6       | 306,297,305          | 384,849,468          |
|                                            |         | <b>4,751,559,921</b> | <b>4,880,357,105</b> |
| <b>Total Assets</b>                        |         | <b>4,893,538,723</b> | <b>5,050,319,347</b> |
| <b>Liabilities</b>                         |         |                      |                      |
| Current Liabilities                        |         |                      |                      |
| Financial liabilities at amortised cost    | 15      | -                    | 91,944,070           |
| Designated Project Funds                   | 31&7    | 7,338,285            | 9,756,739            |
| Payables from exchange transactions        | 18      | 2,644,369            | 1,315,961            |
| Payables from non-exchange transactions    | 19      | 12,157,356           | 6,393,931            |
| Unspent Conditional Grant                  | 14      | 18,890,972           | 4,480,962            |
| Provisions                                 | 16      | 610,771              | 550,857              |
| Accruals                                   | 17      | 377,375              | 517,337              |
|                                            |         | <b>42,019,128</b>    | <b>114,959,857</b>   |
| Non-Current Liabilities                    |         |                      |                      |
| Financial liabilities at amortised cost    | 31&15   | 366,130,077          | 390,369,557          |
| <b>Total Liabilities</b>                   |         | <b>408,149,205</b>   | <b>505,329,414</b>   |
| <b>Net Assets</b>                          |         | <b>4,485,389,518</b> | <b>4,544,989,933</b> |
| Reserves                                   |         |                      |                      |
| Maintenance Reserves                       | 13      | 5,532,330            | 5,532,330            |
| Accumulated surplus                        | 31      | 4,479,857,188        | 4,539,457,603        |
| <b>Total Net Assets</b>                    |         | <b>4,485,389,518</b> | <b>4,544,989,933</b> |

\* See Note 31

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Statement of Financial Performance

| Figures in Rand/Emalangeni                          | Note(s) | 2020                 | *Restated 2019       |
|-----------------------------------------------------|---------|----------------------|----------------------|
| <b>Revenue</b>                                      |         |                      |                      |
| <b>Revenue from non-exchange transactions</b>       |         |                      |                      |
| Conditional Grant Income                            | 20      | 44,749,202           | 47,513,144           |
| Finance Income                                      | 6       | 51,092,862           | 55,107,449           |
| <b>Total revenue from non-exchange transactions</b> |         | <b>95,842,064</b>    | <b>102,620,593</b>   |
| <b>Expenditure</b>                                  |         |                      |                      |
| Employee related costs                              | 21      | (19,056,950)         | (18,671,895)         |
| Depreciation and amortisation                       | 22      | (54,387,422)         | (54,453,372)         |
| Finance costs                                       | 31&23   | (59,965,105)         | (72,370,611)         |
| Bad debts written off                               |         | (196)                | -                    |
| Operating and administration Expenses               | 24      | (22,032,806)         | (19,358,373)         |
| <b>Total expenditure</b>                            |         | <b>(155,442,479)</b> | <b>(164,854,251)</b> |
| <b>Deficit for the year</b>                         |         | <b>(59,600,415)</b>  | <b>(62,233,658)</b>  |

\* See Note 31

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Statement of Changes in Net Assets

| Figures in Rand                                | Maintenance<br>Reserves | Accumulated<br>surplus | Total net<br>assets  |
|------------------------------------------------|-------------------------|------------------------|----------------------|
| Opening balance as previously reported         | 5,532,330               | 4,589,741,735          | 4,595,274,065        |
| Adjustments                                    |                         |                        |                      |
| Prior year adjustments                         | -                       | 11,949,526             | 11,949,526           |
| <b>Balance at 01 April 2018 - as Restated*</b> | <b>5,532,330</b>        | <b>4,601,691,261</b>   | <b>4,607,223,591</b> |
| Changes in net assets                          |                         |                        |                      |
| Surplus for the year                           | -                       | (62,233,658)           | (62,233,658)         |
| Total changes                                  | -                       | (62,233,658)           | (62,233,658)         |
| <b>Balance at 01 April 2019 - as Restated*</b> | <b>5,532,330</b>        | <b>4,539,457,603</b>   | <b>4,544,989,933</b> |
| Changes in net assets                          |                         |                        |                      |
| Surplus for the year                           | -                       | (59,600,415)           | (59,600,415)         |
| Total changes                                  | -                       | (59,600,415)           | (59,600,415)         |
| <b>Balance at 31 March 2020</b>                | <b>5,532,330</b>        | <b>4,479,857,188</b>   | <b>4,485,389,518</b> |
| Note(s)                                        | 13                      |                        |                      |

\* See Note 31

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Cash Flow Statement

| Figures in Rand/Emalangen                               | Note(s) | 2020                 | 2019                 |
|---------------------------------------------------------|---------|----------------------|----------------------|
| <b>Cash flows from operating activities</b>             |         |                      |                      |
| <b>Receipts</b>                                         |         |                      |                      |
| Grants                                                  |         | 265,493,833          | 274,731,160          |
| <b>Payments</b>                                         |         |                      |                      |
| Employee costs                                          |         | (19,056,950)         | (18,671,895)         |
| Suppliers                                               |         | (14,720,382)         | (21,861,420)         |
| Finance costs                                           |         | (58,803,534)         | (71,212,325)         |
|                                                         |         | (92,580,866)         | (111,745,640)        |
| <b>Net cash flows from operating activities</b>         | 10&26   | <b>172,912,967</b>   | <b>162,985,520</b>   |
| <b>Cash flows from investing activities</b>             |         |                      |                      |
| Purchase of property, plant and equipment               | 4       | (2,502,642)          | (1,811,522)          |
| Purchase of other intangible assets                     | 5       | (1,639,759)          | -                    |
| <b>Net cash flows from investing activities</b>         |         | <b>(4,142,402)</b>   | <b>(1,811,522)</b>   |
| <b>Cash flows from financing activities</b>             |         |                      |                      |
| Repayment of other financial liabilities                |         | (117,345,317)        | (144,864,593)        |
| <b>Net cash flows from financing activities</b>         |         | <b>(117,345,317)</b> | <b>(144,864,593)</b> |
| <b>Net increase in cash and cash equivalents</b>        |         | <b>51,425,248</b>    | <b>16,309,405</b>    |
| Cash and cash equivalents at the beginning of the year  |         | 35,626,623           | 19,317,218           |
| <b>Cash and cash equivalents at the end of the year</b> | 12      | <b>87,051,871</b>    | <b>35,626,623</b>    |

\* See Note 31

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 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 in terms of section 89 of the Public Finance Management Act in South Africa and the Johannesburg Stock Exchange Listings.

