



Komati Basin Water Authority
Annual Financial Statements
for the year ended 31 March 2022

Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2022

General Information

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

Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2022

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The reports and statements set out below comprise the annual financial statements presented to the stakeholders of KOBWA:

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Abbreviations used:

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

Komati Basin Water Authority

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

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

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

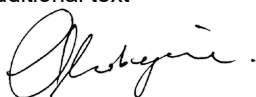
The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the AFS. However, any system of internal financial control can provide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

The Directors have reviewed KOBWA's cash flow forecast for the year to 31 March 2023 and, in the light of this review and the current financial position, they are satisfied that the KOBWA has or has access to adequate resources to continue in operational existence for the foreseeable future. The 2022/23 budget was approved and the first tranche has been received. This gives the Board comfort and assurance that KOBWA has sufficient financial resources to cover expected expenditure for the next 12 months. The Board is 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 independently auditing and reporting on KOBWA's AFS. The AFS have been examined by KOBWA's external auditors and their report is presented on page 6.

The AFS set out on pages 14 to 55, which have been prepared on the going concern basis, were approved by the Board and were signed on its behalf by:

Additional text



Mr. A. Thobejane
Board Chairperson

Date: 28/10/2022

Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2022

Finance, Risk & Audit Committee Report

We are pleased to present our report for the financial year ended 31 March 2022.

FRAC members and attendance

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

Name of member	Designation
Ms N Mabuza	Chairperson
Ms E Magagula	Member
Mr M Singwane	Member
Mr C Zwane	Ex-Officio Member

FRAC responsibility

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

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

The effectiveness of internal control

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

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

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

Evaluation of Annual Financial Statements

The FRAC reviewed the AFS and recommended to the Board for approval.

Internal audit

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

Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2022

Finance, Risk & Audit Committee Report

External Auditor

The FRAC nominated PricewaterhouseCoopers Inc as the independent auditor and Schalk Barnard as the designated partner, who is a registered independent auditor, for the 2021/22 audit. The committee satisfied itself through inquiry that the external auditors are independent as per the standards stipulated by the auditing profession.

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

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 2022/23 budget was approved and the first tranche has been received, therefore this gives the Board comfort and assurance that KOBWA has sufficient financial resources to cover expected expenditure for the next 12 months.



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

Date: _____

28/10/2022



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 ("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 2022, its financial performance and its cash flows for the year then ended in accordance with General Recognised Accounting Practice as issued by the Accounting Standards Board in terms of section 89 of the Public Finances Management Act in South Africa.

What we have audited

Komati Basin Water Authority's financial statements set out on pages 14 to 55 comprise:

- the statement of financial position as at 31 March 2022;
- 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 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).

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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.



Our audit approach

Overview

Overall materiality

- Overall materiality: R 1 498 736, 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.

<i>Overall materiality</i>	R 1 498 736
<i>How we determined it</i>	1% of total expenses
<i>Rationale for the materiality benchmark applied</i>	We have selected total expenses as our materiality benchmark because, in our view, it most appropriately reflects the operations of the Authority. It is a benchmark against which the performance of the Authority would be measured by users of the financial statements, given the fact that it is a non-profit-oriented entity. We chose 1% which is consistent with the quantitative materiality thresholds that we would typically apply when using this benchmark to compute materiality.



Key audit matters

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

Key Audit Matter	How the Key Audit Matter was addressed in our Audit
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, "JWC") for approval. This budget includes the operational, maintenance as well as capital expenditure which includes debt repayment requirements, for the ensuing year. Once approved, the Parties pay KOBWA the funds in tranches during the financial year. The Government of the Republic of South Africa ("RSA") has paid KOBWA an amount of R179,807,450 in the current financial year, in excess of its cash flow requirements. This brings the total excess additional funding including interest earned on these funds up to 31 March 2022 to R356,361,551. The Department of Water and Sanitation acknowledged in writing that they are aware of the excess funds and have given KOBWA specific instructions as to the purpose and allocation of these funds. Specifically, the funds are ring-fenced to settle the Hambros loan in	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 R 356,361,551 (including interest) received by KOBWA up to and as at 31 March 2022 from the Government of the Republic of South African, has been allocated to the Hambros Sinking Fund. This has been received in excess of its annual cash flow budget requirements. We inspected the approved budget of the Department of Water and Sanitation of the Republic of South Africa, and noted that KOBWA was allocated R 240,774,000 for the 2021/22 financial year, which includes the additional funding of R 179,807,450. We inspected KOBWA's approved budget for 2021/2022 financial year and noted a total budget amounting to R 96,130,415 was submitted and approved by the Joint Water Commission. The Joint Water Commission approved an additional amount of R184,834,450, subsequently adjusted to

2027 and to service the bi-annual interest payments under the terms of the Hambros loan. To this extent, the letter earmarked R225,000,000 to be allocated to the capital redemption of the Hambros loan in 2027 and the remaining excess of R131,361,551 to service the bi-annual interest payments up to redemption of the loan.

Consistent with the prior year, the excess funds have been recorded as a reduction in the Guaranteed Grant Receivable and separately as an asset on the balance sheet as Hambros Loan Sinking Fund to the amount of R356,361,551. This asset represents restricted cash in the Standard Bank Call Account as at 31 March 2022.

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 materiality of the amounts, as well as the pervasive nature of the excess funding in relation to the treatment of subsequent measurement of the Hambros liability (note 16), the sinking fund (note 6) and the unspent conditional grant (note 15).

R179,807,450 that was allocated to the Hambros sinking fund for the repayment of the Hambros Loan in 2027.

