



Komati Basin Water Authority
Annual Financial Statements
for the year ended 31 March 2021

Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2021

General Information

Country of incorporation and domicile	Republic of South Africa and the Kingdom of Eswatini	
Legal form of entity	Bilateral organisation formed in 1992 through a Treaty between the Government of the Republic of South Africa and the Kingdom of Eswatini.	
Members	Ms E Magagula Mr B Singwane Mr A Thobejane Mr L Mzizi Ms N Mabuza Mr C Zwane Mr C Matambo	Chairperson Vice Chairpeson HRRC Chairperson from 20/01/2021 Chairperson: Finance Risk & Audit Committe from 20/01/2021 Chief Executive Officer Finance Director (Deceased)
Bankers	Standard Bank Republic of South Africa and the Kingdom of Eswatini	
Auditors	PricewaterhouseCoopers Inc Chartered Accountants (S.A.) Registered Auditors	
Secretary	Mr M Simelane	
Preparer	The annual financial statements were internally compiled by: Financial Accountant (Futhi Kunene) Supervisor: Chief Executive Officer (Collin Zwane)	

Komati Basin Water Authority

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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

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Board's Responsibilities and Approval

The Directors are required to maintain adequate accounting records and are responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is their responsibility to ensure that the Annual Financial Statements fairly present the state of affairs of 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 judgments and estimates.

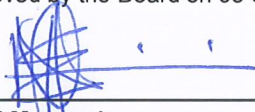
The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by KOBWA and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board sets standards for internal 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 2022 and, in the light of this review and the current financial position, they are satisfied that KOBWA had or has access to adequate resources to continue in operational existence for the foreseeable future. The 2021/22 budget was approved and the first tranche has been received. 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 after a continued assessment that the Covid-19 pandemic does not affect the going concern aspect of the business nor the level of its operations. The effects have been operational but the BOARD is of the view that while the organisation continues to learn, it has so far learnt enough to adapt to operating conditions under Covid-19 and is able to conduct operations according to the new norm without unreasonable exposure to employees.

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 pages 8-13.

The Annual Financial Statements set out on pages 14-53 which have been prepared on the going concern basis, were approved by the Board on 03 September 2021 and were signed on its behalf by:



Ms E Magagula
Board Chairperson

Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2021

Audit Committee Report

We are pleased to present our report for the financial year ended 31 March 2021.

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
Ms Nelisiwe Mabuza	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 KOBWA over financial and risk management across the organisation is effective, efficient and transparent. The requirements of the Treaty and the Delegation of Authority continue to be complied with and the Board also continues to subscribe to the King IV Report on Corporate Governance requirements. The Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective.

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

The Board considered the audit firm PricewaterhouseCoopers Inc, (PwC) and the audit partner (Mr Schalk Barnard) in terms of registration as required by the JSE 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 and that they are suitable to audit KOBWA Annual Financial Statements.

Evaluation of Annual Financial Statements

The Audit Committee reviewed the Annual Financial Statements and recommended to the Board for approval.

Internal audit

The Finance Risk and Audit Committee is satisfied that the internal audit function is operating effectively and that it continues to address the risks pertinent to the entity and its audits.

Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2021

Audit Committee Report

External Auditor

The Finance, Risk and Audit Committee nominated PricewaterhouseCoopers Inc, as the independent auditor and Schalk Barnard as the designated partner, who is a registered independent auditor for the 2020/21 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 was satisfied that the pandemic would not have an adverse effect on the going concern aspect of the business nor the level of its operations. The effects were seen to be on operational and business processes which KOBWA has the capacity and resources to handle.

The BOARD assessed the status in terms of the containment of the pandemic by both Parties and the risk was seen to have substantially reduced and business operations could continue as normal under the new norm. The BOARD is further satisfied that going forward KOBWA has the capacity to handle any negative impact of Covid-19 and mechanisms to adapt or make relevant changes should the pandemic escalate.

KOBWA continues to enjoy the support of the Parties who regard KOBWA as an important organisation in trans-boundary water resources management. Despite the progress slow down due to Covid-19 the Treaty review is progressing and the Parties continue to honour their obligations in terms of the budgets under the current Treaty. The 2021/22 budget was approved and the first tranche has been received, therefore this gives the BOARD comfort and assurance that KOBWA has enough resources to cover expected expenditure for the next 12 months.



Ms Nelisiwe Mabuza
Chairperson of the Finance, Risk and Audit Committee

Date: 3/09/21

Komati Basin Water Authority

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Directors' Report

The directors have pleasure in submitting their report for the Komati Basin Water Authority for the year ended 31 March 2021.

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, financial 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 2021/22.

In light of the above and to the best knowledge of the Directors, there is no known reason which may negatively impact the continued existence of KOBWA. 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 the Covid-19 pandemic, KOBWA made a detailed assessment of the effects specifically in light of whether Covid-19 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 Covid-19 pandemic does not affect the going concern aspect of the business nor the level of its operations.

