A new word for water

INTEGRATED ANNUAL REPORT 2022/23

TOWARDS RESILIENT WATER INFRASTRUCTURE

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Resilience: the capacity to withstand or to recover quickly from difficulties.

The South African Constitution gives everyone a right of access to sufficient water and to an environment that is not harmful to their health or well-being. For this to be achieved it requires a level of resilience in infrastructure so that the minimum requirement of supply being available for at least 350 days per year and not interrupted for more than 48 consecutive hours per incident.

Resilience takes many forms. At a water resource level, the timely imposition of restrictions on the amount of water that can be drawn from the resource, ensures that the resource can withstand the impact of drought and never get to the situation where there is no water at all, is a way of ensuring resilience.

With infrastructure systems the degree of resilience required is determined by the impact caused by failure.

A burst pipe in a house only impacts the household and whilst waiting for it to be fixed the household can get water from a neighbour. Fittings are readily available, and the household can fix it themselves or with the assistance of a plumber.

For the water reticulation directly serving properties, it is possible to isolate very limited areas, normally by closing a maximum of 4 valves, whilst the repair is carried out. The impact is low and even if out for a prolonged period of time, an alternative supply can be provided via tankers. Other people in the area are not impacted as the reticulation offers alternative flow paths for the water to get to consumers.

With bulk supply the impact becomes more critical as thousands of people can be impacted and there are physical limits to the amount of water that can be tankered. Ready availability of spare parts and alternative ways of delivering water, even if it is only a partial supply become critical. Contingency plans start to become vital at this level so that if failure does occur there is already a reaction plan.

Such contingency plans are common in electricity generation and distribution, due to the inherent instability of a grid (demand must be matched with supply in real time). Electricity utilities plan for the unexpected the whole time, so that when a problem occurs they know how to deal with it. Eskom has been criticised for planning for a situation where there is a total blackout, but it is something that electricity utilities plan for throughout the world. In Japan, where there are frequent earthquakes, nuclear reactors automatically closedown if the quake exceeds a certain magnitude, which then requires the load to be simultaneously shed so supply matches demand and damage to electrical equipment does not occur.

Failure of a dam has an impact on both the users, who are now deprived of a water supply and anyone downstream of the dam who is caught in the floodwaters. As a result, large dam design incorporates a high degree of resilience in its design, construction and operation. The last major dam failure (that is a water supply dam not a tailings dam on a mine) was Tierpoort Dam during the 1988 Free State floods. Its failure led to the N1 being washed away and disruption to farming activities in the irrigation area.

South Africa's problem is that it has never provided resilient water infrastructure for all its people, whether at a national water resource level or a water service level. The major water systems of South Africa, developed to serve the metropolitan areas, industry and irrigation farmers often passed by small towns and rural communities without affording them the opportunity to enjoy the economies of scale and resilience that the operation of this infrastructure provided.

An example of this is the Tugela Vaal Scheme, opened in 1982 when the KwaZulu Homeland still existed and municipalities were not wall-to -wall. The Scheme abstracts water from the Tugela River at Driel Barrage. Driel Barrage is approximately 6km from Bergville Water Treatment Works and the canal to Jagersrust runs through the tribal areas surrounding Woodstock Dam. At both Jagersrust and Driel there are water treatment works. Bergville and the tribal areas do not benefit at all from infrastructure built to serve users in the Vaal River System and no operational efficiencies are gained in the running of the different infrastructure. This has led to disruptive protests by the communities in the tribal areas who see the water passing by their front doors whilst struggling with poor water supply.

In contrast on Phase 2 of the Mooi Mgeni Transfer Scheme, much has been done by working with Umgeni Water to realise operational efficiencies and thus ensure greater resilience. Umgeni Water has built its Rosetta Water Treatment Plant right next to Spring Grove Dam and then runs pipelines to Nottingham Road and Mooi River (Mooi River is over 10km away). They operate the dams and pump stations, at both Spring Grove Dam and Mearns Weir, on behalf of the Department of Water and Sanitation.

This integration of the operation of infrastructure is but one of the steps in working towards resilient water infrastructure.

Spring Grove Dam and Rosetta Water Treatment Works

VISION

World-class enabler of sustainable infrastructure for a water-scarce South Africa.

MISSION

To plan, finance and implement sustainable and accessible water resource infrastructure.

VALUES

EXCELLENCE

We consistently give our best, deliver excellent work with agility, and think innovatively and creatively to improve our performance.

INTEGRITY

We conduct ourselves honestly and transparently, stimulating constructive action, truly 'walk the talk', and gain trust and credibility through fairness and mutually cooperative relationships.

RESPECT

We acknowledge and embrace diversity, and we are responsive to one another's needs and those of our communities, stakeholders and the environment.

UNITY

We are committed through a common vision and goals, effective teamwork and partnerships, and we contribute positively to the team's performance, spirit and morale.

GROWTH

We willingly share knowledge and information with each other, we are innovative and proactive in thought and in action, and we support, encourage and provide opportunities for individual and collective growth.

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STATEMENT BY THE MINISTER OF WATER AND SANITATION

As Minister of Water and Sanitation I am committed to ensuring that we have a resilient water sector, able to serve the needs of everyone in South Africa.

For the water sector to be resilient, income and expenditure must remain positive or in balance. Expenditure must be sufficient to operate, maintain, refurbish and replace infrastructure so that it remains resilient. If there is insufficient money, infrastructure will fail, as we have seen throughout South Africa, particularly in municipalities.

If there is insufficient money, we will not be able to expand water and sanitation infrastructure to ensure that all households in South Africa have in-house, pressurised water supply, an in-house toilet, that there is sufficient water for economic growth, and wastewater is contained and treated before discharged back into the water resource.

Although financial sustainability is the fundamental enabler to the success of the sector, it is interdependent on the successful implementation of the other enabling pillars, such as good governance, enforcement and regulation.

To achieve financial sustainability, people and businesses, including agriculture, must value and therefore pay for a reliable supply of water. They must also pay for a functioning sanitation system so that our scarce water resources are not polluted and remain fit for use by downstream users.

To quote the African proverb: "*once you carry your own water; you will learn the value of every drop*". Our rural communities and people living in informal settlements understand this proverb well and do not waste water due to the physical effort of carrying water from its source to the house. In rural areas, they value water so much at the house rather than carrying it from a public source, that they are prepared to invest in their own boreholes and rainwater harvesting tanks. Such solutions are not cheap.

We need a society in which everyone values water in the same manner as those who carry water.

At a household level, we need to take personal responsibility for the amount of water that we use and fix leaks as they occur. Often, complaints about the high cost of water are related to leaks causing high bills rather than the actual cost of water.

Consumers need to take responsibility for reporting leaks in municipal water pipes and overflowing sewers and conversely, municipalities must respond to such reports to reduce water losses and negative environmental impacts on our rivers.

Municipalities need to move towards the situation where customers value water and pay sufficient tariffs, so that together with grants from National Government they can sustain their water services. This also involves paying other national entities such as the Water Boards and the Department who supply them with water, so they are also financially sustainable and can maintain the resilience of their infrastructure.

For TCTA, and the envisaged National Water Resource Infrastructure Agency, it is essential that the requirement of financial sustainability is met, to enable them to borrow from the private sector so that projects such as Phase 2 of the Lesotho Highlands Water Project, Phase 1 of the uMkhomazi Water Project and the Berg River Voëlvlei Augmentation Scheme can be built.

When financial sustainability is achieved then the sector will be able to move towards achieving resilient water infrastructure.

Senzo Mchunu, MP
Minister of Water and Sanitation

CHAIRMAN'S FOREWORD

On 1 January 2023, the Minister entrusted this Board with the responsibility of leading TCTA and ensuring it performs its functions in accordance with the Notice of Establishment and the income and implementation agreements with the Department of Water and Sanitation.

Since its establishment the primary focus of TCTA has been to raise funding, to use that funding to build infrastructure and to manage the debt. In this regard TCTA has been very successful. TCTA has raised finance for 6 projects and managed the construction of the infrastructure of 7 projects. The projects include:

1. Vaal River System (Funds used for the construction of Lesotho Highlands Water Project and the Acid Mine Drainage Treatment Plants)
2. Berg Water Project in Western Cape
3. Vaal River Eastern Subsystem Augmentation Project in Mpumalanga
4. Phase 2 of the Mooi-Mgeni Transfer Scheme in KwaZulu-Natal
5. Komati Water Scheme Augmentation Project in Mpumalanga
6. Phase 2C of the Olifants River Water Resources Development Project (construction only) in Limpopo
7. Phase 1 of the Mokolo Crocodile Water Augmentation Project in Limpopo
8. Acid Mine Drainage Treatment Plants in Gauteng

Only on Berg Water Project did the expenditure exceed the Project Charter amount, but only by 7% and TCTA has never made a late payment on interest or capital, to lenders. Such a record gives comfort to the lenders that the tariff to the user will be as agreed, affordable and that their loans will be repaid.

With the need to finalise the loan negotiations on Phase 2A of the Mokolo Crocodile River (West) Water Augmentation Project, the need to raise funding for Phase 1 of the uMkhomazi Water Project and the Berg River Voelvlei Augmentation Scheme and the requirement to refinance the loans on the Vaal River System, it is essential that the markets retain their confidence in the water sector.

The most strategic issue for the Board, is the proposed formation of the National Water Resource Infrastructure Agency. The Board must ensure continuity in operations whilst the transfer process takes place. This has both an internal and external focus. With investors, so that they give consent to the migration of their loans to the Agency and they will lend to the future Agency to develop, refurbish, and replace the National Water Resource Infrastructure. With staff, that they do not leave due to uncertainty over future employment, which will happen if funding can no longer be raised to build infrastructure.

The Board will do its utmost to ensure that investors retain their confidence in TCTA, so as to continue financing the existing projects and that confidence is transferred to the Agency once it takes over the function of raising finance for infrastructure. If the confidence is not retained, then South Africa might not achieve the goals set out in the 2018 National Water and Sanitation Master Plan.

I wish to thank the Minister for his trust in us to guide TCTA forward, the previous Board for overseeing the organisation for the first nine months of the financial year and management for their hard work in delivering on the performance of the 2022/23 financial year.

Precious Sibiya
Chairman of the Board

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE INTEGRATED ANNUAL REPORT

To the best of our knowledge and belief, we confirm the following:

- all information and amounts disclosed in the Integrated Annual Report are consistent with the annual financial statements audited by the Auditor-General of South Africa;
- the Integrated Annual Report is complete, accurate and free from any omissions;
- the Integrated Annual Report has been prepared in accordance with the guidelines on annual reports as issued by the National Treasury and incorporates elements of the "G4 Sustainability Report Guidelines" issued by the Global Reporting Initiative;
- the Annual Financial Statements (Part H) have been prepared in accordance with the International Financial Reporting Standards;
- the Accounting Authority is responsible for the preparation of the annual financial statements and the judgments made;
- the Accounting Authority is responsible for establishing and implementing a system of internal control, which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements; and
- external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the Integrated Annual Report fairly reflects the operations, performance information, human resources information and financial affairs of the entity for the financial year ended 31 March 2023.

The Board of Directors approved the Annual Performance Report on 31 May 2023 and the annual financial statements on 31 July 2023.

Precious Sibiya
Chairman of the Board
31 August 2023

Percy Sechemane
Chief Executive Officer
31 August 2023

ABOUT THE INTEGRATED ANNUAL REPORT

The Trans-Caledon Tunnel Authority presents this Integrated Annual Report for the period 1 April 2022 to 31 March 2023 as its principal medium of communication to stakeholders on this continuing journey to create sustainable value for water users.

The primary purpose of the Integrated Annual Report is to give assurance to:

- the Shareholder, represented by the Minister of Water and Sanitation and the Parliamentary Portfolio Committee on Water and Sanitation, which plays an oversight role, that TCTA is performing its functions in keeping with the Notice of Establishment and directives; and
- the lenders and investors, that TCTA uses the proceeds of funding for the purpose which they are intended, and that the Authority can meet its financial obligations.

In the short- to medium-term, TCTA adds value by raising funds for projects, ensuring that the infrastructure it builds delivers water when required by users, is built within budget and to specification. In that frame, TCTA also ensures that it satisfactorily addresses all the aspects relating to implementing projects, particularly the environmental and social dimensions. Over the long-term, the organisation ensures that it manages debt in a manner that is affordable, sustainable and within regulatory requirements.