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).

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

The numbers in these Annual Financial Statements have been rounded off to the nearest 1 Rand/Emalangeni.

#### 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

The financial statements have been prepared on the going concern assumption which is underpinned by a commitment from the Parties to continue funding KOBWA with a budget having already been approved for the financial year 2020/21. 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 KOBWA, 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.

Following the outbreak of Covid-19 pandemic, KOBWA made a detailed assessment of the effects specifically in light of whether it would affect the continued existence and/or the level of operations of the organisation. The assessment was done at the operational, Executive and Board levels looking at the risks and operational changes and effects. The Board is satisfied that the pandemic does not affect the going concern aspect of the business nor the level of its operations.

The Parties in their revision of budgets in light of Covid 19 have not curtailed the KOBWA budget for the financial year 2020/21. The approved budget for KOBWA for financial year 2020/21 is R/E 266,516,567. R/E 111,999,604 has been received in respect of the budget and the bank balance at the time of reporting was R/E 158,568,771. Therefore this gives the BOARD comfort and assurance that KOBWA has enough resources to cover expected expenditure for the next 12 months. On those basis the Board approved the assessment report and the plans tabled by Executive management as recommended by FRAC.

#### 1.3 Materiality

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

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

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 1.4 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 KOBWA'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 and reported as a change in accounting estimate.

#### Control

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

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

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

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

#### Impact of Covid-19

In response to Covid-19 KOBWA made a risk assesment in terms of the potential impact to operations and its existence. The assessment covered the business processes, infrastructure required to adapt to the new norm, funding matters, payment of the loans, key projects, budgets, procurement and reporting. A detailed document was established and based on its assessment which was submitted to FRAC and noted by the Board, it was noted that the changes identified would not affect key business activities or viability of the entity. Also from an accounting perspective KOBWA is satisfied that no changes are anticipated which will require disclosure in the financial year 2019/20.

The Parties have not curtailed the budgets for KOBWA for current or next financial year and the financial year 2020/21 to the date of reporting have been honoured. The approved budget for KOBWA for financial year 2020/21 is R/E 266,516,567. R/E 111,999,604 has been received in respect of the budget and the bank balance at the time of reporting was R/E 158,568,771. Therefore this gives the Board comfort and assurance that KOBWA has enough resources to cover expected expenditure for the next 12 months. Overall, the Covid-19 impact was seen not to have a reportable items in the AFS. However assessments continue to be made to ensure that any changes are reported and handled swiftly. The Board approved the working documents and initiatives.

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 1.4 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 assesses 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 KOBWA. In so doing KOBWA looks at the indications of impairment as stipulated by the standard and in terms of general understanding of asset usage and maintenance plan.

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

Thus 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 11&16 - Provisions.

#### Allowance for doubtful debts

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

### 1.5 Determining the GRAP reporting Framework

KOBWA assessed new standards in terms of Directive 5 and adopted all applicable new GRAPs or changes thereto which became effective in the current financial year. Such standards are outlined in note number 2.

### 1.6 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.

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 1.6 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 investment property, which is as follows:

| Item                            | Percentage |
|---------------------------------|------------|
| Investment Property - Buildings | 2%         |

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

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

### 1.7 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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| Item | Depreciation method | Percentage |
|------|---------------------|------------|
|------|---------------------|------------|

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# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 1.7 Property, plant and equipment (continued)

|                             |               |        |
|-----------------------------|---------------|--------|
| Buildings                   | Straight line | 2%     |
| Furniture and fixtures      | Straight line | 10%    |
| 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.

### 1.8 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.

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Accounting Policies

### 1.8 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%        |

### 1.9 Grant Guaranteed Income Receivable

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

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

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

### 1.10 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:

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 1.10 Financial instruments (continued)

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

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

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

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                                   |
|--------------------------------------------|--------------------------------------------|
| Grant 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:

| 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 |
|-------|----------|
|-------|----------|

#### 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.

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 1.10 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.

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 1.10 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.

### 1.11 Impairment of non-cash-generating assets

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

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 1.11 Impairment of non-cash-generating assets (continued)

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.

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 1.11 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.

### 1.12 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.

### 1.13 Provisions and contingencies

Provisions are recognised when:

- KOBWA 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 KOBWA settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are 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.

### 1.14 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.

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Accounting Policies

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

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

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

#### Recognition

An inflow of resources from a non-exchange transaction 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, KOBWA has to seek approval for its use and only then can the funds be allocated. Such approved funds are recognised as Designated Funds.

#### Measurement

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

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

#### Transfers

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

### 1.15 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 or sale.

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

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

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 1.15 Borrowing costs (continued)

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

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

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

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

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

### 1.16 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.

### 1.17 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 is not currently mandated to report on the budget therefore there will be no budget disclosure in the financial statements.

### 1.18 Events after reporting date

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

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

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

### 1.19 Related Parties

Related Parties for KOBWA are the Government of South Africa and the Kingdom of Eswatini, the Board of Directors and key management employees.

### 1.20 Water in dams

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

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Notes to the Annual Financial Statements

Figures in Rand/Emalangen

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\*Restated -  
2019

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current financial year KOBWA 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:<br>Years beginning on or<br>after | Impact:                                     |
|--------------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------|
| <ul style="list-style-type: none"><li>GRAP 20: Related parties</li></ul> | 01 April 2019                                     | The impact of the standard is not material. |

#### 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 2020 or later periods:

| Standard/ Interpretation:                                                                                                                                                                                                                                                                                                                                                                          | Effective date:<br>Years beginning on or<br>after                                                                                 | Expected impact:                                                                                                                                                                                                                                                                   |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>GRAP 104 (amended): Financial Instruments</li><li>Guideline: Guideline on the Application of Materiality to Financial Statements</li><li>IGRAP 20: Accounting for Adjustments to Revenue</li><li>GRAP 1 (amended): Presentation of Financial Statements</li><li>IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue</li></ul> | <ul style="list-style-type: none"><li>TBD</li><li>TBD</li><li>01 April 2020</li><li>01 April 2020</li><li>01 April 2020</li></ul> | <ul style="list-style-type: none"><li>Impact still to be determined.</li><li>Unlikely there will be a material impact</li><li>Unlikely there will be a material impact</li><li>Unlikely there will be a material impact</li><li>Unlikely there will be a material impact</li></ul> |

**Komati Basin Water Authority**  
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**Notes to the Annual Financial Statements**