The BOARD has continued to assess the situation for any changes that might require a review of the situation and at the time of reporting are satisfied that no such changes have happened. The 2021/22 budget was approved and the first tranche has been received, 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.

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. The 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 2020/21.

5. Directors

The Directors of KOBWA during the year 2020/21 and to the date of this report are as follows:

Name	Nationality	Designation
Ms E Magagula	Eswatini	Chairperson - Non Executive
Mr B Singwane	South Africa	Vice Chairperson - Non Executive
Mr A Thobejane	South Africa	Non - Executive
Mr L Mzizi	Eswatini	Non - Executive (Chair HRRC)

Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2021

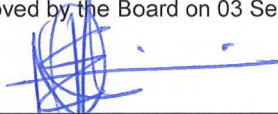
Directors' Report

Dr T Gyedu-Ababio	South Africa	Non - Executive (Chair FRAC) (Resigned 20 January 2021)
Ms N Mabuza	Eswatini	Non - Executive (FRAC Chair from 20 January 2021)
Mr C Zwane	South Africa	Ex Officio (CEO)
Mr C Matambo	South Africa	Finance Director (Deceased)

6. Secretary

The Company Secretary of KOBWA is Mr M Simelane.

The Annual Financial Statements set out on pages 14-53, which have been prepared on the going concern basis, were approved by the Board on 03 September 2021 and were signed on its behalf by:



Ms E Magagula
Board Chairperson



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 2021, 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 Finances Management Act in South Africa.

What we have audited

Komati Basin Water Authority's financial statements set out on pages 14 to 52 comprise:

- the statement of financial position as at 31 March 2021;
- 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 Authority in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with

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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.



other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

Our audit approach

Overview

Overall materiality

- Overall materiality: R1,454,910 which represents 1% of total expenses.

Key audit matters

- Excess funding received from the Government of the Republic of South Africa

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	R1,454,910
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.

pwc

How we tailored our audit scope

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

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

Excess funding received from the Government of the Republic of South Africa

KOBWA was established as a bi-national authority in terms of the Komati Treaty in 1992.

KOBWA's mandate under the Komati Treaty is the 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, which includes capital, maintenance and debt funding.

In accordance with the Treaty, KOBWA submits its annual operational cash flow budget to the Joint Water Commission (as representative of the Parties) for approval. This budget includes the operational, maintenance as well as capital expenditure which includes debt repayment requirements, for the ensuing year.

Once approved, the Parties pay KOBWA the funds in tranches during the financial year.

The Government of the Republic of South Africa ("RSA") has paid KOBWA an amount of R16,612,145 in the 2020 financial year and R172,260,407 in the current financial year, in excess of its cash flow requirements. In addition to this, interest of R3,364,739 was earned on the invested excess funds.

The total of R188,872,552 and the interest earned of R3,364,739 (in total R192,237,291) have been approved by the JWC to be set aside and utilised for specific projects. Specifically, R20,119,711 has been set aside for specific projects at Driekoppies Dam and the balance of R172,117,580 set aside in a sinking fund for the payment of the RSA portion of the HAMBROS loan

We considered the terms and conditions of the Komati Treaty in so far it relates to the Parties' legal obligations to fund the operations of KOBWA and noted that the Komati Treaty require KOBWA to submit an annual short term cash flow budget to the Joint Water Commission for the reimbursement of capital as well as operational and maintenance costs for the ensuing year. Capital costs, as defined in the Treaty includes, amongst others financing costs. Annual financing costs include the servicing of loans and includes both interest and capital repayments, as and when due according to the terms of the respective loan agreements.

A total amount of R188,872,552 was received by KOBWA up to and as at 31 March 2021 from the Government of the Republic of South Africa, in excess of its annual cash flow budget requirements. R3,364,739 interest was earned on these excess funds.

We inspected the approved budget of the Department of Water and Sanitation of the Republic of South Africa, and noted that KOBWA was allocated R233,093,000 for the 2021 financial year. This was R172,260,407 in excess of its 2021 cash flow requirement.

We vouched the receipt of the total funds of R233,093,000 to bank statements and independently confirmed the year end bank balances with the KOBWA's respective banking institutions and noted no exceptions.

We inspected resolution number 615 of the Joint Water Commission approving that R20,119,711 be

balloon payment in 2027. The latter was approved by the South African National Treasury department.

The R172,117,580 has been recorded as a reduction to the Guaranteed Grant Income receivable and an increase to non-current asset (note 6) on the balance sheet.