We inspected the written confirmation from the Department of Water and Sanitation dated 20 June 2022 and signed by Mr F Moatshe, DWS CFO, confirming the cumulative excess funding to date and the allocation of these funds to the capital and interest portions of the Hambros loan. We note that KOBWA have accounted for the excess funds in accordance with the instruction of this letter.

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

We inspected the disclosure in the financial statements with regards to the Hambros sinking fund and we are satisfied that the disclosure describes the nature of the funds and the approved use thereof, in accordance with the confirmation letter from the Department of Water and Sanitation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Komati Basin Water Authority Annual Financial Statements for the Year ended 31 March 2022" which we obtained prior to the date of this auditor's report, and the document titled "KOBWA Annual Report 2021/2022", 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 express an audit opinion or any form of assurance conclusion thereon.

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

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



Responsibilities of the directors for the financial statements

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

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 6 years.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: Schalk Barnard
Registered Auditor
Mbombela, South Africa
31 October 2022

Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2022

Directors' Report

The directors have pleasure in submitting their report for the Komati Basin Water Authority for the year ended 31 March 2022.

1. Constitution and Corporate profile

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

2. Review of activities

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 AFS have been prepared in terms of Standards of GRAP.

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

3. Going concern

The AFS have been prepared on the going concern assumption which is underpinned by a commitment from the Parties to continue funding KOBWA with a budget having already been approved for the financial year 2022/23.

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

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 2022/23 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 date of the publishing of these financial statements except for an additional R/E 163,547,937 has been received from RSA which is funding in excess of the requested and approved operational budget for the 2022/23 budget cycle.

Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2022

Directors' Report

5. Directors

The Directors of KOBWA during the year 2021/22 and to the date of this report are as follows:

Name	Nationality	Designation
Mr. A. Thobejane	South Africa	Chairperson - Non Executive
Ms. N. Mabuza	Eswatini	Chairperson FRAC - Non-Executive
Ms. E. Magagula	Eswatini	Chairperson THRC - Non-Executive
Mr. L. Mzizi	Eswatini	Vice Chairperson - Non-Executive
Mr. B. Singwane	South Africa	Non-Executive
Executive Management		
Mr. C.X. Zwane	South Africa	CEO, term ended 30 June 2022
Mr. T.M. Shongwe	Eswatini	CEO, appointed 1 October 2022
Mr. J. de Wet	South Africa	Finance Director, appointed 1 May 2022
Ms. M. Maseko	Eswatini	Corporate Services Director, Acting CEO 1 July 2022 to 30 September 2022
Mr. S.M. Nkomo	Eswatini	Operations Director

6. Secretary

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

Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2022

Statement of Financial Position as at 31 March 2022

Figures in Rand/Lilangeni	Note(s)	2022	2021 Restated *
Assets			
Current Assets			
Guaranteed grant income receivables	7	50,625,000	50,625,000
Receivables from exchange transactions	10	1,850,987	1,686,559
Receivables from non-exchange transactions	11	1,260,272	-
VAT receivable	12	1,588,515	1,021,810
Prepayments	9	233,522	202,875
Cash and cash equivalents	13	90,472,549	92,545,187
		146,030,845	146,081,431
Non-Current Assets			
Investment property	3	11,855,330	12,357,756
Property, plant and equipment	4	4,329,198,669	4,379,388,438
Intangible assets	5	1,968,112	2,252,865
Hambros Bank Loan Sinking Fund	6	356,361,551	168,719,882
Guaranteed income receivable	7	144,966,092	298,253,864
		4,844,349,754	4,860,972,805
Total Assets		4,990,380,599	5,007,054,236
Liabilities			
Current Liabilities			
Designated Project Funds	8	28,289,621	29,059,537
Payables from exchange transactions	18	1,790,957	1,862,657
Payables from non-exchange transactions	19	18,095,238	8,969,034
Unspent Conditional Grant	15	2,191,709	1,139,805
Provisions	17	614,210	653,444
Accruals		270,536	307,758
		51,252,271	41,992,235
Non-Current Liabilities			
Financial liabilities at amortised cost	16	368,465,102	367,295,737
Total Liabilities		419,717,373	409,287,972
Net Assets		4,570,663,226	4,597,766,264
Reserves			
Maintenance Reserves	14	5,532,330	5,532,330
Accumulated surplus		4,565,130,896	4,592,233,934
Total Net Assets		4,570,663,226	4,597,766,264

* See Note 33

Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2022

Statement of Financial Performance

Figures in Rand/Lilangeni	Note(s)	2022	2021
Conditional Grant Income	20	45,625,922	43,168,642
Finance Income	7	77,144,683	214,699,139
Total income from non-exchange transactions		122,770,605	257,867,781
Expenditure			
Employee related costs	21	(21,241,247)	(20,526,801)
Depreciation and amortisation	22	(54,564,640)	(54,706,030)
Finance costs	23	(51,794,714)	(51,802,563)
Provision for VAT impairment		(807,675)	-
Loss on disposal of assets and liabilities		(508)	-
Operating and administration expenditure	24	(21,464,859)	(18,455,641)
Total expenditure		(149,873,643)	(145,491,035)
(Deficit) surplus for the year		(27,103,038)	112,376,746

* See Note 33

Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2022

Statement of Changes in Net Assets

Figures in Rand/Lilangeni	Maintenance Reserves	Accumulated surplus / deficit	Total net assets
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 01 April 2021	5,532,330	4,592,233,934	4,597,766,264
Changes in net assets			
Deficit for the year	-	(27,103,038)	(27,103,038)
Total changes	-	(27,103,038)	(27,103,038)
Balance at 31 March 2022	5,532,330	4,565,130,896	4,570,663,226
Note(s)	14		