The deliverables in the current project directives and those flowing from the Notice of Establishment are reviewed yearly. This exercise results in a Shareholder's Compact between the Minister and the Board of TCTA, which maps out the predetermined objectives for the financial year. TCTA is required to report against these objectives in the Annual Performance Report (refer to Part A). The Shareholder's Compact and the subsequent Corporate Plan are drawn up in compliance with Treasury Regulations for departments, constitutional institutions and public entities.

TCTA implements projects on behalf of the Department of Water and Sanitation (DWS). Information on project progress and the outstanding liability is consolidated in the Department's Annual Report.

PART A

GENERAL INFORMATION

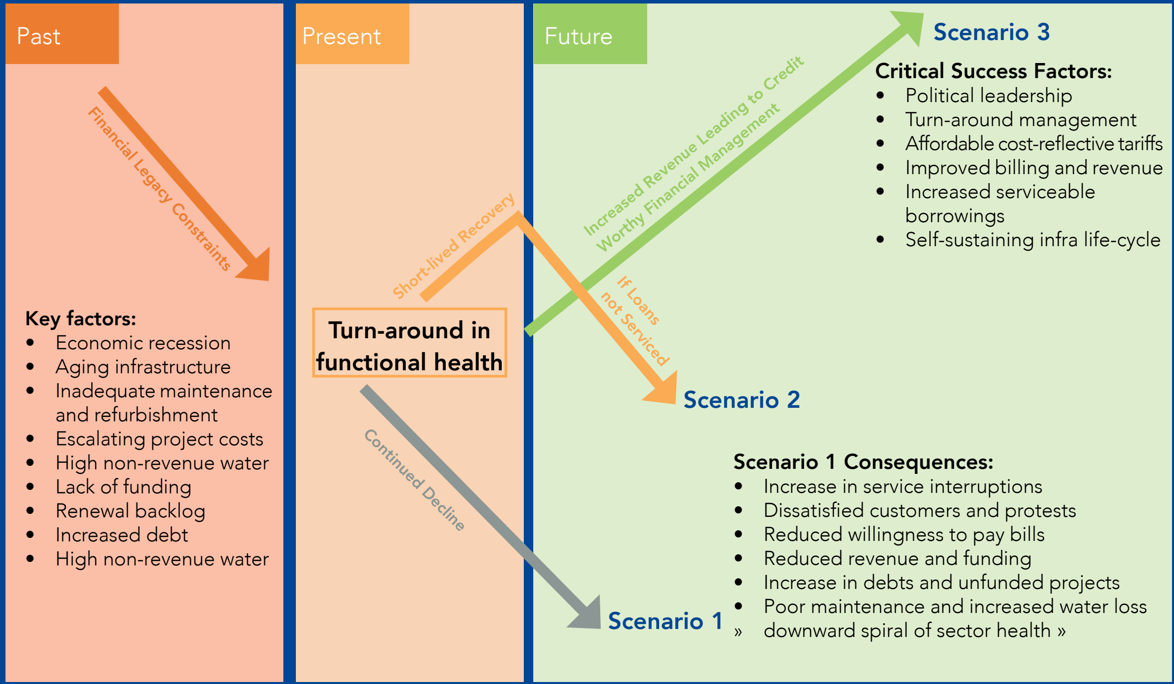
FINANCIAL SUSTAINABILITY

To be able to put the processes and infrastructure in place to create a system that has the capacity to withstand or recover quickly from difficulties requires sufficient financial resources.

Chapter 12 of the National Water and Sanitation Master Plan, published in October 2018, outlined three scenarios, as set out in the figure alongside.

These were:

- Scenario 1: "Business as usual" with continued decline of financial health and large scale failures
- Scenario 2: "Ad-hoc" approach with short-lived illusory recovery resulting in borrowings that cannot be serviced resulting in continued dysfunctionalities in sector and
- Scenario 3: "Turn around" based on sustainable financing of economic and social projects.



For most of South Africa, Scenario 1 has played out, with increasing service delivery failures impacting consumers. A phenomenon once confined to rural towns and communities is now prevalent in South Africa's economic heartland, with consumers in Gauteng experiencing frequent and prolonged water outages. These outages can be due to load shedding, lack of routine maintenance or replacement of ageing infrastructure, or the inability to keep demand within the assurance of supply from the national water resource. Regardless, the impact is the same: consumers with dry taps.

For businesses, this has an economic impact if they can no longer function. For households, what might start as a minor inconvenience during a short outage can escalate to having serious health implications due to an inability to flush toilets and maintain cleanliness. Fire is also a major hazard during water outages.

Scenario 3, the "Turnaround approach", was identified as the only viable option to ensure the South African water sector's financial sustainability. A well-planned and executed turnaround was necessary, with decisions based on solid information to evaluate the challenges at hand and determine the best solutions. Clearly, this has not been realised. South Africa cannot escape the fact: without maintaining and replacing infrastructure at the end of its useful life, the system will inevitably fail.

For farmers, water system failure can mean the loss of a crop. In extreme cases, where the infrastructure is not replaced, the loss might extend to the value of land and supporting infrastructure, as they revert to dry land farming. Imagine, for example, the impact on the citrus industry in the Sundays River around Kirkwood, Eastern Cape, if water for irrigation was no longer available. There would be a massive loss of employment. The packhouses would become idle and worthless, the land would dramatically lose value, and the logistics industry would have nothing to transport. South Africa would lose foreign exchange earnings. How many farmers and business owners would go bankrupt in such a process? Is that a scenario people in the Sundays River Valley want?

In 2000, in Empangeni, KwaZulu-Natal, failure of the water supply system in an informal settlement led to the community turning to natural water resources that harboured cholera. This resulted in an outbreak lasting 13 months where there were 114 000 cases reported, resulting in 260 deaths.

Fire becomes a major hazard during an outage. In May 2023 a house in Yeoville, Johannesburg was destroyed by fire due to there being no water in the reticulation due to the failure of the pumps supplying pressure to the system and the fire engines had no water. Fortunately, this was only an isolated house but imagine the impact if during the November 2017 outage in Sandton a hotel, office block or shopping mall had caught fire?

If a household has to purchase bottled water, the cost varies between R4 000 – R17 000 per 1 000 litre (purchased in a 5-litre bottle). This is without the added cost of fetching the water from a store. In contrast, Johannesburg Water currently charges households R26 per 1 000 litres in its Step 2 tariff and delivers the water to a tap, inside the house and under pressure, making it suitable for showers, washing machines and more.

Given the obvious economic benefits of a resilient water supply, it raises the question: why have farmers, businesses and households not led the demand that South Africa move towards a resilient water sector?

The answer lies in the first bullet of Section 12.2 of the National Water and Sanitation Master Plan, "Lack of understanding of the strategic value of water". Until this is achieved, South Africa is likely to remain on the downward trajectory as outlined in Scenario 1 of the National Water and Sanitation Master Plan.

Financial sustainability can be achieved through:

1) accurate billing of all consumers with a fair and timely dispute resolution so that those who are not paying cannot hide behind consumers who have genuine complaints.
2) educating consumers on what they should expect to pay as excessively high bills for water are often associated with leaks rather than actual consumption.

Once the water sector's financial sustainability is assured, it will align with the National Water and Sanitation Master Plan, moving towards resilient water infrastructure.

Strategic Objective	Measure	Annual Target	Progress as of 31 March 2023	Reason for Variance
1. **Raise funding for implementation of infrastructure**	Sufficient funding is available to facilitate reaching of critical project milestones	**MCWAP**: Funding is available to enable implementation according to the Project Plan (see Objective 2: MCWAP-2A).	**MCWAP**: Funding was not available to enable implementation according to the Project Plan (see Objective 2: MCWAP-2A). • Sufficient proposals received to cover the full funding requirements. • Preferred commercial lenders have been appointed, DFI funding process terminated after inconclusive due diligence by DFIs. • Initial drafting of loan agreement completed by TCTA legal counsel and handed over to lenders' counsel to lead drafting and finalise.	There were delays in: • concluding sourcing of funding due to the large number of received proposals, • the appointment of lenders' legal counsel by the lenders, • completion of lenders' due diligence, and due to the need to amend some transaction documents following lenders' due diligence.
		VRS: Funding is available to enable construction to commence according to the Project Plan for LHWP-2 – provided government guarantees have been approved.	**VRS**: Funding is available to enable construction to commence according to the Project Plan for LHWP-2. Government guarantees were approved. • As of 31 March 2023, an amount of R6.4 billion, in cash, was available in the VRS account for use on LHWP-2. • Total committed facilities available for draw down amounted to R10.4 billion. The AfDB Loan agreement (R1.3 billion) was concluded in October 2022 and is awaiting the issuance of a government guarantee before it can become effective. The NDB Board approved the signing of the LHWP-2 loan agreement (R3.2 billion) in December 2022. The loan agreement is expected to be signed in the first quarter of the 2023/24 financial year. • The major contracts were awarded by LHDA in 2022 after TCTA provided assurances to LHDA that funding was available.	No variance.

Legend Achieved Not Achieved

Strategic Objective	Measure	Annual Target	Progress as of 31 March 2023	Reason for Variance
1. **Raise funding for implementation of infrastructure (continued)**	Sufficient funding is available to facilitate reaching of critical project milestones (continued)	**uMkhomazi**: Prepare and facilitate the negotiation of Project Agreements[1].	**uMkhomazi**: The Project Agreements were prepared and negotiations facilitated. • Water User Agreements with five of the six municipalities have been settled, except for eThekwini. • eThekwini withheld submission of the draft agreements to their Council for approval to commence the section 33 public participation process until there is confirmation of a fiscal contribution to subsidise the project costs. This matter has been addressed through the Budget Facility for Infrastructure approval of a 50% fiscal contribution comprising a 25% fiscal grant and a 25% interest-free loan. • All the user municipalities have secured Council Resolutions in support of the project and all but two (eThekwini and Harry Gwala) have concluded the public participation process required in terms of Section 33 of the Municipal Finance Management Act (MFMA), in respect of the Water User Agreement. eThekwini and Harry Gwala have also commenced their Section 33 public participation processes, and they are expected to last for 60 days according to the MFMA.	No variance.
		BRVAS: Conclusion of Institutional arrangements	**BRVAS**: The Institutional arrangements were concluded. • All water users, except Swartland, have signed the water supply agreements. Swartland had to redo the section 33 process in light of the additional volume granted. • All the work required to achieve conclusion of the Institutional Arrangements was completed before 31 March 2023. On 5 April 2023, the Minister of Finance gave his formal concurrence to the Minister of Water and Sanitation's approval of a borrowing limit, requested on 3 November 2022.	No variance.

[1] If water users and Umgeni Water reach an agreement on their project agreements and the funding model is approved, TCTA will request a borrowing limit and commence raising funding during the financial year.