KOBWA's additional funding received from the Parties over and above its annual cash flow requirements was considered to be a matter of most significance to our audit of the financial statements due to the degree of significance and materiality of the amount.

utilised for the specific projects at Driekoppies Dam and that the balance of the excess funds, R172,117,580 be put in a sinking fund towards the payment of the RSA portion of the HAMBROS loan balloon payment in 2027. We inspected the correspondence received from the National Treasury approving the establishment of a sinking fund for the excess funds specifically for the redemption of the Hambros Loan in 2027. We noted no matters for further consideration in this regard.

We agreed the amount of R172,114,580 to the general ledger and also to note 6 in the financial statements with no exceptions noted.

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, 2021", which we obtained prior to the date of this auditor's report, and the other sections of the document titled "Komati Basin Water Authority 2020/2021 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 the 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Authority to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

plc



Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Komati Basin Water Authority for 5 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: Schalk Barnard

Registered Auditor

Nelspruit

3 September 2021

Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2021

Statement of Financial Position as at 31 March 2021

Figures in Rand/Emalangen	Note(s)	2021	2020
Assets			
Current Assets			
Guaranteed grant income receivables	7	50,625,000	50,625,000
Receivables from exchange transactions	10	1,686,559	1,563,181
Receivables from non-exchange transactions	11	-	1,620,512
VAT receivable	12	1,021,810	807,675
Prepayments	9	202,875	310,563
Cash and cash equivalents	13	89,147,489	87,051,871
		142,683,733	141,978,802
Non-Current Assets			
Investment property	3	12,357,756	12,860,182
Property, plant and equipment	4	4,379,388,438	4,430,770,783
Intangible assets	5	2,252,865	1,631,650
Fixed Deposit - Hambros Loan Sinking Fund	6	172,117,580	-
Guaranteed grant income receivables	7	298,253,864	306,297,305
		4,864,370,503	4,751,559,920
Total Assets		5,007,054,236	4,893,538,722
Liabilities			
Current Liabilities			
Designated Project Funds	8	29,059,537	7,338,286
Payables from exchange transactions	18	1,862,657	2,644,364
Payables from non-exchange transactions	19	8,969,034	12,157,355
Unspent Conditional Grant	15	1,139,805	18,890,972
Provisions	17	653,444	610,771
Accruals		307,758	377,375
		41,992,235	42,019,123
Non-Current Liabilities			
Financial liabilities at amortised cost	16	367,295,737	366,130,077
Total Liabilities		409,287,972	408,149,200
Net Assets		4,597,766,264	4,485,389,522
Reserves			
Maintenance Reserves	14	5,532,330	5,532,330
Accumulated surplus		4,592,233,934	4,479,857,192
Total Net Assets		4,597,766,264	4,485,389,522

* See Note

Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2021

Statement of Financial Performance

Figures in Rand/Emalangen	Note(s)	2021	2020
Revenue			
Revenue from non-exchange transactions			
Conditional Grant Income	20	43,168,642	44,749,202
Finance Income	7	214,699,139	51,092,862
Total revenue from non-exchange transactions		257,867,781	95,842,064
Expenditure			
Employee related costs	21	(20,526,801)	(19,056,950)
Depreciation and amortisation	22	(54,706,030)	(54,387,422)
Finance costs	23	(51,802,563)	(59,965,106)
Bad debts written off		-	(196)
Operating and administration Expenses	24	(18,455,641)	(22,032,801)
Total expenditure		(145,491,035)	(155,442,475)
Surplus (deficit) for the year		112,376,746	(59,600,411)

* See Note

Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2021

Statement of Changes in Net Assets

Figures in Rand	Maintenance Reserves	Accumulated surplus	Total net assets
Balance at 01 April 2019	5,532,330	4,539,457,603	4,544,989,933
Changes in net assets			
Deficit for the year	-	(59,600,411)	(59,600,411)
Total changes	-	(59,600,411)	(59,600,411)
Balance at 01 April 2020	5,532,330	4,479,857,188	4,485,389,518
Changes in net assets			
Surplus for the year	-	112,376,746	112,376,746
Total changes	-	112,376,746	112,376,746
Balance at 31 March 2021	5,532,330	4,592,233,934	4,597,766,264
Note(s)	14		

* See Note

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Cash Flow Statement

Figures in Rand/Emalangeni	Note(s)	2021	2020
Cash flows from operating activities			
Receipts			
Grants		89,665,266	265,493,833
Payments			
Employee costs		(20,469,106)	(19,056,950)
Suppliers		(13,100,079)	(14,720,382)
Finance costs		(50,636,903)	(58,803,534)
		(84,206,088)	(92,580,866)
Net cash flows from operating activities	11&26	5,459,178	172,912,967
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(2,786,976)	(2,502,642)
Purchase of other intangible assets	5	(719,411)	(1,639,759)
Fixed deposit		(172,117,580)	-
Net cash flows from investing activities		(175,623,967)	(4,142,402)
Cash flows from financing activities			
Repayment of other financial liabilities		-	(117,345,317)
Government funding received in advance	8	172,260,407	-
Net cash flows from financing activities		172,260,407	(117,345,317)
Net increase in cash and cash equivalents		2,095,618	51,425,248
Cash and cash equivalents at the beginning of the year		87,051,871	35,626,622
Cash and cash equivalents at the end of the year	13	89,147,489	87,051,870

* See Note

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Accounting Policies

1. Presentation of Annual Financial Statements

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

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 2021/22. 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 was satisfied that the pandemic would not affect the going concern aspect of the business nor the level of its operations. The BOARD in the current year re-assessed the position in respect of the same and are satisfied that the situation has not changed negatively to affect the continued existence or operations of the entity.