Figures in Rand

**3. Investment property**

|                     | 2020                |                                                              | 2019                |                                                                                |
|---------------------|---------------------|--------------------------------------------------------------|---------------------|--------------------------------------------------------------------------------|
|                     | Cost /<br>Valuation | Accumulated depreciation<br>and<br>accumulated<br>impairment | Cost /<br>Valuation | Accumulated Carrying value<br>depreciation<br>and<br>accumulated<br>impairment |
| Investment property | 14,869,885          | (2,009,703)                                                  | 14,869,885          | (1,507,277)                                                                    |
|                     |                     | 12,860,182                                                   |                     | 13,362,608                                                                     |

**Reconciliation of investment property - 2020**

|                     | Opening<br>balance | Depreciation | Total      |
|---------------------|--------------------|--------------|------------|
| Investment property | 13,362,608         | (502,426)    | 12,860,182 |

**Reconciliation of investment property - 2019**

|                     | Opening<br>balance | Depreciation | Total      |
|---------------------|--------------------|--------------|------------|
| Investment property | 13,865,034         | (502,426)    | 13,362,608 |

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 3. Investment property (continued)

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

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

There are no restrictions or encumbrances on the investment property.

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

The total repairs and maintenance to investment property cannot 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. However the estimated rental income annually is R/E 0.4 million for all the houses available for rent.

**Komati Basin Water Authority**  
Annual Financial Statements for the year ended 31 March 2020

**Notes to the Annual Financial Statements**

Figures in Rand

**4. Property, plant and equipment**

|                             | 2020                 |                                                              |                      | 2019                 |                                                              |                      |
|-----------------------------|----------------------|--------------------------------------------------------------|----------------------|----------------------|--------------------------------------------------------------|----------------------|
|                             | Cost /<br>Valuation  | Accumulated depreciation<br>and<br>accumulated<br>impairment | Carrying value       | Cost /<br>Valuation  | Accumulated depreciation<br>and<br>accumulated<br>impairment | Carrying value       |
| Buildings                   | 63,970,840           | (8,444,351)                                                  | 55,526,489           | 63,970,840           | (6,318,628)                                                  | 57,652,212           |
| Furniture and fixtures      | 1,851,732            | (1,089,261)                                                  | 762,471              | 1,619,013            | (948,167)                                                    | 670,846              |
| Motor vehicles              | 3,295,094            | (2,468,744)                                                  | 826,350              | 3,295,094            | (2,038,576)                                                  | 1,256,518            |
| Office equipment            | 426,357              | (369,919)                                                    | 56,438               | 404,463              | (353,742)                                                    | 50,721               |
| Computer Equipment          | 2,206,738            | (1,735,838)                                                  | 470,900              | 1,750,209            | (1,461,376)                                                  | 288,833              |
| Mobile Units                | 792,964              | (792,936)                                                    | 28                   | 792,964              | (792,936)                                                    | 28                   |
| Infrastructure              | 69,489,865           | (16,532,522)                                                 | 52,957,343           | 68,519,140           | (12,336,224)                                                 | 56,182,916           |
| Dams and Weirs              | 4,474,825,171        | (179,069,345)                                                | 4,295,755,826        | 4,474,825,171        | (134,305,220)                                                | 4,340,519,951        |
| Dam Equipment and Pipelines | 27,969,830           | (5,174,633)                                                  | 22,795,197           | 27,969,830           | (3,880,975)                                                  | 24,088,855           |
| Sundry Equipment            | 7,259,442            | (5,804,955)                                                  | 1,454,487            | 6,603,315            | (5,222,975)                                                  | 1,380,340            |
| Implements                  | 1,190,924            | (1,025,669)                                                  | 165,255              | 1,026,278            | (972,476)                                                    | 53,802               |
| <b>Total</b>                | <b>4,653,278,957</b> | <b>(222,508,173)</b>                                         | <b>4,430,770,784</b> | <b>4,650,776,317</b> | <b>(168,631,295)</b>                                         | <b>4,482,145,022</b> |

**Komati Basin Water Authority**  
Annual Financial Statements for the year ended 31 March 2020

**Notes to the Annual Financial Statements**

Figures in Rand

**4. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2020**

|                             | Opening<br>balance   | Additions        | Depreciation        | Total                |
|-----------------------------|----------------------|------------------|---------------------|----------------------|
| Buildings                   | 57,652,212           | -                | (2,125,723)         | 55,526,489           |
| Furniture and fixtures      | 670,846              | 232,720          | (141,095)           | 762,471              |
| Motor vehicles              | 1,256,518            | -                | (430,168)           | 826,350              |
| Office equipment            | 50,721               | 21,894           | (16,177)            | 56,438               |
| Computer Equipment          | 288,833              | 456,529          | (274,462)           | 470,900              |
| Mobile Units                | 28                   | -                | -                   | 28                   |
| Infrastructure              | 56,182,916           | 970,726          | (4,196,299)         | 52,957,343           |
| Dams and Weirs              | 4,340,519,951        | -                | (44,764,125)        | 4,295,755,826        |
| Dam Equipment and Pipelines | 24,088,855           | -                | (1,293,658)         | 22,795,197           |
| Sundry Equipment            | 1,380,340            | 656,128          | (581,981)           | 1,454,487            |
| Implements                  | 53,802               | 164,645          | (53,192)            | 165,255              |
|                             | <b>4,482,145,022</b> | <b>2,502,642</b> | <b>(53,876,880)</b> | <b>4,430,770,784</b> |

**Komati Basin Water Authority**  
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**Notes to the Annual Financial Statements**

Figures in Rand

**4. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2019**

|                             | Opening<br>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)        | (43,086)            | 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               |
|                             | <b>4,534,286,143</b> | <b>1,811,522</b> | <b>(1,696)</b> | <b>(53,950,947)</b> | <b>4,482,145,022</b> |

**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             | 4,623,541 |
|                                                | 4,098,689 |

There is no restrictions or encumbrances on the assets.