Strategic Objective	Measure	Annual Target	Progress as of 31 March 2023	Reason for Variance
		BRVAS: Funding is available to enable implementation activities according to the Project Implementation Plan.	**BRVAS**: Funding is available to enable implementation activities according to the Project Implementation Plan As of 31 March 2023, an amount of R4.4 million, in cash, was available in the BRVAS account (cash and investment balances).	
2. Implement capital projects on time, within budget, to the appropriate standards and in a sustainable socio/ environmental manner	Reaching project critical milestones as reflected in the Project Plan	**MCWAP – 2A**: Award of main construction contract	**MCWAP – 2A**: The main construction contract was not awarded. The bid document was presented and reviewed by the Bid Specification Committee and the Bid Specification Committee's input and recommendations considered.	In terms of National Treasury Instruction Note No.3 Section 8.4 the procurement process could not be initiated until funding had been secured
		BRVAS: Award of design and build tender	**BRVAS**: The design and build tender was not awarded. The amended contracting strategy (design to build) was approved by ExCo in February 2023, and this will enable the development and finalisation of the tender document for professional services.	The outcome of the conceptual designs concluded in February 2022 resulted in a significant increase in the project implementation timelines and capital cost estimate to completion. The significant increase in the project capital cost estimate necessitated the review of the adopted design and build contracting strategy.
3. Operate and maintain designated projects to meet DWS requirements/ specifications	Operate and maintain the plant to meet the minimum operating volumes	**Western Basin**: An average daily volume of treated water of between 80% and 90% of the max treatment capacity of 30 Ml/d including planned outages, calculated over the full year. Adjusted for any force majeure or other events outside TCTA's control.	**Western Basin**: An average daily volume of treated water of 35 Ml/d (116%) of the max treatment capacity of 30 Ml/d including planned outages, calculated over the full year. No adjustments were made as no force majeure or other events outside of TCTA's control occurred in the period.	The ability to treat more than 100% of the nominal capacity of the plant was due to the following: 1) The reactors were desludged. However, this is not a yearly occurrence. When it happens, the capacity rises which is slowly lost as sludge build up occurs again. 2) New aerators were also installed improving the treatment capacity

Strategic Objective	Measure	Annual Target	Progress as of 31 March 2023	Reason for Variance
3. Operate and maintain designated projects to meet DWS requirements/ specifications (continued)	Operate and maintain the plant to meet the minimum operating volumes (continued)	**Central Basin**: An average daily volume of treated water of between 80% and 90% of the max treatment capacity of 60 Ml/d including planned outages, calculated over the full year. Adjusted for any force majeure or other events outside TCTA's control.	**Central Basin**: An average daily volume of treated water of 56 Ml/d (93%) of the max treatment capacity of 60 Ml/d including planned outages, calculated over the full year. No adjustments were made as no force majeure or other events outside of TCTA's control occurred in the period.	No variance.
		Eastern Basin: An average daily volume of treated water of between 80% and 90% of the max treatment capacity of 100 Ml/d including planned outages, calculated over the full year. Adjusted for any force majeure or other events outside TCTA's control.	**Eastern Basin**: An average daily volume of treated water of 21 Ml/d (21%) of the max treatment capacity of 100 Ml/d calculated over the full year. No adjustments were made as no force majeure or other events outside of TCTA's control occurred in the period.	The Eastern Basin AMD Plant was not in operation from 01 April 2022 to 17 December 2022 due to the failure of all the AMD pumps' motors. New AMD pump motors were sourced from the alternative supplier and delivered to the AMD Plant in November 2022. Two AMD Pumps with new motors were commissioned in December 2022 and thus the AMD Plant was brought back to operations on 17 December 2022, achieving less than 70% of the DWS agreed volumes. The last AMD Pump was commissioned in February 2023, thus enabling the AMD Plant to operate within the DWS agreed parameters of 80% to 90% of the max treatment capacity of 100 Ml/d.

Strategic Objective	Measure	Annual Target	Progress as of 31 March 2023	Reason for Variance
3. Operate and maintain designated projects to meet DWS requirements/ specifications (continued)	To ensure the water discharged from the Western Basin, Central and Eastern Basins plants, meets parameters as set out in DWS letter of 23 September 2020	90% or greater of the water samples taken in the Western Basin are compliant with the parameters as set out in DWS letter of 23 September 2020	98.8% of the water samples taken in the Western Basin are compliant with the parameters as set out in DWS letter of 23 September 2020. (The parameters were subsequently corrected on 13 December 2021)	No variance.
		90% or greater, of the water samples taken in the Central Basin are compliant with the parameters as set out in DWS letter of 23 September 2020.	100% of the water samples taken in the Central Basin are compliant with the parameters as set out in DWS letter of 23 September 2020. (The parameters were subsequently corrected on 13 December 2021)	No variance.
		90% or greater, of the water samples taken in the Eastern Basin are compliant with the parameters as set out in DWS letter of 23 September 2020	100% of the water samples taken in the Eastern Basin are compliant with the parameters as set out in DWS letter of 23 September 2020. (The parameters were subsequently corrected on 13 December 2021)	No variance
	LHWP Delivery Tunnel North – Ensure infrastructure is operated and maintained to ensure sustainable water deliveries from Lesotho	Implement scheduled annual operation and maintenance plan and limit unscheduled outages to ensure 100% delivery of annual scheduled volumes	The scheduled annual operation and maintenance plan was implemented to ensure 98.81% delivery of annual scheduled volumes.	LHWC determines the volume of water to be delivered to South Africa over the Calendar Year (CY – January to December). Although there are scheduled monthly volumes these can be varied to suit operational requirements. During the CY 2022, 799.047 million m^3 was delivered versus 798.900 million m^3 scheduled, comprising 100.02% of the scheduled volumes. The TCTA financial year (April – March) does not align with the CY and any reductions in deliveries in the first 3 month of the CY 2023 will be made up in the remaining 9-montths

Strategic Objective	Measure	Annual Target	Progress as of 31 March 2023	Reason for Variance
3. Operate and maintain designated projects to meet DWS requirements/ specifications (continued)		Award Tender for the PSP Contract for the 2024 tunnel outage by 30 September 2022	The tender for the PSP Contract for the 2024 tunnel outage was not awarded by 30 September 2022. The revised and improved tender document was developed and approved by the Bid Specification Committee on 28 March 2023.	The tender process for the PSP failed due to conflict of interest issue in the single response received.
4. Manage debt within the approved borrowing limit	Debt is managed within approved borrowing limits	Debt managed within the borrowing limits and all payment obligations are met. • VRS • BWP • VRESAP • KWSAP • MMTS-2 • MCWAP	All debt was managed within the borrowing limits: • VRS: Debt (R8 683 million) was R8 286 million below the approved limit of R16 969 million • BWP: Debt (R206 million) was R127 million below the approved limit of R333 million. • VRESAP: Debt (R2 697 million) was R400 million below the approved limit of R3 097 million. • KWSAP: Debt (R939 million) was R200 million below the approved limit of R1 139 million. • MMTS-2: Had no outstanding debt as at 31 Mar 2023. • MCWAP-1: Debt (R860 million) was R6 894 million below the approved limit of R7 754 million	No variance.

Strategic Objective	Measure	Annual Target	Progress as of 31 March 2023	Reason for Variance
4. Manage debt within the approved borrowing limit (continued)	Debt is managed within approved borrowing limits (continued)	Debt managed within the borrowing limits and all payment obligations are met. • VRS • BWP • VRESAP • KWSAP • MMTS-2 • MCWAP (continued)	All payment obligations were met. VRS • Capital: R855.3 million paid • Interest: R733.4 million paid • Fees: R80.2 million paid BWP • Capital: R77.3 million paid • Interest: R22.3 million paid • Fees: R862 500.18 paid VRESAP • Capital: R299 million paid • Interest: R214.5 million paid • Fees: R283 495.48 paid KWSAP • Capital: R150.8 million paid • Interest: R92 million paid • Fees: R1.1 million paid MMTS-2 • Capital: R582.3 million paid • Interest: R35.2 million paid • Fees: R9 million paid MCWAP-1 • Capital: R38.6 million paid • Interest: R82.6 million paid • Fees: R720 547.68 paid	
5. Coordinate and monitor the efficient implementation of the projects within SIP-19	Effective annual coordination and monitoring of Strategic Integrated Projects	Average effectiveness rating of 3, on SIPs coordination and monitoring annually.	An average effectiveness rating of 4.3, was achieved on SIPs coordination and monitoring annually.	No variance.

Strategic Objective	Measure	Annual Target	Progress as of 31 March 2023	Reason for Variance
6. Enhance the internal control environment, risk management and supply chain management system	Adequacy and effectiveness of the internal control environment	Unqualified audit opinion for the financial year	Unqualified audit opinion with one matter of emphasis	No variance.
	% Resolution of internal and external audit findings	90-100% of action plans to address reported audit findings implemented by the due date	97% of action plans to address reported audit findings implemented by the due date.	No variance.
	% Achievement of the procurement plan for goods and services	90-100% achievement against the procurement plan	59% achievement against the procurement plan.	Out of the 31 items approved and included in the Procurement Plan, 27 were planned to be concluded by end of FY amounting to 87.09%. out of the 27, 16 were concluded within the FY amounting to 59%. Only 2 items were withdrawn out of the 27 due for conclusion in the FY amounting to 7.4%. Of the balance of 9, each was in a different stage of procurement with 2 in specifications drafting stage while 3 were at BSC, including advertisement stage. Only four (4) items were not commenced due to delay in finalising requisitions for submission to the Procurement Unit for further processing.

Strategic Objective	Measure	Annual Target	Progress as of 31 March 2023	Reason for Variance
7. Clear Irregular, Fruitless and Wasteful Expenditure	% Irregular, Fruitless and Wasteful Expenditure cleared	100% irregular and fruitless and wasteful expenditure cleared	66% irregular and fruitless and wasteful expenditure cleared.	A balance of R408 028k was outstanding on 31 March 2023. Remaining irregular expenditure of 34% is broken down as follows: • 29.07 % was submitted National Treasury and waiting National Treasury decision. After 12 months of waiting, National Treasury responded and directed that in terms of the new framework, which commenced on 03/01/2023, the public entity must deal with irregular expenditure in terms of such framework. • 5.78% was referred to AGSA for reconsideration as disputed irregular expenditure. AG responded by upholding its previous decisions. Management must treat such irregular expenditure in terms of the new framework; and • 7.53% it is Board related irregular expenditure which has been considered by the current Board and could not remove and directed that it must be submitted to National Treasury for reconsideration. TCTA submitted to National Treasury in December and awaiting a response. National Treasury declined to condone and returned it back to TCTA for the Board to deal with it. • 2.1% under determination and was declared in 2022/23.

Strategic Objective	Measure	Annual Target	Progress as of 31 March 2023	Reason for Variance
8. Implement the ICT Strategic Plan	Implementation of Digital Initiatives as defined by the Digital Transformation Strategy	100% implementation of identified initiatives by 31st March 2023	94% implementation of identified initiatives by 31 March 2023.	The E-sign and ERP service providers were not appointed by the 31 March 2023. These two initiatives equate to the 6% of the plan that was not achieved. Both of these initiatives are currently at the advanced stages of the procurement process.
	Creating a secure and resilient ICT Environment	95% availability of critical systems with zero successful cyber-attacks	98.61% availability of critical systems with zero successful cyber-attacks.	No variance.
9. Position TCTA as a thought leader in critical aspects of water security	Contribution of innovative papers to reputable technical publications and conferences	3 business relevant papers written and submitted per annum	6 business relevant papers written and submitted per annum.	No variance.
10. Develop a high-performance organisational culture that contributes to the achievement of the organisational goals	% Delivery against the three-year culture transformation implementation plan	85% delivery against the three-year approved culture implementation plan,.	100% delivery of the 2022/23 actions, against the three-year approved culture implementation plan. No of interventions planned = 16 No of interventions delivered = 16. 4% increase in employee satisfaction	No variance.

In my previous year's report, I highlighted the challenges in bringing projects to implementation readiness, due to the fragmentation of responsibilities across the sector. This year, I am pleased to report that many of these challenges were overcome, to allow funding to be raised. This will mean that users in the Umgeni, Vaal River and Western Cape Supply Systems will, after implementation of the related projects, experience increased water security when the projects are completed.

Unless the fragmentation in the sector is addressed the challenges experienced in bringing these projects to closure will be repeated in future. Delays in implementing projects, either to increase the amount of water that can be drawn from the system, or to reduce demand, mean that a system is less resilient and, therefore, restrictions imposed more often, even during minor droughts.

The sector needs to become more agile in the face of climate change, population growth and economic development putting more demands on South Africa's limited water resources.
The successes and challenges of the 2022/23 financial year are as follows:

1) On Phase 2A of the Mokolo Crocodile River (West) Water Augmentation Project a request for funding was issued to the market. The proposals received exceeded the funding requirement, indicating that for well-structured projects, where there is a demonstrated ability to repay the loans, there is appetite for such projects. At the end of the financial year the negotiations with the lenders were still in progress to reach financial close. Due to the requirements of National Treasury Supply Chain Management Note No. 3 that funding be in place before the tenders are issued to the market, the construction tender was not issued.
2) TCTA raises funding against the future cash flows from the Vaal River System to pay for the construction cost of Phase 2 of the Lesotho Highlands Water Project (Polihali Dam, transfer tunnel to Katse Dam and support infrastructure). TCTA had the funding in place to enable the Lesotho Highlands Development Authority to award all the major contracts. This represented an important milestone in creating additional water storage in the integrated Vaal River System and thus ensuring water security for its users.
3) On Phase 1 of the uMkhomazi Water Project the issues around affordability were addressed, through an approval by the Budget Facility for Infrastructure, by a 50% fiscal contribution comprising a 25% fiscal grant and a 25%

interest-free loan. Water user agreements have been negotiated and are being processed by the municipal water users for approval by the respective councils in terms of local government legislative requirements. Once the agreements have been signed, this project will be in a position to obtain a borrowing limit, raise the commercial funding and appoint the Professional Service Providers for Smithfield Dam and the transfer tunnel to the Umgeni River Valley. This is also an important milestone in achieving water security for the users in the Umgeni System.