The Parties continue to honour their bi-lateral obligation and have continued to make commitments for the continued funding of KOBWA. The 2021/22 budget was approved and the first tranche has been received therefore this gives the BOARD comfort and assurance that KOBWA has enough resources to cover expected expenditure for the next 12 months.

1.3 Materiality

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

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government 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.

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.

Komati Basin Water Authority

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Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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 assets management and disposal policies for the different asset classes. Individual assets within these classes which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of the normal replacement parameters.

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

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 assessment 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. In terms of GRAP, KOBWA is satisfied that no changes are anticipated which will require disclosure in the financial year 2020/21.

The Parties have not curtailed the budgets for KOBWA for current or next financial year and the financial year 2021/22. The 2021/22 budget was approved and the first tranche has been received, therefore this gives the BOARD comfort and assurance that KOBWA has enough resources to cover expected expenditure for the next 12 months

In KOBWA's assessment, the Covid-19 impact was seen not to have a reportable items in the AFS. Continued assessments have shown that no changes have taken place which would require business or operational changes nor affect the continuity of KOBWA as a going concern.

Komati Basin Water Authority

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Accounting Policies

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 or through its operations manual or assets verification process whether there is an indication that the value of the assets may be impaired since the last reporting date. Impairment, therefore, reflects a decline in the utility of an asset to KOBWA. In so doing KOBWA looks at the indications of impairment as stipulated by the standard and in terms of general understanding of asset usage and maintenance plan.

An asset is impaired when the carrying amount of the asset exceeds its recoverable service 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 12&17 - 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.

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Accounting Policies

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:

Item	Depreciation method	Percentage
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Accounting Policies

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.

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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 Guaranteed Grant 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:

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Accounting Policies

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 counterpart 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

Grant Guaranteed Income Receivable
Cash and cash equivalent
Receivable from exchange transactions
Receivables from non-exchange transactions

Category

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

Financial Liabilities

KOBWA upon assessment 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

HAMBROS Bond Notes
NEDCOR Loan
RMB Loan
DBSA Loan

Category

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

Initial recognition

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

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Accounting Policies

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.

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Accounting Policies

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 Statutory receivables

Identification

Komati Basin Water Authority

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Accounting Policies

1.11 Statutory receivables (continued)

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

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

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

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

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The entity recognises statutory receivables as follows:

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

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Impairment losses

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

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

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

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

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Accounting Policies

1.11 Statutory receivables (continued)

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

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

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

Derecognition

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

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

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

1.12 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

Komati Basin Water Authority

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Accounting Policies

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

Useful life is either:

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

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

Identification

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

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

Value in use

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

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 2021

Accounting Policies

1.13 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.

1.14 Employee benefits

Short-term employee benefits

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

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

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

1.15 Provisions and contingencies

Provisions are recognised when:

- 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 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.

1.16 Revenue from exchange transactions

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

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

Komati Basin Water Authority

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Accounting Policies

1.16 Revenue from exchange transactions (continued)

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.

1.17 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.

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

Control of an asset arise when 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 and only recognised as revenue when they are actually spent on the specified project.

Measurement

Revenue from a non-exchange transaction is measured as 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.

1.18 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.

Komati Basin Water Authority

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Accounting Policies

1.18 Borrowing costs (continued)

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.

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

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

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

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

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

1.19 Segment information

A segment is an activity of an entity:

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

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

1.20 Budget information

In terms of 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 elects not to make budget disclosure in the financial statements.

1.21 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.

1.22 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.

1.23 Water in dams

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

Komati Basin Water Authority

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Figures in Rand/Emalangen

2021

2020

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	The impact is not material.
• GRAP 34: Separate Financial Statements	01 April 2020	The impact is not material.
• GRAP 35: Consolidated Financial Statements	01 April 2020	The standard is not applicable
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	The standard is not applicable
• GRAP 37: Joint Arrangements	01 April 2020	The standard is not applicable
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	The impact is not material.
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	The impact is not material.
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	The impact 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 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 Employee Benefits - Amended	01 April 2023	Unlikely there will be a material impact
• GRAP 104 Financial Instruments - Amended	01 April 2025	Unlikely there will be a material impact
• Guideline on The Application of Materiality to Financial Statements 2020	01 April 2023	Unlikely there will be a material impact