* See Note 33

Komati Basin Water Authority

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Cash Flow Statement

Figures in Rand/Lilangeni	Note(s)	2022	2021 Restated *
Cash flows from operating activities			
Receipts			
Grants		95,078,511	89,665,266
Payments			
Employee costs		(21,241,247)	(20,526,801)
Suppliers		(13,862,133)	(12,963,460)
Finance costs		(50,625,349)	(50,636,903)
		(85,728,729)	(84,127,164)
Net cash flows from operating activities	26	9,349,782	5,538,102
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(3,401,118)	(2,723,066)
Purchase of other intangible assets	5	(187,081)	(719,418)
Hambros Loan Sinking Fund		(187,636,668)	(168,719,882)
Net cash flows from investing activities		(191,224,868)	(172,162,366)
Cash flows from financing activities			
Funding received in advance		179,807,450	172,117,580
Net increase/(decrease) in cash and cash equivalents		(2,067,636)	5,493,316
Cash and cash equivalents at the beginning of the year		92,545,187	87,051,871
Cash and cash equivalents at the end of the year	13	90,472,549	92,545,187

* See Note 33

Komati Basin Water Authority

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Accounting Policies

Figures in Rand/Lilangeni	Note(s)	2022	2021
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1. Presentation of Annual Financial Statements

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

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

The AFS have been prepared on the going concern assumption which is underpinned by a commitment from the Parties to continue funding KOBWA with a budget having already been approved for the financial year 2022/23.

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

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 KOBWA.

The Parties continue to honour their bi-lateral obligation and have continued to make commitments for the continued funding of KOBWA. The 2022/23 budget was approved and the first tranche has been received therefore this gives the Board comfort and assurance that KOBWA has sufficient financial resources to cover expected expenditure for the next 12 months.

1.3 Materiality

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

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

Komati Basin Water Authority

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Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty

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

Key sources of estimation and uncertainty

Impairment testing

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

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 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 the Statement of Financial Performance when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Useful lives of property, plant and equipment

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

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

Komati Basin Water Authority

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Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Control

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

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

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

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

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 2021/22.

The Parties have not curtailed the budgets for KOBWA for current or next financial year. The 2022/23 budget was approved and the first tranche has been received. This gives the Board comfort and assurance that KOBWA has sufficient financial resources to cover expected expenditure for the next 12 months

In KOBWA's assessment, the Covid-19 impact was seen not to have any 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.

1.5 Investment property

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

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

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

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

Komati Basin Water Authority

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Accounting Policies

1.5 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 Statement of Financial Performance 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.

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

Item	Percentage
Investment Property - Buildings	2%

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

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

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

Komati Basin Water Authority

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Accounting Policies

1.6 Property, plant and equipment (continued)

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

Item	Depreciation method	Percentage
Buildings	Straight-line	2%
Furniture and fixtures	Straight-line	10%
Motor vehicles	Straight-line	20%
Office equipment	Straight-line	20%
Mobile Units	Straight-line	5%
IT Equipment	Straight-line	33.33%
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 depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The residual value, useful life and depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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

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

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

1.7 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. KOBWA has classified computer software as intangible assets.

An asset is identifiable if it either:

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

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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.

Intangible assets are initially measured at cost.

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.

Komati Basin Water Authority

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Accounting Policies

1.7 Intangible assets (continued)

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

Amortisation is provided on a straight-line basis over the expected useful lives of the intangible assets.

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

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%

The amortisation charge for each period is recognised in the Statement of Financial Performance.

Intangible assets are derecognised:

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

1.8 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.

1.9 Financial instruments

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

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

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

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

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

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

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Accounting Policies

1.9 Financial instruments (continued)

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

Komati Basin Water Authority

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Accounting Policies

1.9 Financial instruments (continued)

Classification

Financial Assets

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

Class

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

Category

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

Financial Liabilities

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

Name

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

Category

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

Komati Basin Water Authority

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Accounting Policies

1.9 Financial instruments (continued)

Initial recognition

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

Subsequent measurement of financial assets and financial liabilities

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

* Financial instruments at amortised cost.

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

Financial liabilities

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

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Accounting Policies

1.9 Financial instruments (continued)

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

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

Presentation

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

1.10 Statutory receivables

Identification

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

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

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

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

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

Recognition

The entity recognises statutory receivables as follows:

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

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Impairment losses

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

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1.10 Statutory receivables (continued)

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

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

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

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

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

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

Derecognition

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

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

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

1.11 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

Komati Basin Water Authority

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Accounting Policies

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.

Management designate assets as cash-generating assets or non-cash-generating assets as follows:

Cash generating:

Investment property

Non-cash generating

Property plant and equipment

Intangible assets

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

Komati Basin Water Authority

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Accounting Policies

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

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.

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 the Statement of Financial Performance.

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

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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 increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

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

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 bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.15 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

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

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

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

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

Komati Basin Water Authority

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Accounting Policies

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

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

Interest

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

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

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

1.17 Revenue from non-exchange transactions

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

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

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

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

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

Komati Basin Water Authority

Annual Financial Statements for the year ended 31 March 2022

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

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 have not 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 at the amount of the increase in net assets recognised by KOBWA.