4) On the Berg River - Voëlvlei Augmentation Scheme, the institutional arrangements were concluded, and the borrowing limit received from National Treasury. This project is also now in a position to raise commercial funding and appoint a professional service provider for the design of the weir in the Berg River and the transfer pipeline into Voëlvlei Dam. This project has reverted to a more traditional approach to design, tender then construct as it is no longer an emergency project and by reducing the risks to a contractor, reduces the cost.
5) On the management of debt, revenue was received timeously from the Department of Water and Sanitation and all projects had sufficient liquidity.
6) The management of the Acid Mine Drainage Plants proved challenging with the breakdown of the pump motors used for abstraction of the water from the mine void and the heavy rain experienced during the summer season. All treated water met the discharge specification, but water levels continued to rise even though in the Western and Central Basins the required volumes were treated. In the Eastern Basin, as soon as the new motors were installed the water was drawn down again and no reports of contamination of groundwater were received. In the Western Basin the amount of rainfall overwhelmed the treatment capacity and decant occurred. However, monitoring in the Krugersdorp Game Reserve showed there was insignificant impact. In the Central Basin the water level has been kept below the decant point, but the resilience of the plant is concerning with insufficient redundancy in the plant to accommodate unplanned outages.
7) Delivery Tunnel North of the Lesotho Highlands Water Project continued to perform as required, enabling water to be transferred to South Africa from Lesotho. Preparations continued for the scheduled 6-month outage commencing in October 2024. The Lesotho Highlands Water Project is part of the Integrated Vaal River System, therefore when one part of the system is taken out of service for maintenance the other parts continue to function and water supply to users is not interrupted.

Regarding the organisation's internal operating environment, TCTA moved to its new offices at Byls Bridge, Centurion. These offices are smaller than the previous offices at West Street, Centurion and are in line with moving to a hybrid working model coupled with a digitised environment.

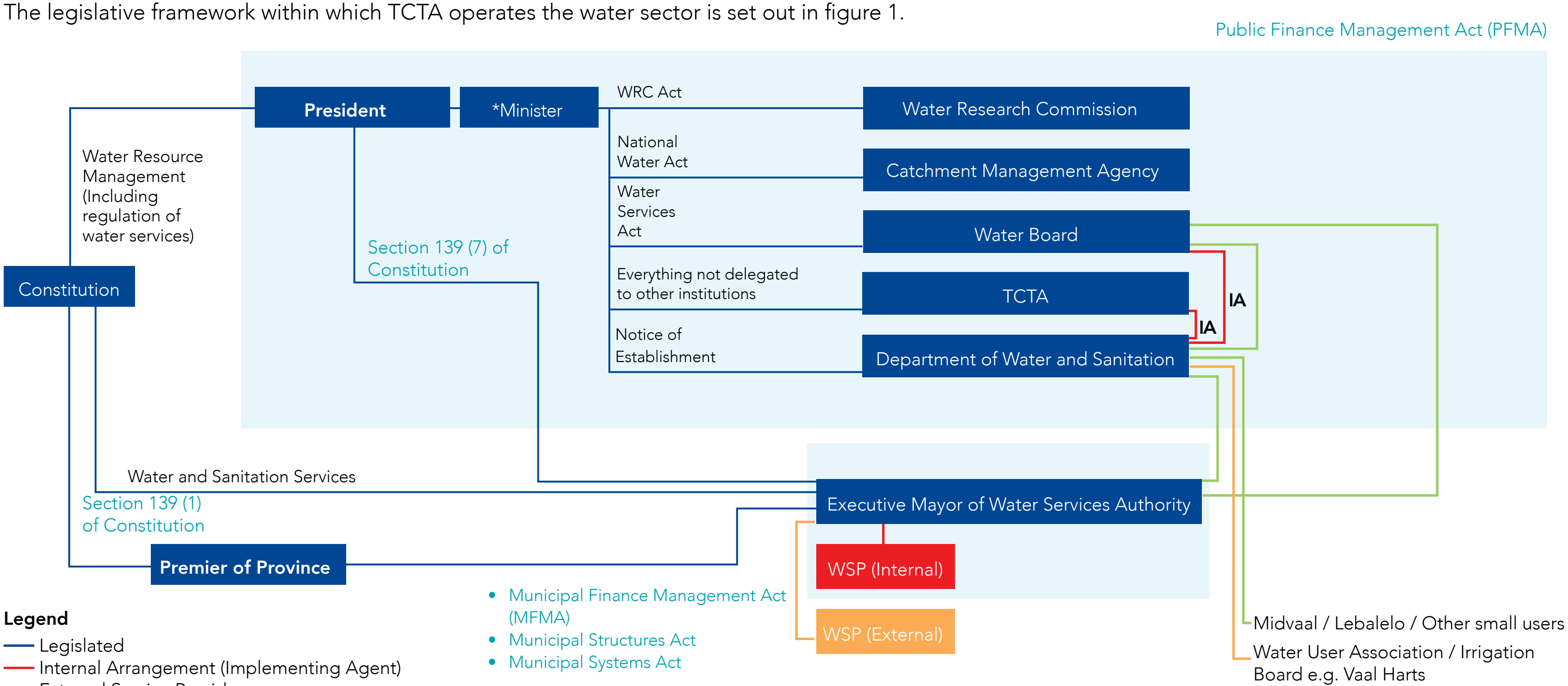
There are still many lessons to be learned to improve the experience of employees, both in and out of the office, and to gain efficiency of working through the embrace of digitisation. In particular the integration of new employees needs to be addressed so that they feel part of the larger TCTA family and not isolated within their immediate teams.

I wish to thank the previous and new TCTA Boards for their guidance and support and the management and staff for their commitment to work during this year. Going forward we need to maintain the momentum that has built on the projects to ensure that TCTA is productive, and that infrastructure is completed to ensure water security in South Africa.

Percy Sechemane
Chief Executive Officer

LEGISLATIVE AND OTHER MANDATES

The legislative framework within which TCTA operates the water sector is set out in figure 1.



Legend

- Legislated
- Internal Arrangement (Implementing Agent)
- External Service Provider
- Water Supply Agreement

WSP - Water Service Provider
*Minister of Water and Sanitation

Figure 1: Legislative Framework

The Trans-Caledon Tunnel Authority (TCTA) was established in 1986, by Notice 2631 in Government Gazette No. 10545, dated 12 December 1986, to finance and build the Delivery Tunnel North of the Lesotho Highlands Water Project (LHWP). In 1994, a directive was received to fulfil the financial obligations of the Government of South Africa, in terms of the Treaty on the Lesotho Highlands Water Project, on the water transfer component in Lesotho.

On 24 March 2000, the Notice of Establishment was amended by Notice 277 in Government Gazette No. 21017, to include the 1994 directive and to allow for the Minister, in terms of Section 24(d) of the notice, to issue directives to TCTA in terms of Section 103(2) of the National Water Act (Act No. 36 of 1998).

In accordance with Section 3 of the Notice of Establishment, TCTA is set up to:

- implement, operate and maintain that part of Phase 1 of the LHWP, situated in the Republic of South Africa, in accordance with the provisions of the Treaty; and
- perform the functions set out in Clauses 24(a) and (b) and any other additional functions that the Authority may be required to perform in terms of a directive by the Minister under Section 103(2) of the National Water Act.

In doing so, the Minister must be satisfied that such directives will not prejudice the capacity of TCTA to perform the functions for which it was established. The National Water Act allows the Minister to direct a body, established under Section 102 of the Act, to perform additional functions which may include, but are not limited to, providing water management institutions, both within the borders and external to the Republic, with:

- management services (project implementation);
- financial services (structuring and raising project finance, debt management and advising on tariff setting);
- training; and
- other support services.

The above provision makes it clear that TCTA cannot undertake any function outside of its Notice of Establishment without the permission of the Minister unlike the Water Boards, which are given such an opportunity in terms of Section 30 of the Water Services Act (Act No. 108 of 1997).

The National Water Act requires that TCTA manages and account for different functions separately. This is further emphasised in the Notice of Establishment for TCTA, which states in Section 20(1) that the Authority must manage its Treaty functions separately from its non-Treaty functions and account for them separately, as required by Section 105(1) of the National Water Act. The Treaty functions in terms of Section 8A of Protocol 6 of the Treaty are limited to the operations and maintenance of the Delivery Tunnel North within South Africa.

Section 20(2) furthermore states that the Authority's Treaty responsibilities are not applicable to its non-Treaty functions.

The bulk of TCTA's work now comprises non-Treaty functions. TCTA accounts for and manages these functions separately from the Treaty functions and from each other, in terms of Section 103(2) of the National Water Act. The impact of these provisions on TCTA is that there is a separate:

- borrowing limit from the Minister of Water and Sanitation, government guarantees and funding arrangements;
- general ledger; and
- where money is borrowed to finance a project, separate income/implementation agreements with DWS, which are back-to-back with the water supply agreements between DWS and the beneficiary water users, where applicable.

The income/implementation agreements with DWS determine *inter alia*, the cost recovery mechanism for each project. To date, the following three principles have been applied where money is borrowed to implement a project:

- a structure per project is applied to ensure break-even sufficiency of revenue to recover project costs over the debt repayment period. Key principles applied in determining an appropriate tariff structure for a project include end-user affordability, predictability and sustainability;
- the revenue is only used to recover costs related to each project, namely capital costs, funding costs and administration costs; and
- management of liquidity and funding risks.

Since its original mandate (the Notice of Establishment), TCTA has received a further 21 directives. The mandate and directives, as of 31 March 2023, are shown in table 1.

Table 1: Mandate and Directives

Mandate / Directive	Date	Type of work					
		Planning	Funding	Implementation	Operation and maintenance	Advisory	Payment
Lesotho Highlands Water Project (LHWP): Delivery Tunnel North (Treaty obligations).	12 December 1986		√	√	√		
Operation and Maintenance of Vaal River System (VRS): To fulfil all the Republic's financial obligations in terms of or resulting from the Treaty (non-Treaty functions) on the Lesotho Highlands Water Project and any other obligations on the Vaal River System (e.g. Acid Mine Drainage Project).	3 August 1994 (and incorporated into amended Notice of Establishment, 24 March 2000)		√				√
Advisory Services to Umgeni Water.	4 July 2001					√	
Advisory Services to Water Management Institutions, Water Boards and DWS.	17 May 2004					√	
Berg Water Project (BWP).	6 May 2002		√	√		√*	
Vaal River Eastern Subsystem Project (VRESAP)	6 October 2004		√	√		√*	
Mooi–Mgeni Transfer Scheme – Phase 2 (MMTS- 2).	29 November 2007		√	√		√*	
Olifants River Water Resources Development Project – Phase 2C (ORWRDP-2C).	17 June 2008 (directive revised 12 March 2012)			√		√*	

Mandate / Directive	Type of work						
	Date	Planning	Funding	Implementation	Operation and maintenance	Advisory	Payment
Komati Water Scheme Augmentation Project (KWSAP).	29 September 2008		√	√		√*	
Mokolo–Crocodile Water Augmentation Project – Phase 1 and Phase 2A (MCWAP-1; MCWAP- 2A).	19 May 2010		√	√		√*	
Metsi Bophelo Borehole Project.	2 March 2011			√			
Acid Mine Drainage – Short-term Intervention.	6 April 2011			√	√	√	
Phase 1 of the Mooi–Mgeni Transfer Scheme – Phase 1.	29 November 2011			√			
Strategic Integrated Project 3 (SIP-3).	10 November 2012					√	
Advisory Services for the uMzimvubu Water Project (MRWP).	10 February 2014 (latest revision revised 19 January 2019)	√	√	√			
Strategic Integrated Project 18 (SIP-18)	26 February 2014					√	
Amendment to MMTS-2 directive to include the construction of a potable water pipeline for Umgeni Water.	20 March 2014			√			
Olifants River Water Resources Development Project – Phase 2B (ORWRDP-2B).	25 February 2015 (directive revised 22 October 2015)	√	√	√			
Advisory Services for the Water Off-take for Kriel Town (KRIEL).	20 June 2015			√		√	
Acid Mine Drainage – Long-term Solution.	19 May 2016		√	√		√	
Berg River–Voëlvlei Augmentation Scheme (BRVAS).	18 May 2017		√	√		√	
uMkhomazi Water project (uMWP).	22 February 2019		√	√		√	
Programme Management Services to DWS in relation to Water Infrastructure Projects	1 April 2019					√	

MAJOR PRODUCTS AND SERVICES

To fulfil the responsibilities set out in the Notice of Establishment and the directives that are given to it from time to time by the Minister, TCTA provides the following services and associated products:

1) project management and implementation of water infrastructure:
    - project design
    - project construction
    - environmental compliance
    - land acquisition
2) operation and maintenance;
3) debt management;
4) structuring and raising project finance;
5) knowledge management;
6) risk management;
7) socio-economic transformation; and
8) tariff setting.