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**  
Annual Financial Statements for the year ended 31 March 2020

**Notes to the Annual Financial Statements**

Figures in Rand

**5. Intangible assets**

|                          | 2020                |                                                              | 2019           |                                                              |
|--------------------------|---------------------|--------------------------------------------------------------|----------------|--------------------------------------------------------------|
|                          | Cost /<br>Valuation | Accumulated amortisation<br>and<br>accumulated<br>impairment | Carrying value | Accumulated amortisation<br>and<br>accumulated<br>impairment |
| Computer software, other | 1,815,011           | (183,361)                                                    | 1,631,650      | (175,245)                                                    |
|                          |                     |                                                              | 175,252        | 7                                                            |

**Reconciliation of intangible assets - 2020**

|                   | Opening<br>balance | Additions | Amortisation | Total     |
|-------------------|--------------------|-----------|--------------|-----------|
| Computer software | 7                  | 1,639,759 | (8,116)      | 1,631,650 |

**Reconciliation of intangible assets - 2019**

|                   | Opening<br>balance | Additions | Amortisation | Total |
|-------------------|--------------------|-----------|--------------|-------|
| Computer software | 7                  |           |              | 7     |

**Other information**

KOBWA commenced implementation projects for key software that was committed in the prior year to the value of R/E 3 million. However due to the Covid-19 pandemic, implementation has been delayed and has been scheduled to be completed in financial year 2020/21. No new commitments have been made in the current year.

There is no restrictions or encumbrances on the assets

The asset register in terms of the detailed software assets is available for review at the KOBWA Maguga office during normal working days between 7:30am and 4pm

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Notes to the Annual Financial Statements

| Figures in Rand                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 2020               | 2019               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>6. Grant Guaranteed income receivables</b>                                                                                                                                                                                                                                                                                                                                                                                                                       |                    |                    |
| <b>Designated at amortised cost</b>                                                                                                                                                                                                                                                                                                                                                                                                                                 |                    |                    |
| Grant Guaranteed Income Receivable - Capital                                                                                                                                                                                                                                                                                                                                                                                                                        | 132,581,097        | 231,527,346        |
| Rights to receive grants for the payment of Loans are 100% guaranteed by the Government of South Africa and back to back 40% by the Kingdom of Eswatini. The funds for the loans repayment are received by 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 Parties for the repayment of the loans.                                     |                    |                    |
| Grant Guaranteed Income Receivable - Interest                                                                                                                                                                                                                                                                                                                                                                                                                       | 224,341,208        | 249,685,417        |
| Rights to receive grants for the payment of Loans are 100% guaranteed by the Government of South Africa and 40% by the Kingdom of Eswatini. The funds for the interest relating to the loans are received by 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 Parties for the payment of the interest incurred from the loans. |                    |                    |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>356,922,305</b> | <b>481,212,763</b> |
| <b>Non-current assets</b>                                                                                                                                                                                                                                                                                                                                                                                                                                           |                    |                    |
| At amortised cost                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 306,297,305        | 384,849,468        |
| <b>Current assets</b>                                                                                                                                                                                                                                                                                                                                                                                                                                               |                    |                    |
| At amortised cost                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 50,625,000         | 96,363,295         |

Grant Guaranteed Income receivable is in respect of the right to receive the future grants for the repayment 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 on 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.

| 2020                      | HAMBROS<br>Bank<br>Payable<br>receipts | Nedbank<br>Payable<br>receipts | RMB<br>Payable<br>receipts | DBSA<br>Payable<br>receipts | Total              |
|---------------------------|----------------------------------------|--------------------------------|----------------------------|-----------------------------|--------------------|
| Opening balance           | 355,274,123                            | 16,827,260                     | 27,281,793                 | 81,829,587                  | 481,212,763        |
| Cash Funding from parties | (50,625,000)                           | (16,867,258)                   | (26,777,598)               | (81,113,464)                | (175,383,320)      |
| Unwinding finance income  | 52,273,182                             | 39,998                         | (504,195)                  | (716,123)                   | 51,092,862         |
| <b>Total</b>              | <b>356,922,305</b>                     | <b>-</b>                       | <b>-</b>                   | <b>-</b>                    | <b>356,922,305</b> |
| 2019                      | HAMBROS<br>Bank<br>payable<br>receipts | Nedbank<br>Payable<br>receipts | RMB<br>Payable<br>receipts | DBSA<br>Payable<br>receipts | Total              |
| Opening Balance           | 353,774,615                            | 50,221,836                     | 80,802,349                 | 138,780,255                 | 623,579,055        |
| 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                  | 1,344,249                   | 55,107,448         |
| <b>Total</b>              | <b>355,274,123</b>                     | <b>16,827,260</b>              | <b>27,281,793</b>          | <b>81,829,587</b>           | <b>481,212,763</b> |

## 7. Designated Project Funds

|                     |           |           |
|---------------------|-----------|-----------|
| Current liabilities | 7,338,285 | 9,756,739 |
|---------------------|-----------|-----------|

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|-----------------|------|------|
|-----------------|------|------|

### 7. Designated Project Funds (continued)

Designated funds are funds earmarked, requested and approved for specific projects with conditions attached to it. Funds are either provided by the Parties or approved from the Party payables in KOBWA custody 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.

| Reconciliation: Designated Project Funds | 2020             | 2019             |
|------------------------------------------|------------------|------------------|
| Opening Balance                          | 9,756,739        | 2,849,728        |
| Additions                                | -                | 6,100,000        |
| Adjustments                              | -                | 807,011          |
| Designated Funds/Other income            | (2,418,454)      | -                |
| <b>Closing Balance</b>                   | <b>7,338,285</b> | <b>9,756,739</b> |

### 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 | 2020    | 2019    |
|-------------|---------|---------|
| Prepayments | 310,563 | 250,319 |

### 9. Receivables from exchange transactions

|                           |                  |                  |
|---------------------------|------------------|------------------|
| Debtors                   | 163,695          | 206,072          |
| Employee costs in advance | 230,364          | 196,537          |
| Deposits                  | 1,169,122        | 1,112,082        |
|                           | <b>1,563,181</b> | <b>1,514,691</b> |

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

The 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        |
| Kingdom of Eswatini        | 1,620,512        | 1,078,425         |
|                            | <b>1,620,512</b> | <b>34,712,476</b> |

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

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Notes to the Annual Financial Statements

| Figures in Rand                                                   | 2020             | 2019              |
|-------------------------------------------------------------------|------------------|-------------------|
| <b>10. Receivables from non-exchange transactions (continued)</b> |                  |                   |
| <b>Parties receivables reconciliation</b>                         | <b>2020</b>      | <b>2019</b>       |
| Opening Balance                                                   | 34,712,476       | 63,444,145        |
| Current year budget                                               | 235,626,934      | 249,224,556       |
| Payment received                                                  | (265,493,833)    | (274,731,160)     |
| From prior years' unspent grant                                   | (3,225,065)      | (3,225,065)       |
|                                                                   | <b>1,620,512</b> | <b>34,712,476</b> |

### 11. VAT receivable

|                          |                |                  |
|--------------------------|----------------|------------------|
| VAT                      | 2,407,655      | 3,344,228        |
| Provision for impairment | (1,599,980)    | (1,849,390)      |
|                          | <b>807,675</b> | <b>1,494,838</b> |