Komati Basin Water Authority

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3. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	14,869,885	(2,512,129)	12,357,756	14,869,885	(2,009,703)	12,860,182

Reconciliation of investment property - 2021

	Opening balance	Depreciation	Total
Investment property	12,860,182	(502,426)	12,357,756

Reconciliation of investment property - 2020

	Opening balance	Depreciation	Total
Investment property	13,362,608	(502,426)	12,860,182

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 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

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4. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	63,970,839	(10,570,073)	53,400,766	63,970,839	(8,444,350)	55,526,489
Furniture and fixtures	1,934,329	(1,222,376)	711,953	1,851,732	(1,089,261)	762,471
Motor vehicles	3,891,544	(2,956,966)	934,578	3,295,094	(2,468,744)	826,350
Office equipment	437,356	(387,755)	49,601	426,357	(369,919)	56,438
Computer Equipment	2,777,342	(2,128,637)	648,705	2,206,738	(1,735,838)	470,900
Mobile Units	792,964	(792,936)	28	792,964	(792,936)	28
Infrastructure	69,655,665	(20,864,816)	48,790,849	69,489,866	(16,532,524)	52,957,342
Dams and Weirs	4,474,825,171	(223,741,425)	4,251,083,746	4,474,825,171	(179,069,345)	4,295,755,826
Dam Equipment and Pipelines	28,950,715	(6,468,292)	22,482,423	27,969,830	(5,174,633)	22,795,197
Sundry Equipment	7,575,174	(6,403,885)	1,171,289	7,259,442	(5,804,955)	1,454,487
Implements	1,190,924	(1,076,424)	114,500	1,190,924	(1,025,669)	165,255
Total	4,656,002,023	(276,613,585)	4,379,388,438	4,653,278,957	(222,508,174)	4,430,770,783

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Depreciation	Total
Buildings	55,526,489	-	(2,125,723)	53,400,766
Furniture and fixtures	762,471	82,597	(133,115)	711,953
Motor vehicles	826,350	596,450	(488,222)	934,578
Office equipment	56,438	10,999	(17,836)	49,601
Computer Equipment	470,900	570,604	(392,799)	648,705
Mobile Units	28	-	-	28
Infrastructure	52,957,342	165,799	(4,332,292)	48,790,849
Dams and Weirs	4,295,755,826	-	(44,672,080)	4,251,083,746
Dam Equipment and Pipelines	22,795,197	980,885	(1,293,659)	22,482,423
Sundry Equipment	1,454,487	315,732	(598,930)	1,171,289
Implements	165,255	-	(50,755)	114,500
	4,430,770,783	2,723,066	(54,105,411)	4,379,388,438

Komati Basin Water Authority

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Depreciation	Total
Buildings	57,652,211	-	(2,125,722)	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	(4,196,300)	52,957,342
Dams and Weirs	4,340,519,952	-	(44,764,126)	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
	4,482,145,022	2,502,642	(53,876,881)	4,430,770,783

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	4,172,822	4,623,541
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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.

Komati Basin Water Authority

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5. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2,534,429	(281,564)	2,252,865	1,815,011	(183,361)	1,631,650

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software	1,631,650	719,418	(98,203)	2,252,865

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software	7	1,639,759	(8,116)	1,631,650

Other information

KOBWA commenced implementation projects for key software that was allocated and committed in the FY2018/19 to the value of R/E 3 million. However due to the Covid-19 pandemic, implementation was delayed but most of the work has been done in the FY 2020/21. No new commitments have been made in the past FY2019/20 or current FY2020/21.

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

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6. Fixed Deposit - Hambros Loan Sinking Fund		
Hambros Sinking Fund		
Standard Bank Money Market	172,117,580	-

These funds have been earmarked for the redemption of the Hambros Loan in 2027, and cannot be used for any other purpose without approval from RSA Treasury. It has been deposited in a fixed deposit account and will be utilised for the repayment of the Hambros loan in 2027. As such it is classified as non-current asset.

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Designated at amortised cost

Non-current assets

Current assets

20212020

8. Designated Project Funds

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's 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, revenue is recognised and funds are moved from designated funds as they meet the definition.

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8. Designated Project Funds (continued)		
Reconciliation: Designated Project Funds		
Opening Balance	7,338,285	9,756,739
Additions	23,135,222	-
Condition met transferred to Revenue	(1,413,970)	(2,418,454)
Closing Balance	29,059,537	7,338,285
Designated Fund Breakdown		
Driekoppies Projects	20,119,711	-
DWS Projects	3,794,517	3,794,517
LMPC	503,016	661,585
Recapitalisation Project	130,172	130,172
JWC Projects	4,512,121	2,752,011
	29,059,537	7,338,285

9. 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	2021	2020
Prepayments	202,875	310,563

10. Receivables from exchange transactions

Debtors	214,770	163,695
Employee costs in advance	331,188	230,364
Deposits	1,140,601	1,169,122
	1,686,559	1,563,181

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 and R/E 28,519 relates to Eswatini Electricity. 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 R/E 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.