These products and services are in alignment with the functions set out in Section 102 of the National Water Act.

OUR CONTRIBUTIONS TO DEVELOPMENT OUTCOMES

In delivering on its mandate and the Minister of Water and Sanitation's directives, the organisation continuously ensures that it strongly contributes to the developmental priorities of the government, as reflected in table 2.

Table 2: Government outcomes and TCTA's contribution

Outcome	TCTA Contribution
4 Decent employment through inclusive economic growth.	Providing cost-effective water infrastructure as an enabler of economic growth and jobs.
5 Skilled and capable workforce.	• Developing a strong skills-set in scarce fields, thereby enabling SA to compete in world markets. • Promoting entrepreneurship in small businesses.
6 Efficient, competitive and responsive economic infrastructure network.	Ensuring a comprehensive financial and implementation package that delivers the most cost-effective solution.
7 Vibrant, equitable and sustainable rural communities with food security for all.	Supporting other water sector institutions to enable them to deliver on their mandate.
8 Sustainable human settlements and improved quality of household life.	Providing affordable infrastructure and improved access to basic services.
9 A responsive, accountable, effective and efficient local government system.	Supporting other water sector institutions to enable them to deliver on their mandate
10 Environmental assets and natural resources that are well protected and continually enhanced.	Developing infrastructure in an environmentally responsible and socially inclusive manner, in accordance with global best practice.
12 An efficient, effective and development-orientated public service.	Contributing to the development of critical knowledge in the sector and beyond (e.g., project financing and implementation, desalination, water reuse).

OUR BUSINESS MODEL

The business model, through which TCTA renders services, receives revenue and allocates business risk, is schematically displayed in figure 2. It has remained largely unchanged since the organisation's inception more than 35 years ago. TCTA implements mainly off-budget national water infrastructure, on behalf of DWS, by progressing projects to a state of bankability and securing finance, followed by the procurement of design and construction services. Lenders can draw comfort from the undertaking by the government to assume TCTA's obligations to funders, if it is unable to do so, in terms of project income/implementation agreements. Loans are typically repaid over 20 years.

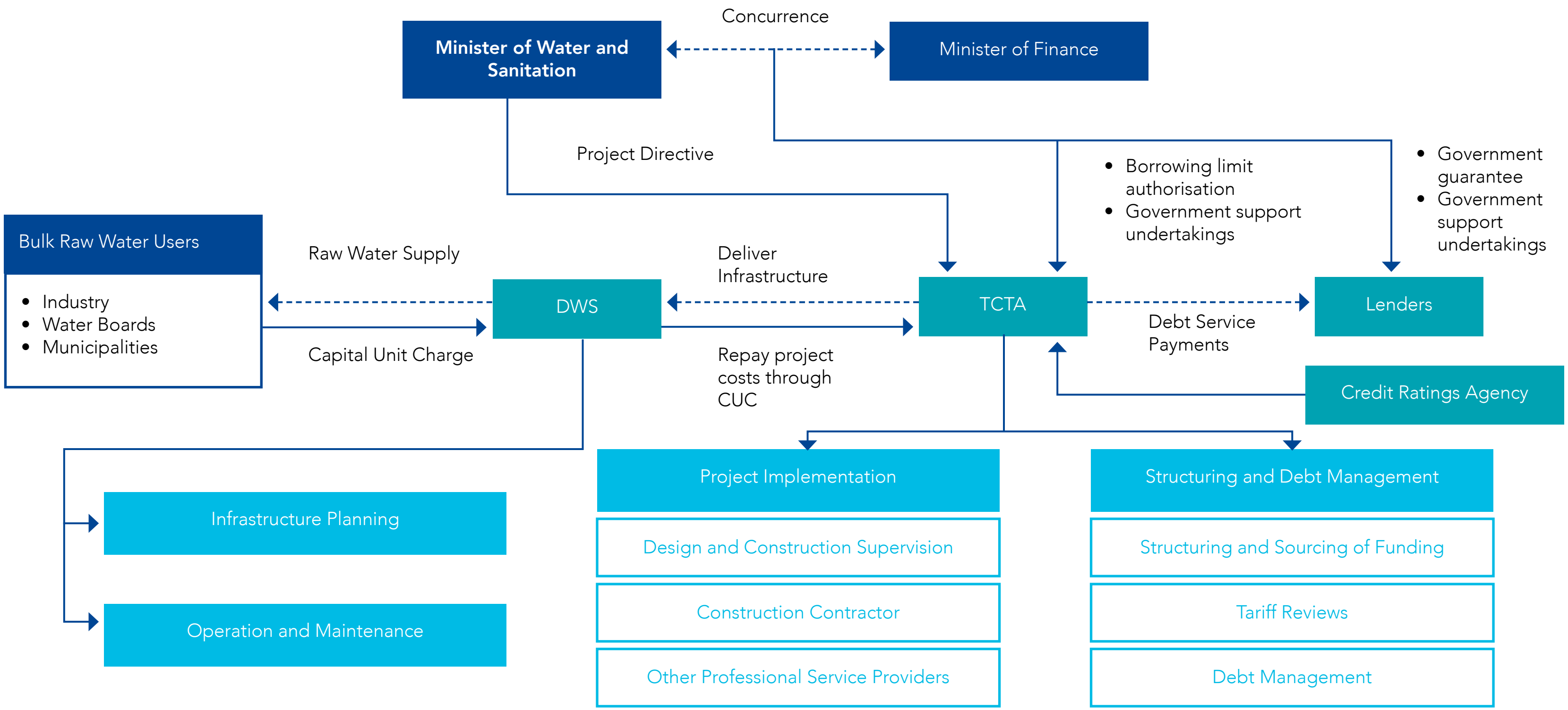


Figure 2: Business Model

STAKEHOLDER RELATIONSHIPS

Effective stakeholder engagement enables TCTA to develop more informed policies, project plans, programmes and services. This engagement yields benefits for the various parties. For stakeholders, these include opportunities to contribute to policy and programme development and participation in decision-making, where applicable. Interaction further enhances the possibility of achieving favourable outcomes on matters that need negotiation between the parties. For TCTA, well-thought-out stakeholder engagement strategies, offer an effective platform to unlock obstructions to business success and produce efficient information flow. Furthermore, the engagement also delivers a window for the organisation to tap into local knowledge and to "road test" policy initiatives with stakeholders.

TCTA seeks to contribute to the nation's water security through cost-effective financing and the development of water infrastructure. Management of stakeholder relationships is, therefore, critical to the execution of the organisational mandate which includes the implementation of its infrastructure projects.

To provide a reliable and sustainable service to water users, TCTA creates and maintains relationships with a variety of stakeholder groups. Engaging stakeholders with diverse experiences, knowledge and perceptions delivers strong outcomes for the organisation. It enables the organisation to achieve more than it would, working in isolation. In the period under review, TCTA primarily focussed its efforts on maintaining and improving relations with the parent national department, DWS and other government departments and institutions with a significant impact on its business. The organisation further paid special attention to funding institutions with a financial interest in the projects it manages.

Stakeholder analysis and engagement planning have been done for MCWAP-2A, BRVAS and uMzimvubu projects. Mechanisms are being established to ensure that project stakeholders are actively engaged, consulted, and informed as projects are rolled out. As BRVAS and MCWAP-2A preparations advance pre-construction baseline studies and focused engagements are used to identify the needs and expectations of project-affected persons and to ensure that these are considered in the project implementation planning. TCTA continues to support the regional DWS office in stakeholder engagements ahead of the 2024 shutdown of the Deliver Tunnel North of the LHWP.

Table 3 below outlines the organisation's broad list of stakeholders and the nature of engagement with them.

Table 3: Stakeholders and Engagements

Stakeholder	Nature of interest/ stake	Engagement strategy
Parliament	Regulation and compliance with legislation.	Empower with project information. Present Integrated Annual Report and Corporate Plan. Account on performance and governance of the organisation. Manage the relationship.
Shareholder (Ministry)	Directive and mandate to operate. Financial guarantees and compliance.	Account on performance and governance of the organisation. Consult stakeholder on all major decisions. Provide project monthly reports. Hold regular meetings. Collaborate and empower with relevant information. Manage the relationship.
Shareholder Department (DWS)	Compliance with Ministerial directives and mandate.	Advise on funding requirements. Provide advice and support on consultations with bulk water users. Communicate results and performance. Obtain feedback on requirements or any changes. Provide frequent status reports and updates. Have stream-focused collaborative meetings/ engagements at senior management level. Collaborate and empower with relevant information. Manage the relationship.
Stakeholder	Nature of interest/ stake	Engagement strategy
National Treasury	Operation within borrowing limits. Compliance with applicable legislation.	Account for performance and governance of the organisation. Consult on all major financial decisions and PFMA-related matters. Provide regular status reports and updates. Collaborate and empower with relevant information. Manage the relationship.
Major Water Boards	Current and future raw water off-takers and tariff payments.	Involve and keep stakeholders informed on all developments within the implementation of projects. Provide support on consultations with bulk potable water users. Ensure regular reporting on project progress. Provide transparent information. Explore future opportunities. Manage the relationship.
Water Boards and water entities	Key water sector role- players.	Empower and consult on sector-wide issues. Provide support on consultations with bulk potable water users. Lobby for support, as required.

Stakeholder	Nature of interest/ stake	Engagement strategy
Off-takers	Mutually beneficial relationships on bulk raw water infrastructure projects. Raw water off-takers and tariff payments	Involve and keep stakeholders informed on all developments within the implementation of projects. Ensure regular reporting on project progress. Provide transparent information. Manage the relationship.
Local Government	Availability of water infrastructure in a jurisdiction.	Identify relevant municipalities and collaborate with them. Lobby for support as required.
Financiers	Ability to service loans.	Keep satisfied. Keep informed on the financial standing of the organisation. Meet regularly. Comply with contractual agreements. Report on good governance.
Communities	Favourable decisions.	Empower and consult on relevant issues. Establish representative community forums in active project areas.
Government Regulators	Compliance and good governance.	Keep satisfied. Keep informed. Engage regularly. Provide compliance reports.
Bi-national partnerships	Servicing the terms of the Treaty.	Manage closely. Collaborate and consult. Regular meetings with bi-national partners.
Rating agencies	Provide credit ratings on projects, used by funders and other interested parties	Provide requested information
Stakeholder	Nature of interest/ stake	Engagement strategy
Contractors	Successful implementation of projects.	Manage closely. Schedule monthly performance evaluation meetings. Monitor performance. Satisfy contractual obligations.

Stakeholder	Nature of interest/ stake	Engagement strategy
Suppliers and consultants	Provision of quality services and products and timeous payment of services rendered. Successful management of contractors.	Manage closely. Schedule monthly performance evaluation meetings. Monitor performance. Inform timeously of changes. Satisfy contractual obligations.
Media	Accessibility of information and brand visibility.	Keep informed. Engage and empower. Provide factual information. Ensure deadlines are met on all enquiries. Manage the relationship.
Civil society	Social and environmental responsibility.	Keep satisfied. Consider needs and concerns. Respond decisively and responsibly. Manage the relationship.
Affiliations and associations	Contribution to excellence in the sector.	Share information. Attend to all membership requirements within guidelines and expectations.
Internal stakeholders	Organisational performance and a conducive working environment.	Develop and maintain healthy professional relationships at three levels namely: organisational, divisional (team) and one-on-one (manager and subordinate) level. This approach is underpinned by timely, appropraite and transparent communiaction, with the intent tomotivate and facilitate performance.