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

Transfers

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

1.18 Borrowing costs

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

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

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

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

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

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Annual Financial Statements for the year ended 31 March 2022

Accounting Policies

1.19 Segment information (continued)

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 Related parties

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

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

Control is the power to govern the financial and operating policies of another entity so as to benefit from its activities. Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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

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

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

1.22 Events after reporting date

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

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

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

1.23 Water in Dams

KOBWA's mandate, under the Treaty is to manage the utilisation of water resources with the Komati Basin. This is achieved by the management of the Driekoppes and Maguga dams in the catchment area.

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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Accounting Policies

1.24 Hambros loan sinking fund

The Department of Water and Sanitation have earmarked certain funds that are held by KOBWA for the redemption of the Hambros Bank Loan in 2027 - refer to note 6.

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

Although these funds are deposited in a money market account, it may only be utilised for the repayment of the Hambros Bank Loan in 2027. An amount of R/E 225 million is earmarked for the capital redemption of the loan on 2027, with the balance of the funds earmarked to settle the bi-annual interest payments.

KOBWA has reclassified the total fund amount as non-current due to the redemption date being in 2027 and accounting for it as a financial asset - refer accounting policy 1.9. and will assess annually to re-classify the amounts due in the current and next financial period to be classified as current for the purpose of settling the bi-annual interest payments.

Komati Basin Water Authority

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Notes to the Annual Financial Statements

Figures in Rand/Emalangen	2022	2021
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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 Employee Benefits - Amended	Not yet set	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
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	Not yet set	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

Komati Basin Water Authority

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Figures in Rand/Lilangeni

3. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	14,869,885	(3,014,555)	11,855,330	14,869,885	(2,512,129)	12,357,756

Reconciliation of investment property - Net cash flow from operating activities

	Opening balance	Depreciation	Total
Investment property	12,357,756	(502,426)	11,855,330

Reconciliation of investment property - 2021

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

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

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

There are no restrictions or encumbrances on the investment property.

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

The rental income fluctuates annually depending on the occupancy. Annual rental income for all available to rent properties is 2022: R/E 869,070. (2021: R/E 1,107,158)

Komati Basin Water Authority

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Figures in Rand/Lilangeni

4. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	63,970,839	(12,733,862)	51,236,977	63,970,839	(10,570,073)	53,400,766
Furniture and fixtures	2,198,441	(1,393,348)	805,093	1,934,329	(1,222,376)	711,953
Motor vehicles	3,074,568	(2,563,669)	510,899	3,891,544	(2,956,966)	934,578
Office equipment	(153,550)	193,100	39,550	437,356	(387,755)	49,601
IT equipment	3,119,102	(2,547,809)	571,293	2,777,342	(2,128,637)	648,705
Mobile Units	792,964	(792,936)	28	792,964	(792,936)	28
Infrastructure	69,981,167	(24,538,610)	45,442,557	69,655,665	(20,864,816)	48,790,849
Dams and Weirs	4,474,825,171	(268,493,270)	4,206,331,901	4,474,825,171	(223,741,425)	4,251,083,746
Dam Equipment and Pipelines	30,781,574	(7,787,626)	22,993,948	28,950,715	(6,468,292)	22,482,423
Sundry Equipment	8,087,582	(6,892,963)	1,194,619	7,575,174	(6,403,885)	1,171,289
Implements	1,025,556	(953,752)	71,804	1,190,924	(1,076,424)	114,500
Total	4,657,703,414	(328,504,745)	4,329,198,669	4,656,002,023	(276,613,585)	4,379,388,438

Komati Basin Water Authority

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Notes to the Annual Financial Statements

Figures in Rand/Lilangeni

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Net cash flow from operating activities

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	53,400,766	-	-	(2,163,789)	51,236,977
Furniture and fixtures	711,953	272,238	(407)	(178,691)	805,093
Motor vehicles	934,578	-	(14)	(423,665)	510,899
Office equipment	49,601	12,737	(71)	(22,717)	39,550
IT equipment	648,705	378,920	(5)	(456,327)	571,293
Mobile Units	28	-	-	-	28
Infrastructure	48,790,849	325,504	-	(3,673,796)	45,442,557
Dams and Weirs	4,251,083,746	-	-	(44,751,845)	4,206,331,901
Dam Equipment and Pipelines	22,482,423	1,830,859	-	(1,319,334)	22,993,948
Sundry Equipment	1,171,289	580,860	(13)	(557,517)	1,194,619
Implements	114,500	-	2	(42,698)	71,804
	4,379,388,438	3,401,118	(508)	(53,590,379)	4,329,198,669

Komati Basin Water Authority

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Notes to the Annual Financial Statements

Figures in Rand/Lilangeni

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
IT 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

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	4,264,926	4,172,822
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There are no restrictions or encumbrances on these assets.

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

There are no financial commitments in respect of major assets or projects resulting in infrastructure assets.

Komati Basin Water Authority

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Figures in Rand/Lilangeni

5. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2,721,510	(753,398)	1,968,112	2,534,429	(281,564)	2,252,865

Reconciliation of intangible assets - Net cash flow from operating activities

	Opening balance	Additions	Amortisation	Total
Computer software	2,252,865	187,081	(471,834)	1,968,112

Reconciliation of intangible assets - 2021

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

Other information

There are no restrictions or encumbrances on the assets.