11. Receivables from non-exchange transactions

Kingdom of Eswatini	-	1,620,512
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The Balance represents grant receivable not yet paid by the Parties at the reporting date. The Parties have a bi-lateral agreement through the Treaty which is open ended. In the current year, Parties have paid up and cleared the outstanding funds from previous year. Previously the Parties have always paid up the outstanding amounts. Generally there is no a credit risk as the Parties have always honoured the provisions of the Treaty.

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Figures in Rand	2021	2020
11. Receivables from non-exchange transactions (continued)		
Parties receivables reconciliation		
Opening Balance	1,620,512	34,712,476
Operational Budget	94,256,160	235,626,934
Additional Funding	172,260,407	-
Payment Received Operationsl Budget	(89,665,266)	(265,493,833)
Payment Received Additional Funding	(172,260,407)	-
From prior years' unspent grant	(6,211,406)	(3,225,065)
	-	1,620,512

12. VAT receivable

VAT	2,621,790	2,407,655
Provision for impairment	(1,599,980)	(1,599,980)
	1,021,810	807,675

Included in this balance is an amount equal to R/E 1 599 980 (2020: R/E 1 599 980) 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 in the prior financial year 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. In the current financial year, there has been no movement and the outstanding amount are still being processed by SARS.

Impairment Provision Reconciliation

Opening Balance	1,599,980	1,849,390
Utilised	-	(249,410)
	1,599,980	1,599,980

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	17,500	17,500
Bank balances	3,199,842	3,128,686
Short-term deposits	85,930,147	83,905,685
	89,147,489	87,051,871

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 or any approved investments for the purposes of bearing interest.

Komati Basin Water Authority

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14. 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

Maintenance Reserve	5,532,330	5,532,330
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15. 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.

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Unspent grants	1,139,805	18,890,972
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Movement during the year

Balance at the beginning of the year	18,890,972	4,480,962
Additions - Approved Operational Budget	94,256,160	232,401,562
Additional Funds	172,260,407	-
Utilised - Revenue recognised	(41,754,673)	(42,608,232)
Utilised - Hambros Redemption Fund & Other	(172,260,407)	-
Utilised - Guaranteed income	(50,625,000)	(175,383,320)
Utilised - Designated Fund	(19,627,654)	-
	1,139,805	18,890,972

16. Other financial liabilities

At amortised cost

HAMBROS Bank Limited Loan	367,295,737	366,130,077
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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

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Figures in Rand	2021	2020
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16. Other financial liabilities (continued)

Non-current liabilities

At amortised cost	367,295,737	366,130,077
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17. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Total
13TH Cheque	262,879	290,034	(262,879)	290,034
Leave Pay	347,892	363,410	(347,892)	363,410
	610,771	653,444	(610,771)	653,444

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
	550,857	610,771	(550,857)	610,771

18. Payables from exchange transactions

Payables	1,786,948	2,643,660
Employee related payables	75,709	704
	1,862,657	2,644,364

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 Parties. 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, draw downs made and therefore the funds are accounted for to the specific Party.

Reconciliation of Government Payables

Opening Balance	12,157,356	6,393,931
Additions during the year	3,023,084	5,763,425
Approved and Allocated by Parties	(6,211,406)	-
	8,969,034	12,157,356
Bank Interest	6,171,847	5,983,305
Rental Payable to Governments	1,785,444	5,316,220
Gate Entrance fees Payable to Governments	667,450	667,450
Other Government Payables	344,293	190,380
	8,969,034	12,157,355

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Figures in Rand	2021	2020
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20. Government grants and subsidies

	43,168,642	44,749,202
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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 Grant Guaranteed receivable income in the Statement of Financial Position.

Conditional Grant Income

Conditional Operation grants received - RSA	31,282,427	32,099,787
Conditional Operational grant received - SD	10,472,246	10,508,445
Other Income	1,413,970	2,140,970
	43,168,643	44,749,202

Other income R/E 1,413,970 (FY2020: 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