ORGANISATIONAL STRUCTURE

The organisational structure as of 31 March 2023 is as per figure 3.

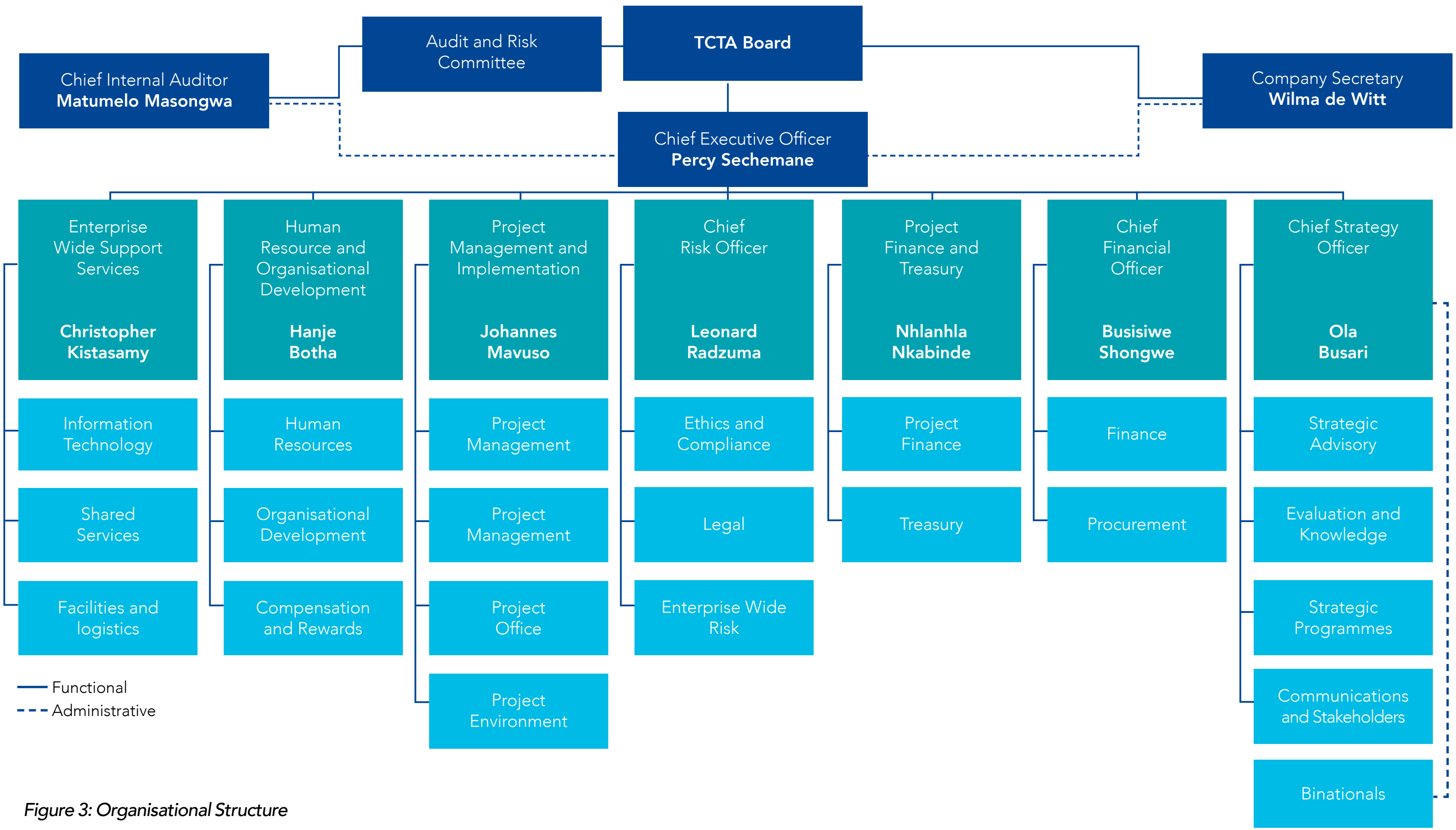


Figure 3: Organisational Structure

PART B

DELIVERY ON MANDATE AND DIRECTIVES

National Water Resource Infrastructure

NATIONAL WATER RESOURCE INFRASTRUCTURE

The primary purpose of the national water resource infrastructure is to provide an assured level of supply to users through the storage of water in dams and transfer, where necessary, from a catchment in surplus to another catchment in deficit.

If a dam fails, not only is the water lost, but considerable damage can also occur to property and lives may be lost, in the immediate downstream area. It can also take a significant amount of time to rebuild a dam wall, during which there would be restrictions on the amount of water that could be drawn from the system. A dam can fail in another sense: during a severe drought, water can no longer be drawn from it or the amount available is severely reduced. The restrictions would depend on the contribution of that dam to the total yield of the system.

For example, the Vaal River System has 14 major dams. If one dam were to break, the others would still hold water. The other advantage of having 14 dams spread over three different catchments (Vaal, Tugela and Senqu rivers) is the increased resilience against below-average rainfall in one catchment. If one catchment experiences low rainfall, it is probable that it will not extend to the other catchments.

During the last drought in the Vaal River System although the Vaal Dam almost reached its minimum operating capacity and the levels in the Lesotho dams extremely low, leading to reduced transfers, however, restrictions were not imposed on urban users. Contrast this with the Western Cape Water Supply System, where draconian restrictions were imposed on all users due to the dependency on rainfall in a very small, localised area.

An example of dependency on a single dam for domestic, industrial and irrigation purposes is the Clanwilliam Dam on the Olifants River in the Western Cape. Failure of supply would be catastrophic for all, as there is no alternative. The impact of the failure of the dam wall can be gauged by the damage caused by the June 2023 floods. If the dam wall had failed during the floods, then even greater damage would have been incurred.

On transfer or conveyance systems, there is no point in having water in the resource if it cannot reach the users, especially when there is no alternative source of supply. The design of the infrastructure will reflect the degree of resilience required to minimise the risk from disruption to supply. Even in the same system, there can be different requirements. On the Lesotho Highlands Water Project, the tunnels situated before and after Muela Power Station serve different purposes. Before Muela Power Station, the water is both for transfer to South Africa and generation of power for Lesotho, while after it is just for transfer of water. South Africa can tolerate a long period without water transfer, as evidenced by the proposed shutdown in 2024 for six months. However, Lesotho would immediately need to purchase electricity from South Africa if the tunnel from Katse collapses.

To prevent the above risks from materialising, a very high level of resilience is built into the management of the systems and the design, operation, and maintenance of the infrastructure.

Because future rainfall cannot be predicted accurately, restrictions are imposed as if the next rainfall season will be the worst. In that way, if it is, there will still be some water available, even at a very low level of supply. Contrary to popular belief, Cape Town was not set to be the first major city in the world to run out of water. If the drought had not broken in 2018, a higher level of restriction would have been imposed to ensure that everyone had access to at least a basic supply. The system was, in fact, extraordinarily resilient.

On infrastructure, the approach is to err on the side of extreme caution as the cost of failure far outweighs that of replacing infrastructure. Spillways are designed for the probable maximum flood, rather than a specific return period, as the flood exceeding that return period might be next year.

"The Probable Maximum Flood is a hypothetical flood event. The definition of the PMF is "A flood that can be expected from the most severe combination of critical meteorologic and hydrologic conditions that are reasonably possible in a region."

If the seawall at the Fukushima Nuclear Reactors had been designed to withstand the probable maximum tsunami, and the cooling equipment had been situated where it could not have been flooded even if the seawall had failed, the subsequent meltdown, release of radiation and mass evacuation could have been avoided.

Where there are controlled spillways (the flood is passed by raising and lowering gates), the Department of Water and Sanitation installs numerous backup systems. The ultimate backup mechanism allows a portion of the wall or embankment to fail to protect the main infrastructure. On the Vaal Dam, this is a portion of the northern embankment.

When there has been a failure of a conveyance system, such as happened with the canal feeding the Nooitgedacht Water Treatment Works in the Nelson Mandela Bay Municipality, rapid repairs become crucial. This was evident from 17 to 25 May 2015, when swift repairs ensured the required resilience. However, this and similar incidents on the canal in the Lower Olifants Government Water Scheme below the Clanwilliam Dam highlight the importance of regular maintenance. Timely replacement of infrastructure is also essential to maintain the required level of resilience.

The result is that in the past, the national water resource infrastructure has proved resilient for its users. The challenge is to maintain this into the future.

SUMMARY OF PROJECT IMPLEMENTATION

TCTA funds and implements a portfolio of projects on behalf of the Department of Water and Sanitation. These are at various phases, namely preparation, implementation and closure phases.

In addition, TCTA oversees the operation and maintenance of the Delivery Tunnel North of the Lesotho Highlands Water Project as well as the Acid Mine Drainage (AMD) treatment plants in the Western, Central and Eastern Basins of the Witwatersrand Goldfields.

The key activities undertaken during the year under review are summarised as follows:

Projects in the Preparation Phase

Phase 1 of the uMkhomazi Water Project

The Mgeni System is the main water resource supplying about 6 million people and industries in KwaZulu-Natal. The water requirements projection indicates that the Mgeni System is experiencing a resource deficit,, and therefore, there is a need to augment the water supply of the system. In February 2019, the Minister issued TCTA with a directive to fund and implement the bulk raw water component of the project, which entails the following infrastructure:

- an 81m high Smithfield Dam and associated infrastructure in the uMkhomazi River near Bulwer.
- water conveyance infrastructure:
  - approximately 32km of 3.5m diameter tunnel from Smithfield Dam reservoir to the uMlazi River Valley.
  - approximately 5km of 2.6m diameter raw water pipeline from the outlet portal of the transfer tunnel (above) to the proposed Umgeni Water's water treatment works in the uMlazi River Valley.

The project will increase the yield of the Mgeni System from 394 to 608 million m^3 per annum.

The two Environmental Authorisations (EAs) for the project were approved by the Department of Forestry, Fisheries and Environment (DFFE) in September 2021. Furthermore, Environmental Management Programmes (for pre-construction only) were revised and subsequently approved by DFFE in March 2022. TCTA is preparing bid documents for the procurement of professional service providers for the water conveyance infrastructure and the dam.

DWS funds project preparation activities pending the finalisation of institutional arrangements and the raising of funding. As required by the directive, TCTA facilitated negotiations between Umgeni Water and the six water user municipalities in its area of supply on the water user agreements. The draft agreements were approved by the respective councils for public participation in terms of the Municipal Finance Management Act. The funding model was finalised with the approval by the National Treasury of a budget under the Budget Facility for Infrastructure for a 25% capital grant and a 25% interest-free loan to improve the affordability of the project to end users. The loan will be made available through the Infrastructure Fund. The rest of the funding will be funded through commercial debt to be serviced from water tariffs.

Berg River - Voëlvlei Augmentation Scheme

The Water Reconciliation Strategy for the Western Cape Water Supply System indicates that the system is in deficit and should have been augmented by 2019/20 to avert a severe shortfall. This need was evident when the water supply system could not cope with the drought situation that was experienced in 2018/19. BRVAS was identified as the next surface water development that can contribute to satisfying this requirement. The project will operate during the winter months, and abstract water from the Berg River and pump to the Voëlvlei Dam. The project consists of a diversion weir in the Berg River, a pump station and a 6.3km long pipeline and ancillary works. This will improve the yield of the Western Cape Water Supply System by 23 million m^3 per annum.

There has been good progress made in the implementation activities of BRVAS during the year under review. The Professional Service Provider (PSP) completed the conceptual designs, after amending the information through additional investigations and design improvements, which were subsequently approved by the Department of Water and Sanitation. The enhanced concept design outputs resulted in material changes to the project implementation timelines and capital cost to completion. This was followed by cost-saving initiatives which contributed to the optimised revised Project Charter and the revised project contracting strategy.