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

Komati Basin Water Authority

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Notes to the Annual Financial Statements

Figures in Rand/Lilangeni	2022	2021
6. Hambros Bank Loan Sinking Fund		
Hambros Loan Sinking Fund		
Standard Bank Money Market - RSA funds to redeem capital	225,000,000	168,719,882
Standard Bank Money Market - RSA funds to service bi-annual interest payments	131,361,551	-
These funds were received from the Department of Water and Sanitation in excess of KOBWA's operational budget and have been earmarked for the redemption of the Hambros Bank Loan in 2027. These funds cannot be used for any other purpose without approval from RSA Treasury. Although these funds are deposited in a money market account, it may only be utilised for the repayment of the Hambros Bank Loan in 2027. The total funds earmarked for bi-annual interest payments are classified as non-current for this reporting period. KOWBA has recieved additional funding after the reporting period amounting to R/E 163,547,937 from the Department of Water and Sanitation which will be utilised to settle bi-annual interest commitments in the next reporting period.		
Movements in carrying amount		
Opening balance	168,719,882	-
Increase in sinking fund - excess funding received	179,807,450	172,117,580
Increase in sinking fund - Interest earned on excess funding	7,831,219	-
Prior period restatement (Refer to note 33)	-	(3,397,698)
	356,358,551	168,719,882

Komati Basin Water Authority

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Notes to the Annual Financial Statements

Figures in Rand/Lilangeni	2022	2021		
7. Grant Guaranteed Income Receivable				
Designated at amortised cost				
Grant Guaranteed Income Receivable - Capital	94,656,129	107,484,436		
Rights to receive grants for the payment of Loans are 100% guaranteed by the Government of South Africa and back to back 40% by the Kingdom of Eswatini. The funds for the loan repayment are received by KOBWA as part of the conditional grant towards payment of the loans and the amounts are known. Grant guaranteed income is the present value of the funds receivable from the Parties for the repayment of the loan.				
Grant Guaranteed Income Receivable - Interest	100,934,963	241,394,428		
Rights to receive grants for the payment of Loans are 100% guaranteed by the Government of South Africa and back to back 40% by the Kingdom of Eswatini. The funds for the loan repayment are received by KOBWA as part of the conditional grant towards payment of the loans and the amounts are known. Grant guaranteed income is the present value of the funds receivable from the Parties for the repayment of the loan.				
	195,591,092	348,878,864		
Non-current assets				
At amortised cost	144,966,092	298,253,864		
Current assets				
At amortised cost	50,625,000	50,625,000		
Financial assets at amortised cost				
Reconciliation - 2022				
	Opening balance	Cash Funding from the Parties	Unwinding of finance income	Closing balance
Hambros Bank Loan	348,878,864	(230,432,455)	77,144,683	195,591,092
Reconciliation - 2021				
	Opening balance	Cash Funding from the Parties	Unwinding of finance income	Closing balance
Hambros Bank Loan	356,922,305	(222,742,580)	214,699,139	348,878,864
8. Designated Project Funds				
Opening Balance	29,059,537	7,338,285		
Additions - Unspent grant	2,087,647	23,135,222		
Conditions met, transferred to Revenue	(2,857,563)	(1,413,970)		
	28,289,621	29,059,537		

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8. Designated Project Funds (continued)		
Breakdown of Funds		
Driekoppies Dam Projects - RSA	20,119,711	20,119,711
DWS Projects	3,794,517	3,794,517
LMPC	360,246	503,016
Recapitalisation Project	130,172	130,172
JWC Projects	3,884,975	4,512,121
	28,289,621	29,059,537

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

9. Prepayments

Prepayments	233,522	202,875
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10. Receivables from exchange transactions

Debtors	156,420	214,770
Employee Advances	461,570	331,188
Deposits	1,232,997	1,140,601
	1,850,987	1,686,559

Employee Advances

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

Deposits

R/E 1,000,000	Revolving fund deposited and managed by FinCorp for the benefit of qualifying people within the Komati Basin. FinCorp is an authorised financial services provider in the KoE. The fund has confirmed the balance available.
R/E 232,997	Other

Trade and other receivables impaired

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

11. Receivables from non-exchange transactions

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

Opening balance	-	1,620,512
Operational Budget (net of sundry income)	91,412,919	94,256,160
Additional Funding (2021 restated, refer to Note 33)	179,807,450	168,712,882
Payments Received - Operational Budget	(90,152,647)	(89,665,266)
Payments Received - Additional Funding (2021 restated, refer to Note 33)	(179,807,450)	(168,712,882)
Prior Year Unspent	-	(6,211,406)
	1,260,272	-

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11. Receivables from non-exchange transactions (continued)

Total receivables from non-exchange transactions	1,260,272	-
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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 credit risk as the Parties have always honoured the provisions of the Treaty.

12. VAT receivable

Opening balance	1,021,810	807,675
Claims made to SARS	2,974,360	1,814,115
Provision for impairment	(2,407,655)	(1,599,980)
	1,588,515	1,021,810

Included in this balance is an amount equal to R/E 2,407,655 (2021: 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.

In the current financial year, there has been no refunds paid and the outstanding amounts are still being processed by SARS.

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	17,500	17,500
Bank balances	3,864,256	3,199,842
Short-term deposits (2021 restated, refer to Note 33)	86,590,793	89,327,845
	90,472,549	92,545,187

All funds are under the management of KOBWA and includes funds ringfenced for designated project funds, unspent grants, amounts payable to the Parties. Reserves may not be used unless if such funds have been allocated to a project to be implemented by KOBWA. KOBWA may place such funds in approved investments for the purposes of bearing interest.

14. Maintenance Reserve

The maintenance reserve is for Maguga Dam only and was approved by the Board and the JWC as an initiative to create, over a period of time a Rehabilitation Fund with a maximum capital contribution of R/E 5,000,000. This is viewed as one of the components of the business continuity plan aimed to rehabilitate the dams if and when required. The 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 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.