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Figures in Rand	2021	2020
21. Employee related costs		
Basic	20,360,200	18,896,338
Bonus	-	100,445
Staff Workman's Compensation	118,666	3,489
Skills Development Levy	47,934	56,678
	20,526,800	19,056,950
Key Management Employees		
Chief executive officer		
Basic Salary	1,243,030	1,316,441
Long Service Award	10,000	-
Contributions to UIF, Medical and Pension Funds	311,352	237,941
	1,564,382	1,554,382
Finance Director (Deceased)		
Basic Salary	843,931	879,743
Acting Allowance	19,343	-
Contributions to UIF, Medical and Pension Funds	154,380	106,730
	1,017,654	986,473
Director Operations		
Basic Salary	842,388	836,969
Long service award	-	5,000
Contributions to UIF, Medical and Pension Funds	155,923	149,504
	998,311	991,473
Director Corporate Services		
Annual Remuneration	830,986	868,637
Contributions to UIF, Medical and Pension Funds	167,325	117,836
	998,311	986,473
22. Depreciation and amortisation		
Description		
Depreciation Property Plant & Equipment	54,105,408	53,876,880
Depreciation Investment Property	502,426	502,426
Amortisation Software	98,196	8,116
	54,706,030	54,387,422
23. Finance costs		
Non-current borrowings	51,790,660	59,962,714
Other interest paid	11,903	2,392
	51,802,563	59,965,106

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
23. Finance costs (continued)		
Reconciliation of Finance Cost from non-current borrowings		
HAMBROS Loan	51,790,660	51,786,660
Development Bank of South Africa	-	6,329,098
Rand Merchant Bank	-	958,208
Nedbank	-	888,747
	51,790,660	59,962,713
24. Operating and administration expenses		
ISO Certification	101,105	128,526
Advertising, Marketing and Publicity	1,117,841	877,291
Assessment rates & municipal charges	354,601	1,023,313
Auditors remuneration	390,500	471,595
Bank charges	114,418	173,373
Computer expenses	754,469	422,954
Consulting and professional fees	63,100	31,299
Corporate Social Responsibility	391,393	715,506
Entertainment	48,784	6,646
Loans Management Costs	95,062	134,939
Office Maintenance Costs	1,059,178	1,045,258
Insurance Costs	1,032,330	1,179,128
Consulting Costs	88,944	266,303
Vehicle Costs - Repairs and Maintenance	-	297,018
Vehicle Costs - Other	1,001,879	1,188,628
Travel Costs	287,528	391,677
Honorarium	49,000	91,500
Staff Recruitment Costs	38,425	355,830
Postage and courier	6,505	20,344
Printing and stationery	186,636	229,822
Protective clothing	325,684	319,634
Secretarial fees	246,900	261,184
Security (Guarding of property)	2,251,873	2,248,253
Staff welfare	257,204	308,359
Subscriptions and membership fees	101,794	101,701
Telephone and fax	1,187,569	1,198,589
Training	386,977	1,246,702
Dams Ops & Maintenance	65,652	109,044
Communication - Dam Management	342,753	142,672
Electricity	974,229	909,065
Treaty review costs	15,281	135,734
LMPC Allowance	158,570	161,545
Dam Maintenance General	724,056	550,668
Dam Structure Maintenance	1,708,045	2,030,319
Dam enclosure - fencing	11,131	20,414
Tractors and trailers maintenance	54,469	45,350
Generators and other equipment	262,963	374,624
Information centre management	317,825	275,548
Boats and trailers	47,060	64,872
Motorbikes maintenance	3,300	8,135
KOBWA houses maintenance	645,171	537,749
Water quality and dam risk management	1,182,287	1,929,440
Projects Other costs	3,150	2,250
	18,455,641	22,032,801

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Figures in Rand	2021	2020
25. Taxation		
Major components of the tax expense		
No provision for income taxation is made as Komati Basin Water Authority is exempt from income tax in both South Africa and Eswatini.		
26. Cash generated from operations		
Surplus (deficit)	112,376,746	(59,600,411)
Adjustments for:		
Depreciation and amortisation	54,706,030	54,387,422
Finance Income	(52,432,503)	(51,092,862)
Finance costs - amortised interest cost	-	1,161,767
Bad debts written off	-	196
Movements in provisions	42,673	59,914
Amortisation Interest	1,165,660	-
Changes in working capital:		
Receivables from exchange transactions	(127,002)	(48,680)
Receivables from non-exchange transactions	1,620,512	33,091,964
Prepayments	107,688	(60,244)
Payables from exchange transactions	(672,032)	1,328,407
VAT	(214,135)	687,163
Payables from non-exchange transactions	(176,417)	3,344,971
Unspent Conditional Grant	(17,751,167)	14,410,010
Guaranteed grant income	50,625,000	175,383,320
Accruals	(69,618)	(139,970)
Designated Funds	(1,769,520)	-
	5,459,178	172,912,967

27. Contingent Liabilities

1. 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.
2. KOBWA is opposing a matter where the claimant is making a claim of R/E 150 000 against KOBWA. There is a high possibility of the matter being dismissed since a similar matter was previously dismissed by the court.
3. A Service provider has a claim of unfair termination of contract to the tune of R/E 4,717,000. KOBWA is defending the claim since all pre-termination notices were given to the contractor and they failed to produce statutory documentation required for them to carry out business with KOBWA as per the contract agreement. KOBWA has declined out of court settlement advances by the contractor's lawyers and should the matter proceed to trial, it is estimated that settlement or costs will not exceed R/E 100,000.