Included in this balance is an amount equal to R/E 1 599 980 (2019: 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 was adjusted to reflect the amount of old VAT submissions which were submitted but not yet received and their recovery not certain. The adjustment was a write off of the portion where documents could not be furnished to SARS or the recovery period has lapsed hence no chance of recovery. The allowance for doubtful debts reduces the receivable balance to the amount that KOBWA prudently estimates to recover in the future.

|                                            |                  |                  |
|--------------------------------------------|------------------|------------------|
| <b>Impairment Provision Reconciliation</b> | <b>2020</b>      | <b>2019</b>      |
| Opening Balance                            | 1,849,390        | 1,849,390        |
| Utilised                                   | (249,410)        | -                |
|                                            | <b>1,599,980</b> | <b>1,849,390</b> |

### 12. Cash and cash equivalents

Cash and cash equivalents consist of:

|                     |                   |                   |
|---------------------|-------------------|-------------------|
| Cash on hand        | 17,500            | 17,500            |
| Bank balances       | 3,128,686         | 19,581,528        |
| Short-term deposits | 83,905,685        | 16,027,595        |
|                     | <b>87,051,871</b> | <b>35,626,623</b> |

All funds are under the management of KOBWA, however KOBWA may not use the funds beyond what is available. 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. KOBWA may place such funds in short term investments for the purposes of bearing interest.

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|-----------------|------|------|
|-----------------|------|------|

### 13. Maintenance Reserve

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

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

| Description         | 2020      | 2019      |
|---------------------|-----------|-----------|
| 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 Parties in proportion to their contribution and is recognised as a liability in the financial statements. In the following financial year, such grants are only utilised upon approval by the JWC 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 | 4,480,962         | 2,631,237        |
| Additions - Approved Budget          | 232,401,562       | 246,615,210      |
| Utilised - Revenue recognised        | (42,608,232)      | (47,291,745)     |
| Utilised - Guaranteed income         | (175,383,320)     | (197,473,740)    |
|                                      | <b>18,890,972</b> | <b>4,480,962</b> |

### 15. Other financial liabilities

|                                            |                    |                    |
|--------------------------------------------|--------------------|--------------------|
| <b>At amortised cost</b>                   |                    |                    |
| HAMBROS Bank Limited Loan (*2019 Restated) | 366,130,077        | 364,968,110        |
| Rand Merchant Bank Holdings Limited Loan   | -                  | 25,571,625         |
| Nedbank Limited Loan                       | -                  | 15,978,511         |
| Development Bank of South Africa Loan      | -                  | 75,795,381         |
|                                            | <b>366,130,077</b> | <b>482,313,627</b> |
| <b>Total other financial liabilities</b>   | <b>366,130,077</b> | <b>482,313,627</b> |

#### 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 notes were issued at a discount at 90.91946%. 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.

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|-----------------|------|------|
|-----------------|------|------|

### 15. Other financial liabilities (continued)

#### 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 was fully paid in the current financial year.

#### 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 was fully paid in the current financial year.

#### 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 was due to be fully payable on the maturity date on the 30th of September 2020. The JWC however took a decision to pay the loan in the current year as the funds were available, and the loan was fully paid on the 31st of March 2020.

#### Non-current liabilities

|                   |             |             |
|-------------------|-------------|-------------|
| At amortised cost | 366,130,077 | 390,369,557 |
|-------------------|-------------|-------------|

#### Current liabilities

|                   |   |            |
|-------------------|---|------------|
| At amortised cost | - | 91,944,070 |
|-------------------|---|------------|

### 16. Provisions

#### Reconciliation of provisions - 2020

|             | Opening Balance | Additions      | Utilised during the year | Total          |
|-------------|-----------------|----------------|--------------------------|----------------|
| 13TH Cheque | 244,474         | 262,879        | (244,474)                | 262,879        |
| Leave Pay   | 306,383         | 347,892        | (306,383)                | 347,892        |
|             | <b>550,857</b>  | <b>610,771</b> | <b>(550,857)</b>         | <b>610,771</b> |

#### Reconciliation of provisions - 2019

|               | Opening Balance | Additions      | Utilised during the year | Total          |
|---------------|-----------------|----------------|--------------------------|----------------|
| 13TH Cheque   | 302,978         | 244,474        | (302,978)                | 244,474        |
| Leave Pay     | 270,002         | 306,383        | (270,002)                | 306,383        |
| Severance pay | 50,416          | -              | (50,416)                 | -              |
|               | <b>623,396</b>  | <b>550,857</b> | <b>(623,396)</b>         | <b>550,857</b> |

### 17. Accruals

| Description | 2020    | 2019    |
|-------------|---------|---------|
| Accruals    | 377,375 | 517,337 |

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Notes to the Annual Financial Statements

| Figures in Rand                                | 2020             | 2019             |
|------------------------------------------------|------------------|------------------|
| <b>18. Payables from exchange transactions</b> |                  |                  |
| Payables                                       | 2,643,664        | 983,925          |
| Employee related payables                      | 705              | 94,632           |
| Interest on Loans                              | -                | 237,404          |
|                                                | <b>2,644,369</b> | <b>1,315,961</b> |

### 19. Payables from non - exchange transactions (Government Payables)

This represents income received by KOBWA other than grants that are in the process of being declared to the JWC. In accordance with the Treaty, all non-grant income must be declared to the JWC which will approve and allocate these funds. Until such time that this process is complete, KOBWA is not entitled to the funds. Instead, these funds are payable to the respective Member States. The general ratio of contribution between the Government of South Africa and the Kingdom of Eswatini is 60:40, for Maguga dam and 100% RSA for Driekoppies Dam. This gives the ratio of about RSA 72:28 Eswatini depending on the budget for the year. 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     | 2020              | 2019             |
|-------------------------------------------|-------------------|------------------|
| Opening Balance                           | 6,393,931         | 11,774,891       |
| Additions during the year                 | 5,763,425         | 3,944,105        |
| Approved and Allocated to projects        | -                 | (9,325,065)      |
|                                           | <b>12,157,356</b> | <b>6,393,931</b> |
| Bank Interest                             | 5,983,305         | 1,265,808        |
| Rental Payable to Governments             | 5,316,220         | 4,386,080        |
| Gate Entrance fees Payable to Governments | 667,450           | 585,068          |
| Other Government Payables                 | 190,381           | 156,975          |
|                                           | <b>12,157,356</b> | <b>6,393,931</b> |

### 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 | 32,099,787        | 36,440,225        |
| Conditional Operational grant received - SD | 10,508,445        | 10,851,520        |
| Other Income                                | 2,140,970         | 221,399           |
|                                             | <b>44,749,202</b> | <b>47,513,144</b> |

Other income R/E 2,140,970 relates to revenue which is not ordinarily from the budget but comes from the designated funds or if there are other income which meet the criteria.