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, 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	2,191,709	1,139,805

Movement during the year

Balance at the beginning of the year	1,139,805	18,890,972
Additions - Approved Operational Budget including sundry income	96,130,415	94,256,160
Additions - Additional Funds received in advance (2021 restated, refer to Note 33)	179,807,450	168,719,882
Additions - Designated Project Funds	2,857,563	1,413,970
Utilised - Recognised as Grant Income	(45,625,922)	(41,754,673)
Utilised - Hambros Bank Loan Sinking Fund (2021 restated, refer to Note 33)	(179,807,450)	(168,719,882)
Utilised - Guaranteed Income	(50,625,000)	(50,625,000)
Utilised - Allocated to Designated Project Funds	(1,685,152)	(21,041,624)
	2,191,709	1,139,805

16. Financial liabilities at amortised cost

At amortised cost

Hambros Bank Limited Loan	368,465,102	367,295,737
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The Loan consists of registered bonds with a face value of R/E 1 million each. The bond's coupon rate is 13.5% with an effective interest rate of 14.87% per annum. The notes were issued at a discount at 90.91946%. The coupon is payable 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.

Non-current liabilities

At amortised cost	368,465,102	367,295,737
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Figures in Rand/Lilangeni	2022	2021
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17. Provisions

Reconciliation of provisions - Net cash flow from operating activities

	Opening Balance	Additions	Utilised during the year	Total
13th Cheque	290,034	277,866	(290,034)	277,866
Leave Pay	363,410	336,344	(363,410)	336,344
	653,444	614,210	(653,444)	614,210

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

13th cheques are part of employees' structured packages and paid out annually in December.

Leave pay is provided for per KOBWA human resource policies and becomes due over the passage of time, increasing the liability. Leave is redeemed by the employee upon taking it or selling leave back to KOBWA, reducing the liability.

18. Payables from exchange transactions

Payables	1,578,544	1,786,948
Employee related payables	212,413	75,709
	1,790,957	1,862,657

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

Bank Interest	16,886,425	6,171,847
Rental income collected on behalf of Parties	-	1,785,444
Gate Entrance fees Payable to Governments	524,030	667,450
Other Government Payables	684,783	344,293
	18,095,238	8,969,034

Reconciliation of Government Payables

Opening Balance	8,969,034	12,157,356
Additions - Gate Entrance Fees	3,040	-
Additions - Rental Income	869,070	1,117,097
Additions - Insurance proceeds	504,106	153,000
Additions - Other	35,883	912
Additions - Interest earned	10,714,578	5,116,814
Approved and allocated by the Parties	(3,000,473)	(9,576,145)
	18,095,238	8,969,034

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 RSA and the KoE is 60:40, for Maguga dam and 100% RSA for Driekoppies Dam. This results in a ratio of roughly RSA 72:28 KoE, depending on the budget for the year.

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

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Figures in Rand/Lilangeni	2022	2021
20. Conditional grant income	45,625,922	43,168,642
Revenue		
KOBWA receives grant funding from the Parties on an annual basis to fund its operations and repay its debt. The condition of this funding is for KOBWA to utilise it in the year in which it is receivable. The portion of grant that is not utilised is recorded as Unspent Grant in the Statement of Financial Position. Only the portion of the grant that relates to operations is recorded as revenue.		
The grant portion that relates to servicing of KOBWA loans is recorded against Grant Guaranteed receivable income in the Statement of Financial Position.		
Conditional Grant Income	-	-
Conditional Operational grant received - RSA	32,185,722	31,282,427
Conditional Operational grant received - KoE	10,582,637	10,472,246
Other Income	2,857,563	1,413,969
	45,625,922	43,168,642
21. Employee related costs		
Basic	20,992,621	20,443,851
Bonus	180,173	-
Staff Workman's Compensation	4,762	39,983
Skills Development Levy	63,691	42,967
	21,241,247	20,526,801
Chief Executive Officer		
Basic Salary	1,421,833	1,243,030
Long Service Award	-	10,000
Contributions to UIF, Medical and Pension Funds	196,140	311,352
	1,617,973	1,564,382
Finance Director (C Matambo - Deceased)		
Basic Salary	351,004	843,931
Acting Allowance	-	19,343
Contributions to UIF, Medical and Pension Funds	18,014	154,380
	369,018	1,017,654
Operations Director		
Basic Salary	856,286	842,388
Contributions to UIF, Medical and Pension Funds	128,531	155,923
	984,817	998,311
Corporate Services Director		
Basic Salary	843,015	830,986
Contributions to UIF, Medical and Pension Funds	76,758	167,325
	919,773	998,311