The tender document for the appointment of the PSP to develop and finalise the tender designs and specifications for the construction phase of the project will be issued in the next financial year and when project funding is confirmed.

Ongoing pre-construction project preparation activities were funded by DWS during the year, while institutional arrangements were in final preparation. The water supply agreements between water users (municipalities and irrigators in the Western Cape Water Supply System) and DWS were signed by the water users and the borrowing limit was approved, thus enabling the raising of commercial funding, which is expected to be concluded during the second fiscal quarter of 2023/24.

Projects in the Implementation Phase

Vaal River System

The funding programme for the Vaal River System includes commercial banks, Development Finance Institutions (DFI) and capital markets funding. The funding is used mainly for the implementation of Phase 2 of the Lesotho Highlands Water Project (LHWP-2) by the Lesotho Highlands Development Authority (LHDA). TCTA is mandated to raise funding and provide it to LHDA as cost-related payments for the LHWP-2 delivery component of LHWP, on behalf of DWS as the Designated Authority under the LHWP Treaty. No new commercial bank facilities are envisaged. DFI facilities have been negotiated with some of the finance documents pending execution at the end of the year. A domestic multi-term note programme is under development – an investor roadshow took in comments from the market and the updated draft programme memorandum was discussed with the National Treasury. The programme is planned for registration and the beginning of issuance of notes in 2023/24.

Phase 2A of the Mokolo - Crocodile River (West) Water Augmentation Project

The project comprises an abstraction weir, pump stations and a 160km pipeline to transfer water from the Crocodile River near Thabazimbi to the Lephalale area. The project is a prerequisite to enabling further development of the Waterberg Coalfields, as envisaged in the first Strategic Infrastructure Project of the Presidential Infrastructure Coordinating Commission. It will enable Eskom to have a second source of water supply for their Medupi and Matimba power stations, which is 20% of the country's reliable power supply capacity. Also, it will enable them to operate an additional three flue gas desulphurisation (FGD) units at the Medupi Power Station, and later 6 Matimba FGD units, which could not be supplied with the available water from the Mokolo Dam. The FGD units minimise the environmental emissions from the power station, which is a condition of the Eskom World Bank loan and the Department of Environment, Forestry and Fisheries emission requirements. The FGD units are expected to be operational by 2027.

The full implementation of the project has commenced, and the project is in the Tender Design and Procurement phase. The infrastructure designs are 100% complete and the procurement documents were in preparation.

The Environmental Authorisation on the project was received in March 2019, and all the environmental appeals were dismissed by the Minister of Forestry, Fisheries and Environment in October 2020. The identified project environmental studies, which were conditions of the approval, were completed and a Construction Environmental Management Programme, which includes the deviations necessitated by the discovery of the bat cave along the pipeline route, was subsequently approved by Department of Forestry, Fisheries and the Environment (DFFE).

The Department of Mineral Resources (DMRE) approved all the required 30 borrow pits. The request to use and rehabilitate existing ownerless and derelict borrow areas has been approved by DMRE. This presents the project with the opportunity to have a lasting positive impact on the pre-construction landform. A Water Use Licence application has commenced and will be concluded in the next reporting period.

The Socio-Economic studies for the project were completed and the report informed the criteria for procurement. Valuation of properties along the entire pipeline route was done and the land and servitude acquisition process was undertaken, and 51% of land and servitudes were acquired and the remaining land and servitudes will be acquired in the next reporting period.

MCWAP-2A includes the development of a River Management System (RMS) for the Crocodile River from the Hartbeespoort Dam to the Vliepoort Weir near Thabazimbi. In collaboration with DWS, the RMS development has been defined and packaged into 4 distinctive stages. The initial scoping has been concluded and a PSP has been appointed to design the RMS. Aerial imagery work has commenced and the PSP has initiated the concept design work in consultation with the affected stakeholders.

Sourcing of funding commenced during the year and seven commercial and DFI funders were selected for negotiations to provide more than R20 billion in long-term funding facilities. By year-end, the potential funders were undertaking project due diligence and negotiations on facility agreements were in progress. National Treasury's Instruction 3 of 2021/2 (paragraph 8.4) imposes conditions for the issuing of bidding documents for contracts. TCTA's application for exemption from this Instruction was unsuccessful, meaning that procurement of major contracts has been delayed by the need to conclude funding facility agreements.

Projects in close-out phase

Phase 2 of the Mooi Mgeni Transfer Scheme

The MMTS-2 Biodiversity Offset is a requirement of the project, designed to secure the long-term protection and conservation of grassland, wetlands and rivers in the catchment. The MMTS-2 Biodiversity Offset Project approach is in the process of being amended in collaboration with DFFE, the Biodiversity Offsets Working Group and Ezemvelo KwaZulu-Natal Wildlife (EKZN). An alternative approach was presented to DFFE on 6 Feb 2023. It is proposed that EKZN implement the offset on behalf of DWS and TCTA. At present, administrative terms and conditions are under discussion, including measures to ensure ring fencing of funds for the specific implementation of the EKZN offset plan.

An amendment to the EA, inclusive of public participation, will be required in terms of National Environmental Management Act, Environment Impact Assessment regulations. TCTA Legal services and duly authorised EKZN Management are engaged to ensure that the alternative approach is viable and that it will successfully meet the intention of the offset obligation.

Phase 2C of the Olifants River Water Resource Development Project

The project comprises a 40-km distribution pipeline from De Hoop Dam, which feeds the De Hoop Water Treatment Works at Steel Bridge, and a pump station near Steelpoort, where it can interconnect with the Lebalelo Water Users Association infrastructure. It provides water to the eastern limb of the Bushveld Complex (mining) as well as for municipal consumers in the Sekhukhune District Municipality.

The project is complete. The remaining activity during the year was limited to obtaining financial closure on the construction contract through the contractual dispute resolution process.

ADVISORY SERVICES TO DWS

uMzimvubu Water Project

The uMzimvubu Water Project aims to develop the water resources in the uMzimvubu River catchment to provide a stimulus for the regional economy in terms of domestic water, irrigation, hydropower generation and job creation.

On 16 January 2019, TCTA received a revised directive to provide project management advisory services to DWS for the implementation of Stage 1 of the project, which entails the construction of the access road to Ntabelanga Dam.

Construction started in March 2021. However, limited progress was achieved due to, initially, the lack of construction drawings as a result of their dispute with the professional service provider and subsequently to procurement delays and adverse climatic conditions. TCTA also supported DWS with resources for social facilitation that ensured all stakeholders are engaged and key issues are resolved without community disruptions to the works.

OPERATION AND MAINTENANCE ACTIVITIES

TCTA operates and maintains the following two infrastructure projects:

1) the Delivery Tunnel North of the Lesotho Highlands Water Project; and
2) the Short-term Intervention of the Acid Mine Drainage Project

A summary of these activities is as follows.

Delivery Tunnel North of the Lesotho Highlands Water Project

In terms of the Treaty, as amended by Protocol IV between the Republic of South Africa and the Kingdom of Lesotho, TCTA is responsible for the operation and maintenance of that part of the project situated in the Republic of South Africa, Delivery Tunnel North, and is accountable to the Lesotho Highlands Water Commission in this regard. TCTA also manages the Ash River Management Plan, a river erosion monitoring and mitigating plan that was implemented following the start of water deliveries from LHWP.

During the financial year under review, TCTA complied with all its operations and maintenance obligations to ensure that the infrastructure could deliver the scheduled 894 million m^3 of water at the designated outlet point in the Ash River.

Acid Mine Drainage Treatment Plants

A summary of the performance of the AMD treatment plants is as follows:

Western Basin

Over the reporting period, the volume target of treated water of between 80% and 90% of the max treatment capacity of 30 Ml/d including planned outages, calculated over the full year, and adjusted for any force majeure events or other events outside has been exceeded. The average volume treated for the year ending 31 March 2023 was 34.8 Ml/d (116%) of the treatment capacity of 30 Ml/d. The excessive rain in November and December 2022 caused a spike in the water level in the Western Basin, thus, leading to overflow at 18 Winze Shaft. The overflow from 18 Winze combines with runoff water caused by torrential rains in the area and the water discharged from the Western Basin AMD Plant, before entering the Tweeloopies Spruit. TCTA and Sibanye implemented a temporary plan to neutralise the acidic water with caustic soda at the collection point. This was agreed with the stakeholders to mitigate the environmental risks.

Central Basin

Over the reporting period, the Central Basin Plant achieved the revised target of an average daily volume of treated water of between 80% and 90% of the maximum treatment capacity of 60 Ml/d including planned outages, calculated over the full year, and adjusted for any force majeure events or other events outside TCTA control. An average of 55.6 Ml/d (92%) was achieved during the financial year ending 31 March 2023. No negative environmental impacts occurred during the full reporting period. The operational challenges set out below were encountered during the period, giving rise to the lower-than-expected treated water volumes for the full year:

a) The plant was operated at less than full capacity during the period due to a lower capacity pump being installed pending the upgrading of the existing pump with the larger capacity pump (+/-17% lower).
b) Restrictions on the treated water outlet pipeline due to scaling (- 7%).

To restore the full treatment capacity of the Central Basin plant the following mitigation measures are in progress:

a) TCTA has built a new pump with the spare parts on-site and successfully installed it.
b) The order for the purchase of a new pump/motor was placed and delivery on-site is expected in the next reporting period.
c) A second discharge pipeline is being constructed utilising the contract with the plant operator and is planned to be completed in the next reporting period.

Eastern Basin

The target for the operation of the eastern Basin has not been met due to motor failures which result in an average volume treated of 21 Ml/d equating to 21% of the treatment capacity of 100 Ml/d. This failure was due to the initial failure of two of the pump motors in June 2021, followed by the remaining pump motor failing in February 2022, resulting in the complete shutdown of the plant due to no pumps being available.

New pump motors were sourced from an alternative supplier and delivered to the AMD Plant in November 2022. Two pumps with new motors were commissioned in December 2022 and thus the AMD Plant was brought back to operations on 17 December 2022 achieving 70% of the DWS agreed volumes. The last pump was commissioned in February 2023 thus enabling the AMD Plant to operate within the DWS agreed parameters of 80% to 90% of the maximum treatment capacity of 100 Ml/d.

The water effluent discharged into Blesbokspruit met the DWS specification.

Table 4: Treated Water Quantity and Quality data from the three basins

Basins		Western	Central	Eastern
Volume treated				
Average Daily Volume Treated		34.8Ml/d	55.6Ml/d	21Ml/d
Water Levels				
Environmental Critical level		Not determined	126m below ground level	106m below ground level
As of 31 March 2023		0.0m	79.13m	65.71m
Water Quality				
Parameter	Specification	Compliance with Specification		
PH	6.5 – 9.5	100%	100%	100%
Iron	< 1mg/l	100%	100%	100%
Manganese	< 10mg/l	100%	100%	100%
Aluminium	< 1mg/l	100%	100%	100%
Sulphates	≤3 000mg/l	100%	100%	100%
Electrical Conductivity	≤450mS/m	100%	100%	100%
Turbidity	≤30NTU	100%	100%	100%

Table 5: Operating Costs

Basins	Central	Eastern	Western
Operations	60 950 962	84 522 071	52 336 501
Rates & Taxes (Water and Sanitation)	-	6 265 911	1 517 825
Electricity	-	42 677 989	19 932 645
Total	**60 950 962**	**133 465 971**	**73 786 971**

All costs excluding VAT

For the year ended 31 March 2023, TCTA was once again tasked with ensuring effective financial management which ensures the successful achievement of its strategic goals, both financial and non-financial.

The financial performance of TCTA as reported, provides a snapshot of the underlying activities and provides assurance of the financial health of the organisation as well as to provide assurance of TCTA's ability to continue to operate as a going concern. Compliance with Public Finance Management Act (PFMA) remains an area of focus and shortfalls identified within the compliance environment are receiving the priority attention of management more especially with regards to the prevention of the occurrence of irregular, fruitless and wasteful expenditure.

The AMD implementation agreement with the Department was concluded on 01 June 2023. The implementation agreement regulates the funding and implementation of the Short-term Intervention in the three basins by TCTA as well as the funding and preparatory work done under the Long-term Solution until further work on the project was suspended. The agreement regulates the repayment of the costs incurred by TCTA as well as the payment of the costs relating to the operations and maintenance of the treatment plants.