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Notes to the Annual Financial Statements

| Figures in Rand                                                | 2020              | 2019              |
|----------------------------------------------------------------|-------------------|-------------------|
| <b>21. Employee related costs</b>                              |                   |                   |
| Basic                                                          | 18,896,338        | 18,581,875        |
| Bonus                                                          | 100,445           | -                 |
| Staff Workman's Compensation                                   | 3,489             | 42,761            |
| Skills Development Levy                                        | 56,678            | 47,259            |
|                                                                | <b>19,056,950</b> | <b>18,671,895</b> |
| <b>Key Management Employees</b>                                |                   |                   |
| <b>Chief executive officer</b>                                 |                   |                   |
| Basic Salary                                                   | 1,316,441         | 1,260,834         |
| Contributions to UIF, Medical and Pension Funds                | 237,941           | 226,236           |
|                                                                | <b>1,554,382</b>  | <b>1,487,070</b>  |
| <b>Finance Director</b>                                        |                   |                   |
| Basic Salary                                                   | 879,743           | 817,856           |
| Acting Allowance                                               | -                 | 105,552           |
| Contributions to UIF, Medical and Pension Funds                | 106,730           | 98,872            |
|                                                                | <b>986,473</b>    | <b>1,022,280</b>  |
| <b>Director operations - resigned 04/01/2019</b>               |                   |                   |
| Annual Remuneration                                            | -                 | 633,888           |
| Terminal benefits                                              | -                 | 70,270            |
| Contributions to UIF, Medical and Pension Funds                | -                 | 125,319           |
|                                                                | <b>-</b>          | <b>829,477</b>    |
| <b>Director Operations - Appointed 1/03/2019</b>               |                   |                   |
| Basic Salary                                                   | 836,969           | 61,097            |
| Long service award                                             | 5,000             | -                 |
| Contributions to UIF, Medical and Pension Funds                | 149,504           | 12,308            |
|                                                                | <b>991,473</b>    | <b>73,405</b>     |
| <b>Director Corporate Services - Appointed 01 January 2019</b> |                   |                   |
| Annual Remuneration                                            | 868,637           | 153,104           |
| Contributions to UIF, Medical and Pension Funds                | 117,836           | 61,386            |
|                                                                | <b>986,473</b>    | <b>214,490</b>    |
| <b>22. Depreciation and amortisation</b>                       |                   |                   |
| <b>Description</b>                                             | <b>2020</b>       | <b>2019</b>       |
| Depreciation Property Plant & Equipment                        | 53,876,880        | 53,950,947        |
| Depreciation Investment Property                               | 502,426           | 502,426           |
| Amortisation Software                                          | 8,116             | -                 |
|                                                                | <b>54,387,422</b> | <b>54,453,373</b> |

# Komati Basin Water Authority

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## Notes to the Annual Financial Statements

| Figures in Rand                                                   | 2020              | 2019              |
|-------------------------------------------------------------------|-------------------|-------------------|
| <b>23. Finance costs</b>                                          |                   |                   |
| Non-current borrowings                                            | 59,962,713        | 72,338,887        |
| Other interest paid                                               | 2,392             | 31,724            |
|                                                                   | <b>59,965,105</b> | <b>72,370,611</b> |
| <b>Reconciliation of Finance Cost from non-current borrowings</b> | <b>2020</b>       | <b>2019</b>       |
| HAMBROS Loan                                                      | 51,786,660        | 51,783,286        |
| Development Bank of South Africa                                  | 6,329,098         | 9,880,582         |
| Rand Merchant Bank                                                | 958,208           | 6,424,818         |
| Nedbank                                                           | 888,747           | 4,250,201         |
|                                                                   | <b>59,962,713</b> | <b>72,338,887</b> |

# Komati Basin Water Authority

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## Notes to the Annual Financial Statements

| Figures in Rand                                  | 2020              | 2019              |
|--------------------------------------------------|-------------------|-------------------|
| <b>24. Operating and administration expenses</b> |                   |                   |
| ISO Certification                                | 128,526           | 95,543            |
| Advertising, Marketing and Publicity             | 877,289           | 623,853           |
| Assessment rates & municipal charges             | 1,023,312         | 840,995           |
| Auditors remuneration                            | 471,594           | 319,015           |
| Bank charges                                     | 173,373           | 208,252           |
| Computer expenses                                | 422,953           | 474,962           |
| Consulting and professional fees                 | 31,299            | 258,185           |
| Corporate Social Responsibility                  | 715,506           | 344,025           |
| Entertainment                                    | 6,646             | 48,203            |
| Loans Management Costs                           | 134,939           | 130,374           |
| Office Maintenance Costs                         | 1,045,258         | 1,013,784         |
| Insurance Costs                                  | 1,179,128         | 802,980           |
| Consulting Costs                                 | 266,303           | 58,440            |
| Vehicle Costs - Repairs and Maintenance          | 297,018           | 230,189           |
| Vehicle Costs - Other                            | 1,188,628         | 878,209           |
| Travel Costs                                     | 391,677           | 362,927           |
| Honorarium                                       | 91,500            | 77,599            |
| Staff Recruitment Costs                          | 355,830           | 511,157           |
| Postage and courier                              | 20,344            | 30,533            |
| Printing and stationery                          | 229,832           | 299,456           |
| Protective clothing                              | 319,634           | 141,174           |
| Secretarial fees                                 | 261,184           | 242,856           |
| Security (Guarding of property)                  | 2,248,253         | 2,233,421         |
| Staff welfare                                    | 308,359           | 319,875           |
| Subscriptions and membership fees                | 101,701           | 145,270           |
| Telephone and fax                                | 1,198,589         | 1,552,463         |
| Training                                         | 1,246,703         | 1,192,623         |
| Dams Ops & Maintenance                           | 109,044           | 109,583           |
| Communication - Dam Management                   | 142,673           | 63,590            |
| Electricity                                      | 909,065           | 841,212           |
| Treaty review costs                              | 135,734           | 164,121           |
| LMPC Allowance                                   | 161,545           | 231,591           |
| Dam Maintenance General                          | 550,669           | 430,816           |
| Dam Structure Maintenance                        | 2,030,319         | 1,730,695         |
| Dam enclosure - fencing                          | 20,415            | 14,624            |
| Tractors and trailers maintenance                | 45,349            | 43,144            |
| Generators and other equipment                   | 374,624           | 351,733           |
| Information centre management                    | 275,547           | 289,239           |
| Boats and trailers                               | 64,871            | 34,786            |
| Motorbikes maintenance                           | 8,135             | 13,694            |
| KOBWA houses maintenance                         | 537,749           | 526,784           |
| Water quality and dam risk management            | 1,929,439         | 1,076,398         |
| Projects Other costs                             | 2,250             | -                 |
|                                                  | <b>22,032,806</b> | <b>19,358,373</b> |