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22. Depreciation and amortisation		
Property, plant and equipment	53,590,380	54,105,408
Investment property	502,426	502,426
Intangible assets	471,834	98,196
	54,564,640	54,706,030
23. Finance costs		
Hambros Bank Loan	51,794,365	51,790,660
Other	349	11,903
	51,794,714	51,802,563
24. Operating and administration expenditure		
ISO Certification	96,612	101,105
Advertising	875,128	1,117,841
Assessment rates & municipal charges	644,461	354,601
Auditors remuneration	382,000	390,500
Bank charges	95,815	114,418
Computer expenses	831,456	754,469
Consulting and professional fees	76,530	63,100
Corporate Social Responsibility	662,332	391,393
Entertainment	15,760	48,784
Loan Management Costs	161,168	95,062
Office Maintenance Cost	1,153,454	1,059,178
Insurance Costs	1,229,738	1,032,330
Consulting Costs	52,042	88,944
Vehicle Costs - Other	1,449,878	1,001,879
Traveling	373,077	287,528
Honorarium	21,500	49,000
Staff Recruitment Costs	375,174	38,425
Postage and courier	45,981	6,505
Printing and stationery	142,606	186,636
Protective clothing	201,968	325,684
Secretarial fees	367,932	246,900
Guarding of property	2,314,945	2,251,873
Staff welfare	582,547	257,204
Subscriptions and membership fees	261,554	101,794
Telephone and Internet Costs	1,559,047	1,187,569
Training	701,728	386,977
Dam Ops and Maintenance	6,111	65,652
Communication Dam Management	215,322	342,753
Electricity	766,054	974,229
Treaty review costs	-	15,281
LMPC Allowance	142,770	158,570
Dam Maintenance General	439,497	724,056
Dam Structure Maintenance	2,057,053	1,708,045
Dam enclosure - fencing	32,233	11,131
Tractors and trailers maintenance	231,996	54,469
Generators and other equipment	635,154	262,963
Information centre management	301,544	317,825
Boats and trailers	34,547	47,060
Motorbikes maintenance	5,224	3,300
KOBWA houses maintenance	671,070	645,171
Water quality and dam risk management	1,201,423	1,182,287
Project Other Costs	50,428	3,150
	21,464,859	18,455,641

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Figures in Rand/Lilangeni	2022	2021
25. Taxation		
No provision for income taxation is made as KOBWA is exempt from income tax in both RSA and KoE.		
26. Net cash flows from operating activities		
		Restated (Refer note 33)
(Deficit) / Surplus	(27,103,038)	112,376,746
Adjustments for:		
Depreciation and amortisation	54,564,640	54,706,030
Gain on sale of assets and liabilities	508	-
Finance Income	(77,144,683)	(214,699,139)
Finance costs - amortised interest cost	1,169,714	1,177,563
Provision for VAT impairment	807,675	-
Movements in provisions	(39,234)	42,673
Changes in working capital:		
Receivables from exchange transactions	(164,428)	(123,378)
Receivables from non-exchange transactions	(1,260,272)	1,620,512
Prepayments	(30,647)	107,688
Payables from exchange transactions	(71,696)	(781,712)
VAT Receivable - SARS	(1,374,380)	(214,135)
Payables from non-exchange transactions	9,115,537	(3,188,322)
Unspent Conditional Grant	1,051,904	(17,751,167)
Guaranteed grant income	50,625,000	50,625,000
Accruals	(37,222)	(69,617)
Designated Funds	(759,599)	21,709,360
	9,349,782	5,538,102

27. Contingent Liabilities

1. KOBWA is opposing a matter where the claimant is making a claim of R/E 150,000.00 against KOBWA. There is a high possibility of the matter being dismissed since a similar matter was previously dismissed by the court.
2. A service provider has a claim of unfair termination of contract amounting to R/E 4,717,000.00. KOBWA is defending the claim since all pre-termination notices were given to the contractor and they failed to produce statutory documentation required for them to carry out business with KOBWA as per the contract agreement. KOBWA has declined out of court settlement advances by the contractor's lawyers and should the matter proceed to trial, it is estimated that settlement or costs will not exceed R/E 100,000.
3. There is a pending matter with the Industrial Court of KoE related to alleged unfair dismissal of a former KOBWA employee amounting to R/E 60,191.00. There is a high possibility of the matter being dismissed.

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28. Related parties		
Relationships		
Directors of KOBWA	Refer to note 29.	
Government of South Africa		
Government of the Kingdom of Eswatini		
Key management and employees	Refer to note 21.	
Related party balances		
Grants receivable at year end		
Grants receivable at year end - KoE	1,260,272	-
Refer to note 11.		
Designated Project Funds		
Designated Project Funds	28,289,621	29,059,537
Refer to note 8.		
Loans to employees		
Loans to employees	461,570	331,188
Refer to note 10.		
Unspent grants		
Unspent grants	2,191,709	1,139,805
Refer to note 15.		
Payables from non exchange transactions		
Interest Payable	16,886,425	6,171,847
Rental Payable	-	1,785,444
Gate entrance fees payable	524,030	667,450
Other Government Payables	684,783	344,293
Refer to note 19.		
Guaranteed grant income receivable		
Guaranteed grant income receivable - non current	144,966,092	298,253,864
Guaranteed grant income receivable - current	50,625,000	50,625,000
Refer to note 7.		
Hambros Bank Loan Sinking Fund		
Standard Bank Money Market - Capital	225,000,000	168,719,882
Standard Bank Money Market - Interest	131,361,551	-
Refer to note 6.		
Related party transactions		
Revenue		
Conditional operational grant Income for the year (Note 20)	45,625,922	41,754,673
Grant receivable for loan repayment (Note 7)	50,625,000	50,625,000
Gate Entrance Fees	3,040	-
Rental Income	869,070	1,117,097
Insurance Proceeds	504,106	153,000
Other	35,883	912
Interest	10,714,578	5,116,814

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28. Related parties (continued)

Directors' emoluments

Total compensation to non-executive directors	415,691	358,446
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Refer to note 29.

Compensation to key management

Total compensation to key management	3,891,581	4,578,658
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Refer to note 21.