Komati Basin Water Authority

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Notes to the Annual Financial Statements

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28. Related parties		
Relationships		
Directors of KOBWA	Refer to note 29	
Government of South Africa		
Kingdom of Eswatini		
Key management and employees	Refer to employee related costs note 21	
Related party transactions		
Revenue		
Conditional operational grant Income for the year	41,754,673	44,749,202
Grant receivable for loan repayment	50,625,000	175,383,320
Refer to note 20 for a reconciliation of total actual grants received for the year.		
Compensation to key Management		
Compensation to key Management	4,578,658	4,518,801
Refer to note 21 for detailed breakdown.		
Related party balances		
Grants receivable at year end		
Grants receivable at year end	-	1,620,512
Refer to note 10 for detailed breakdown.		
Designated project funds		
Designated project Funds	29,059,537	7,338,285
Refer to note 7 for breakdown.		
Loans to employees		
Loans to employees	331,189	230,364
Unspent grants		
Unspent grants	1,139,804	18,890,972
Refer to note 14 for detailed breakdown and reconciliation.		
Payables from non exchange transactions		
Interest Payable	6,171,847	5,983,305
Rental Payable	1,785,444	5,316,220
Gate entrance fees payable	667,450	667,450
Other Parties payable	344,293	190,381
Refer to note 19 for breakdown		
Guaranteed grant income receivable		
Guaranteed grant income receivable - non current	298,253,864	306,297,305
Guaranteed grant income receivable - current	50,625,000	50,625,000
Refer to note 6 for breakdown		
Fixed Deposit - Hambros Sinking Fund		
Standard Bank Money Market	172,117,580	-
Compensation to directors		

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28. Related parties (continued)

Directors fees	358,446	512,734
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For detailed disclosure refer to note 29

29. Directors' emoluments

Non-executive

2021

	Directors' fees	Subsistence and travel	Total
Ms E Magagula	95,851	1,512	97,363
Mr B Singwane	20,726	-	20,726
Mr A Thobejane	86,451	-	86,451
Mr L Mzizi	60,461	1,164	61,625
Dr T Gyedu-Ababio	35,703	-	35,703
Ms N Mabuza	56,578	-	56,578
	355,770	2,676	358,446

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
	404,030	108,704	512,734

Company Secretary

2021

	Secretarial	Total
Mr M Simelane	246,900	246,900

2020

	Secretarial	Total
Mr M Simelane	211,366	211,366

30. Commitments

Already contracted for but not provided for

Property, Plant, and Equipment	1,728,307	1,358,302
Intangible Assets	-	60,800
Total capital commitments	1,728,307	1,419,102
Authorised Operational expenditure	1,569,621	1,487,242
Total Commitments	3,297,928	2,906,344

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31. Risk management

Financial risk management

KOBWA's activities expose it to a few financial risks which include credit risk, currency risk, interest rate risk and liquidity risk.

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

KOBWA's risk to liquidity is a result of the funds available to cover future commitments. The KOBWA 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.

Credit risk

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

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. KOBWA predominantly transacts in South African Rands and Eswatini Emalangeni which are pegged at the exchange rate of 1:1 and also are the currencies in which the grants are received. The percentage of procurement in 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 grant guaranteed receivables from the Parties. The utilisation of funds is regularly monitored based on the Parties meeting their obligations. Most of this is limited to delay in funding than actual non-payment and this is monitored through cash flow management. The timing of the payments of grants is managed through the risk register and financial reports to both Board and JWC.

Financial instrument

Grant Guaranteed Income Receivables	358,729,804	356,922,305
Standard Bank Call account - RSA	258,047,727	83,128,686
Standard Bank Current Accounts - RSA	1,681,067	2,144,365
Standard Bank Current Accounts - KoE	1,518,774	984,320
Petty Cash	17,500	17,500
Receivables from exchange transactions	1,686,560	1,563,181
Receivables from non-exchange transactions	-	1,620,512

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

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32. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Parties honor their commitment to the operations of KOBWA and have ensured contribution of their grants. The directors have satisfied themselves that KOBWA 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 KOBWA. 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 KOBWA. 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 has continued to assess the situation and is still 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.

KOBWA continues to enjoy the support of the Parties who regard KOBWA as an important organisation in the trans-boundary water resources management. Despite the progress slow down due to Covid-19 the Treaty review is progressing and the Parties continue to honour their obligations in terms of the budgets under the current Treaty. The 2021/22 budget was approved and the first tranche has been received, therefore this gives the BOARD comfort and assurance that KOBWA has enough resources to cover expected expenditure for the next 12 months.

33. 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, except for the additional funding of R/E 172,260,407 received from the government of South Africa for the payment of the HAMBROS loan in 2027.