### 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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## Notes to the Annual Financial Statements

| Figures in Rand                            | 2020               | 2019               |
|--------------------------------------------|--------------------|--------------------|
| <b>26. Cash generated from operations</b>  |                    |                    |
| Deficit                                    | (59,600,415)       | (62,233,658)       |
| <b>Adjustments for:</b>                    |                    |                    |
| Depreciation and amortisation              | 54,387,422         | 54,453,372         |
| Finance Income                             | (51,092,862)       | (55,107,449)       |
| Finance costs - amortised interest cost    | 1,161,767          | 1,158,285          |
| Bad debts written off                      | 196                | -                  |
| Movements in provisions                    | 59,914             | (50,416)           |
| <b>Changes in working capital:</b>         |                    |                    |
| Receivables from exchange transactions     | (48,680)           | (296,162)          |
| Receivables from non-exchange transactions | 33,091,964         | 28,731,669         |
| Prepayments                                | (60,244)           | (1,832)            |
| Payables from exchange transactions        | 1,328,403          | (1,434,408)        |
| VAT                                        | 687,163            | (540,954)          |
| Payables from non-exchange transactions    | 3,344,971          | 720,738            |
| Unspent Conditional Grant                  | 14,410,010         | 1,849,725          |
| Guaranteed grant income                    | 175,383,320        | 197,473,739        |
| Accruals                                   | (139,962)          | (1,737,129)        |
|                                            | <b>172,912,967</b> | <b>162,985,520</b> |

## 27. Contingent Liabilities

In 1996 KOBWA 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 KOBWA 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. There has been no developments on the matter in the current financial year.

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Notes to the Annual Financial Statements

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|------------------------------------------------------------------------------------------|-------------|-----------------------------------------|
| <b>28. Related parties</b>                                                               |             |                                         |
| <b>Relationships</b>                                                                     |             |                                         |
| 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 |
| <b>Related party transactions</b>                                                        |             |                                         |
| <b>Revenue</b>                                                                           |             |                                         |
| Conditional operational grant Income for the year                                        | 44,749,202  | 47,513,144                              |
| Grant receivable for loan repayment                                                      | 175,383,320 | 197,473,740                             |
| Refer to note 14 & 20 for a reconciliation of total actual grants received for the year. |             |                                         |
| <b>Compensation to key Management</b>                                                    |             |                                         |
| Compensation to key Management                                                           | 4,518,801   | 3,626,722                               |
| Refer to note 21 for detailed breakdown.                                                 |             |                                         |
| <b>Related party balances</b>                                                            |             |                                         |
| <b>Grants receivable at year end</b>                                                     |             |                                         |
| Grants receivable at year end                                                            | 1,620,512   | 34,712,476                              |
| Refer to note 10 for detailed breakdown.                                                 |             |                                         |
| <b>Designated project funds</b>                                                          |             |                                         |
| Designated project Funds                                                                 | 7,338,285   | 9,756,739                               |
| Refer to note 7 for breakdown.                                                           |             |                                         |
| <b>Loans to employees</b>                                                                |             |                                         |
| Loans to employees                                                                       | 230,364     | 196,537                                 |
| <b>Unspent grants</b>                                                                    |             |                                         |
| Unspent grants                                                                           | 18,890,972  | 4,480,962                               |
| Refer to note 14 for detailed breakdown and reconciliation.                              |             |                                         |
| <b>Payables from non exchange transactions</b>                                           |             |                                         |
| Interest Payable                                                                         | 5,983,305   | 1,265,808                               |
| Rental Payable                                                                           | 5,316,220   | 4,386,080                               |
| Gate entrance fees payable                                                               | 667,450     | 585,068                                 |
| Other Parties payable                                                                    | 190,381     | 156,975                                 |
| Refer to note 19 for breakdown                                                           |             |                                         |
| <b>Guaranteed grant income receivable</b>                                                |             |                                         |
| Guaranteed grant income receivable - non current                                         | 306,297,305 | 384,849,468                             |
| Guaranteed grant income receivable - current                                             | 50,625,000  | 96,363,295                              |
| Refer to note 6 for breakdown                                                            |             |                                         |
| <b>Compensation to directors</b>                                                         |             |                                         |
| Directors fees                                                                           | 512,734     | 689,064                                 |

For detailed disclosure refer to note 29

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### 29. Directors' emoluments

#### Non-executive

#### 2020

|                   | Directors' fees | Subsistence and travel | Total          |
|-------------------|-----------------|------------------------|----------------|
| Ms E Magagula     | 97,086          | 22,990                 | 120,076        |
| Mr B Singwane     | 42,278          | 16,397                 | 58,675         |
| Mr A Thobejane    | 99,632          | 9,634                  | 109,266        |
| Mr L Mzizi        | 62,373          | 25,321                 | 87,694         |
| Dr T Gyedu-Ababio | 60,355          | 18,197                 | 78,552         |
| Ms N Mabuza       | 42,306          | 16,165                 | 58,471         |
|                   | <b>404,030</b>  | <b>108,704</b>         | <b>512,734</b> |

#### 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         |
|                   | <b>501,452</b>  | <b>187,612</b>         | <b>689,064</b> |

#### Company Secretary

#### 2020

|               | Secretarial | Total   |
|---------------|-------------|---------|
| Mr M Simelane | 211,366     | 211,366 |

#### 2019

|               | Secretarial | Total   |
|---------------|-------------|---------|
| Mr M Simelane | 242,856     | 242,856 |

### 30. Change in estimate

#### Property, plant and equipment

The useful life of Furniture and Fittings were estimated to be 5 years. In the current period management developed the Asset Management and Disposal policy and in the process revised their estimate to 10 years. The effect of this revision has reduced the annual depreciation charges for the current and future periods by R/E 140,969

This is a non cash adjustment therefore the impact on the cash flow statement is none as the full amount would have been adjusted as a non cash item.