29. Directors' emoluments

Non-executive

2022

	Directors' fees	Total
Mr. A. Thobejane	80,143	80,143
Ms. N. Mabuza	78,324	78,324
Ms. E. Magagula	78,936	78,936
Mr. L. Mzizi	97,734	97,734
Mr. B. Singwane	80,554	80,554
	415,691	415,691

2021

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

Company Secretary

2022

	Secretarial Consulting	Total
Mr. T. Sithole	95,007	95,007
Mr. M. Simelane	273,017	273,017
	368,024	368,024

2021

	Secretarial Consulting	Total
Mr. M. Simelane	246,900	246,900

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30. Risk management

Financial risk management

KOBWA's activities expose it to 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 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. 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 governments of RSA and KoE.

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

Currency Risk

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

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

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

Financial instrument		
Grant Guaranteed Income Receivables	195,591,092	348,878,864
Standard Bank Call account - RSA	442,952,344	258,047,727
Standard Bank Current Accounts - RSA	1,923,649	1,681,067
Standard Bank Current Accounts - KoE	1,940,606	1,518,774
Petty Cash	17,500	17,500
Receivables from exchange transactions	1,850,987	1,686,560
Receivables from non-exchange transactions	1,260,272	-

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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31. Events after the reporting date

No material transactions occurred from year end to the date the AFS were authorised for issue that may necessitate disclosure in the current financial statements, except for an additional R/E 163,547,937 has been received from RSA which is funding in excess of the requested and approved operational budget.

32. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	1,081,360	1,728,307
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Total capital commitments

Already contracted for but not provided for	1,081,360	1,728,307
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Authorised operational expenditure

Already contracted for but not provided for

• Total	1,957,575	1,569,621
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Total operational commitments

Already contracted for but not provided for	1,957,575	1,569,621
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33. Prior-year adjustments

33.1 Adjustments to the statement of cash flows

Presented below are those line items contained in the cash flow statement that have been affected by prior-year adjustments resulting from a balance sheet reclassification, other immaterial reclassifications items and an error in casting of note 26 in the prior year financial statements. The detailed cash flows disclosed as part of "Net cash flows from operating activities" in note 26, was neither accurate nor complete and therefore did not add up to the total presented either in note 26 or on the face of the cash flow statement. This resulted in the restatement of the prior year numbers as set out below.

In addition, the statement of cash flows was also restated for the impact of the adjustment described in note 33.2. This adjustment impacted the net increase in cash and cash equivalents as previously stated on the face of the cash flow by increasing it from R2,095,618 to R5,493,316, and reducing the cash outflows of the Hambros Sinking Fund with the same amount.

33.2 Adjustment to the statement of financial position

The restatement is to correct an error in the allocation of funds between the Hambros Loan Sinking Fund (Note 6) and the Cash and Cash Equivalents (Note 13) line items in the statement of financial position. Interest earned of R3,397,698 on the additional funds received from the SA Government should have been treated as unrestricted cash as per the agreement with the SA Government but was incorrectly classified to the Hambros Sinking Fund balance (i.e. restricted cash) in Note 6 in the previous financial year. This change also impacts prior year disclosure in Notes 11 and 15 where additional funds received from the Parties were previously incorrectly disclosed as R172,117,580, instead of R 168,712,882.

Statement of financial position

2021

	Note	As previously reported	Re-classification	Restated
Hambros Loan Sinking Fund	6	172,117,580	(3,397,698)	168,719,882
Cash and cash equivalents	13	89,147,489	3,397,698	92,545,187
		261,265,069	-	261,265,069

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Notes to the Annual Financial Statements

Figures in Rand/Lilangeni		2022	2021	
33. Prior-year adjustments (continued)				
Cash flow statement				
2021				
	Note	As previously reported	Correction of error	Restated
Net cash flow from operating activities	26			
Grants		89,665,266	-	89,665,266
Employee costs		(20,469,106)	(57,695)	(20,526,801)
Suppliers		(13,100,079)	136,619	(12,963,460)
Finance Costs		(50,636,903)	-	(50,636,903)
		5,459,178	78,924	5,538,102
Cash flow from investing activities				
Purchase of property, plant and equipment	4	(2,786,976)	63,910	(2,723,066)
Purchase of other intangible assets	5	(719,411)	(7)	(719,418)
Hambros Loan Sinking Fund		(172,117,580)	3,397,698	(168,719,882)
		(175,623,967)	3,461,601	(172,162,366)
Cash flow from financing activities				
Funding received in advance		172,260,407	(142,827)	172,117,580
Net cash flow from operating activities				
	Note	As previously reported	Correction of error	Restated
Net cash flow from operating activities:	26			
Surplus adjusted for:		112,376,746	-	112,376,746
Depreciation and amortisation		54,706,030	-	54,706,030
Finance Income		(52,432,503)	(162,266,636)	(214,699,139)
Finance Cost - amortised interest cost		1,165,660	11,903	1,177,563
Movements in Provisions		42,673	-	42,673
Receivables from exchange transactions		(127,002)	3,624	(123,378)
Receivables from non-exchange transactions		1,620,512	-	1,620,512
Prepayments		107,688	-	107,688
Payables from exchange transactions		(672,032)	(109,680)	(781,712)
VAT receivable - SARS		(214,135)	-	(214,135)
Payables from non-exchange transactions		(176,417)	(3,011,905)	(3,188,322)
Unspent conditional grant		(17,751,167)	-	(17,751,167)
Guaranteed grant income		50,625,000	-	50,625,000
Accruals		(69,618)	1	(69,617)
Designated project funds		(1,769,520)	23,478,880	21,709,360
		5,459,178		5,538,102