### 31. Prior period adjustments

The correction of the error(s) results in adjustments to the opening balances of the prior year period as follows:

# Komati Basin Water Authority

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|-----------------|------|------|

### 31. Prior period adjustments (continued)

| Statement of Financial Position     | Amount as previously disclosed as at 31 March 2019 | Prior Year error adjustment | Restated at 31 March 2019 |
|-------------------------------------|----------------------------------------------------|-----------------------------|---------------------------|
| Other financial liabilities         | 400,401,447                                        | (10,031,890)                | 390,369,557               |
| Designated Funds                    | 8,949,730                                          | 807,009                     | 9,756,739                 |
| Payables from exchange transactions | 2,882,321                                          | (1,566,360)                 | 1,315,961                 |
| Accumulated Surplus                 | 4,528,666,362                                      | 10,791,241                  | 4,539,457,603             |
|                                     | -                                                  | -                           | -                         |
| Statement of Financial Performance  | Amount as previously disclosed in 2019             | Prior Year error adjustment | Restated Amount 2019      |
| Finance Cost                        | (71,212,326)                                       | (1,158,285)                 | (72,370,611)              |
| Deficit for the year                | (61,075,373)                                       | (1,158,285)                 | (62,233,658)              |
|                                     | -                                                  | -                           | -                         |

#### Prior to prior year adjustments :

##### 1: HAMBROS Loan

|                                   |              |
|-----------------------------------|--------------|
| Decrease in Financial Liabilities | (11,190,175) |
| Increase in Accumulated Surplus   | 11,190,175   |

The HAMBROS Loan which is held at amortised cost was previously reported at the maturity value of R/E 375,000,000. The error related to the discount on the notes issued at inception not being taken into account. The notes were issued at a discount of 9.08%. The correction brings the discount into effect by adjusting the carrying value of the liability.

|                                         |             |
|-----------------------------------------|-------------|
| Increase in Finance Cost                | (1,158,285) |
| Increase in other financial liabilities | 1,158,285   |

The comparative year movement for the HAMBROS loan restatement increasing the finance costs and also increasing the financial liabilities as per the amortisation schedule for the HAMBROS loan.

##### 2: Designated Funds

|                                 |           |
|---------------------------------|-----------|
| Increase in Designated Fund     | 807,009   |
| Decrease in Accumulated Surplus | (807,009) |

A fund under the control of the Parties but managed by KOBWA was previously and incorrectly included in the accumulated surplus. This adjustment recognises the liability on the balance sheet.

##### 3: Payables from Exchange Transactions

|                                 |             |
|---------------------------------|-------------|
| Decrease in payables            | (1,566,360) |
| Increase in Accumulated Surplus | 1,566,360   |

Under IFRS, Income relating to grant assets was recognised as deferred income (liability) and under GRAP Income relating to grant assets is recognised as revenue on meeting the condition. During the transition from IFRS to GRAP the balance of the deferred income should have been classified as Accumulated surplus, however, the journal was incorrectly posted to Account payable instead of the Accumulated Surplus.

# Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2020

## Notes to the Annual Financial Statements

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### 32. Commitments

|                                             | 2020.            | 2019     |
|---------------------------------------------|------------------|----------|
| Already contracted for but not provided for |                  |          |
| Property, Plant, and Equipment              | 1,358,302        | -        |
| Intangible Assets                           | 60,800           | -        |
| Total capital commitments                   | 1,419,102        | -        |
| Authorised Operational expenditure          | 1,487,242        | -        |
| <b>Total Commitments</b>                    | <b>2,906,344</b> | <b>-</b> |

### 33. Risk management

#### Financial risk management

The entity's activities expose it to a few financial risks which include credit risk, currency risk, and liquidity risk.

The entity's overall risk management program focuses on the unpredictability of money markets and seeks to minimise potential adverse effects on the entity's cashflow position. The Board of directors through the budgeting and other policies approve policies and procedures 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 the Parties following submission and approval of budget as well as reminder letters in respect of such budget. As enshrined by the Treaty, it also includes the availability of surplus funds or access to short term credit facilities to mitigate for late payment of 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.

# Komati Basin Water Authority

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|-----------------|------|------|

### 33. Risk management (continued)

#### Credit risk

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

#### Currency Risk

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

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

| Financial instrument                       | 2020        | 2019        |
|--------------------------------------------|-------------|-------------|
| Grant Guaranteed Income Receivables        | 356,922,305 | 481,212,763 |
| Standard Bank Call account - RSA           | 83,128,686  | 16,027,595  |
| Standard Bank Current Accounts - RSA       | 2,144,365   | 18,707,995  |
| Standard Bank Current Accounts - KoE       | 984,320     | 873,533     |
| Petty Cash                                 | 17,500      | 17,500      |
| Receivables from exchange transactions     | 1,563,181   | 1,514,691   |
| Receivables from non-exchange transactions | 1,620,512   | 34,712,476  |

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

### 34. 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.

# Komati Basin Water Authority

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### 34. Going concern (continued)

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.

The emergence of Covid-19 has impacted it like any other entities but mostly in terms of business operations, and some processes. These however do not affect the viability of KOBWA as this is enshrined in the KOBWA Treaty which is a bilateral agreement creating obligations between the parties. As such, KOBWA Board assessed and is satisfied that Covid-19 does not pose a risk to KOBWA being a going concern. The business processes and operational matters have been reviewed and KOBWA has the capacity and resources to handle the challenges and adapt to the new operating norms.

The directors have reviewed the KOBWA's cash flow forecast for the year to 31 March 2021 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 approved budget for KOBWA for financial year 2020/21 is R/E 266,516,567. R/E 111,999,604 has been received in respect of the budget and the bank balance at the time of reporting was R/E 158,568,771. Therefore this gives the Board comfort and assurance that KOBWA has enough resources to cover expected expenditure for the next 12 months. The Board is also satisfied that the Covid-19 pandemic does not affect the going concern aspect of the business nor the level of its operations. The effects will mainly be on operational and business processes which KOBWA has the capacity and resources to handle the operational changes, make necessary changes to the business processes and adapt to the new norms of conducting business.

There has been no change to the approved budget by the Parties since approval in Feb 2020. The RSA Government raised a supplementary budget in June 2020 the outcome of which re-confirmed the KOBWA 2020/21 approved budget. Eswatini did not inform KOBWA of any changes to the approved budget.

### 35. 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. Covid-19 outbreak happened before the reporting date and its further effects are assessed not to have reportable effects for KOBWA in the financial year 2019/20.