The execution of the agreement resulted in an adjusting post balance sheet event and a cumulative historical reduction in AMD receivable of R341 million was recognized as well as a cumulative historical reduction in tariff receivable of R66 million.

In the current financial year TCTA moved offices, the current lease agreement is for a period of five years commencing 1 November 2022. This resulted in the recognition of the right of use asset amounting to R23 million as well as a lease liability amounting to R22 million .

Management is pleased with the annual financial statements as reported as a reflection of TCTA's continual drive to evolve in our financial reporting, which ensures that all stakeholders are presented with reliable and accurate financial information which appropriately and accurately depicts TCTA activities. TCTA is continuing on the commitment made of ensuring that the solid track record of unqualified audit opinions is maintained and that investor confidence remains untainted.

The analyses of TCTA's financial performance can best be interpreted via a deeper insight into the following five elements in its financial statements

a) The Tariff Receivable
b) Cash inflows
c) Utilisation of cash received
d) Sources of funding
e) Distribution of debt across projects

a) The Tariff Receivable

The Tariff Receivable represents TCTA's entitlement to recover the project costs incurred for the funding, construction and implementation of national water infrastructure as well as the subsequent management of the debt incurred for the implementation of these projects. The Tariff Receivable relates to the present value of all cash flows that are payable by DWS to TCTA in order to settle construction costs, costs incurred on services rendered, cost related payments as well as other operating expenses incurred for each project.

The amounts received from DWS decreases the outstanding Tariff Receivable balance (refer to note 10.2 for details on the valuation of the Tariff Receivable).

The Tariff Receivable has been on the decreasing trend as the majority of the projects are in the debt repayment phase with less costs being incurred in comparison to the amounts received from DWS.

i. The receivable was increased by R351 million as costs were incurred in relation to projects implemented by TCTA as well as R6.1 billion in relation to cost related payments and royalties. R8.8 billion was received from DWS which reduced the balance. Refer to note 10.2.1 for further detail.
ii. TCTA invoices DWS on a monthly basis as a recovery mechanism for the tariff receivable in line with the Income Agreements between TCTA and DWS. Of the amounts invoiced to DWS, R60 million was outstanding as at 31 March 2023. The amount invoiced in the 2022/23 financial year and outstanding as at the end of 31 March 2023 was neither past due nor impaired. The amounts impaired relates to interest charged on overdue invoices amounting to R201 million for relating to previous financial years have been impaired and remain outstanding as at 31 March 2023. Refer to note 10.2.1 for further detail. Below is the age analysis as at 31 March 2023:

PROJECT	CURRENT	31 - 60 days	61 - 90 days	Over 90 days	TOTAL
VRS	-	-	-	200 548 829	200 548 829,18
BWP	-	-	-	-	-
VRESAP	60 680 499	-	-	-	60 680 498,53
MMTS	-	-	-	-	-
KWSAP	-	-	-	-	-
MCWAP	-	-	-	-	-
TOTAL	**60 680 499**	**-**	**-**	**200 548 829**	**261 229 328**

b) Cash inflows

Cash and cash equivalents are held for the purposes of meeting TCTA's short-term cash commitments. Some short-term investments are included as cash and cash equivalents when it is readily convertible to a known amount of cash and the risk of a change in the value is insignificant.

The maturity period of these short-term investments, classified as cash and cash equivalents, are normally less than three months from the date of acquisition. TCTA prioritises liquidity across all its projects, as such; most investments are allocated to Call and Money Market Funds.

The composition of cash inflows from operating activities (figure 4) for the year ended 31 March 2023 remained largely unchanged from the year ended 31 March 2022. The lower receipts were partly due to completion of the MMTS-2 project. Total receipts from DWS were R10 467 million (2022: R10 575 million). The DWS debtors balance remained constant at R1 billion in the current year. TCTA received R17 million on the ORWRDP-2C project as a cost recovery and R293 million as a fiscal contributions towards the MCWAP-2A project.

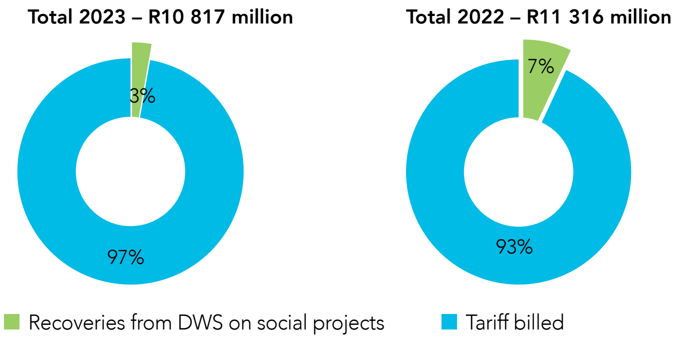


Figure 4: Cash Inflows from Operations

Cash inflows from financing and investing activities for the year ended 31 March 2023 (figure 5) are mainly due to the interest received on investments. In the previous financial year there were additional drawdowns as funds were focused on the WSP05 repayment programme.

Adjustments were made to finance income due to the impact of AMD receivable adjustments and investment income that was incorrectly classified as construction revenue in various projects as opposed to investment income. This impacted the projects which are socially funded as they have earned interest on working capital received. Management had incorrectly passed on the benefit of the interest earned as a reduction of cost. Adjustments were made in line with IFRS 15 requirements to account and disclose interest earned on investments separately. Figure 5.1 shows the effect of the restatement as reflected in note 25.

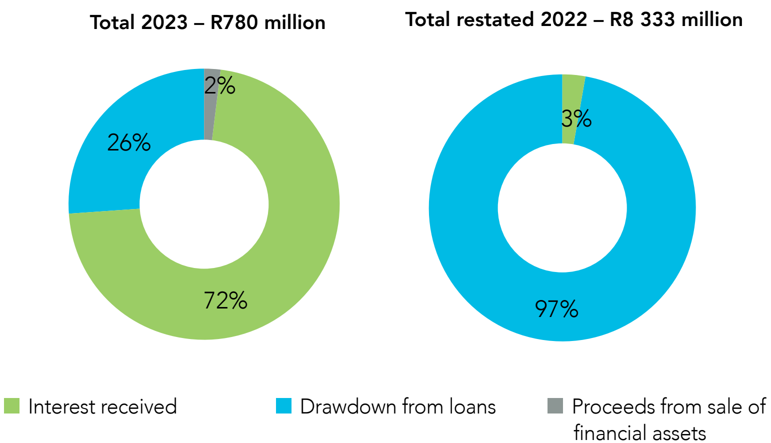


Figure 5: Cash Inflows from Financing and Investing activities

c) Utilisation of Cash Received

Total cash outflows decreased for the year ended 31 March 2023, figure 6, as compared to outflows for the year ended 31 March 2022. During 2022 TCTA settled the WS05 bonds as well as other capital repayments which were made in line with the contractual agreements. There were no large settlement of debts during 2023 and there was a decrease in interest paid and other finance cost due to the settlements in 2022. Timely payments by DWS ensured that there were sufficient funds to service debt. Cash paid to suppliers and cost related payments increased due to the uptake of spend in the projects currently underway even with a decrease in employee related costs.

Interest paid decreased due the capital repayments made during the course of the year.

Remuneration related costs decreased to 4% of total outflows where it was 5% in the previous financial year.

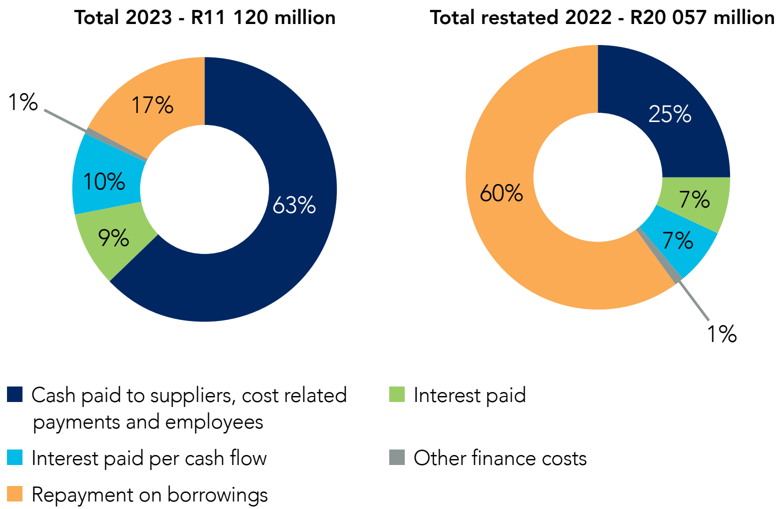


Figure 6: Cash outflow

d) Sources of funding

The composition of the sources of funding has not changed significantly as compared the previous financial year. A delay in setting up the Johannesburg Stock Exchange programme has resulted in TCTA having no bonds in issue.

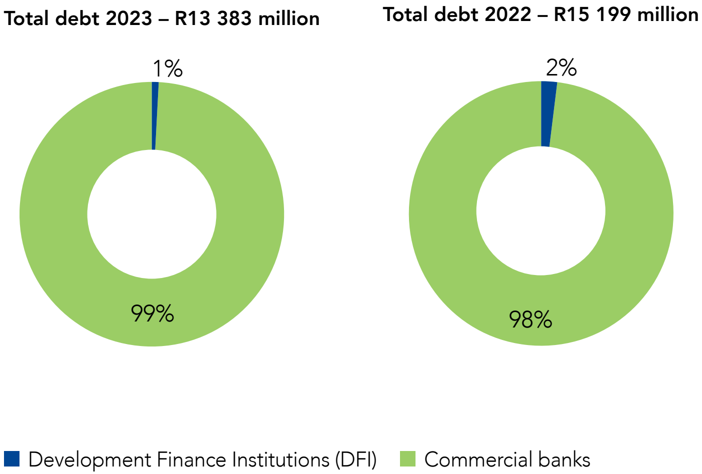


Figure 7: Funding instruments

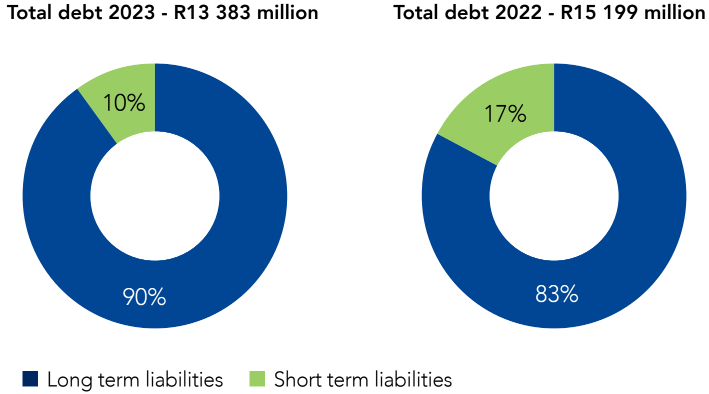


Figure 8: Total Borrowings

e) Distribution of debt across projects

As at 31 March 2023, the overall debt outstanding decreased by R1.8 billion and is reflected at an overall balance of R13.4 billion compared to the balance at 31 March 2022 of R15.2 billion. The decrease is as a result of prepayment of MMTS-2 debt and capital repayments in all other projects.

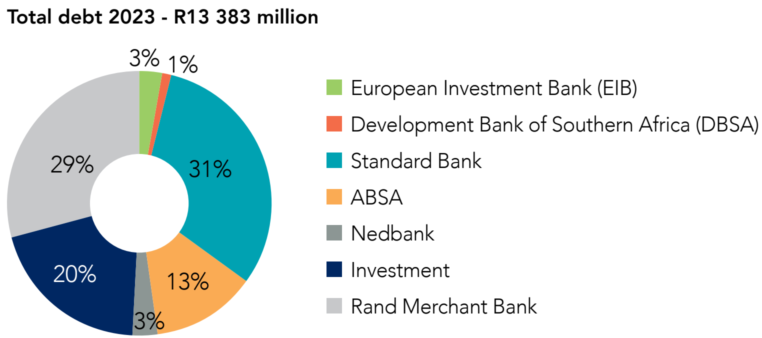


Figure 8.1: Total debt by institution

Total debt 2022 - R15 199 million

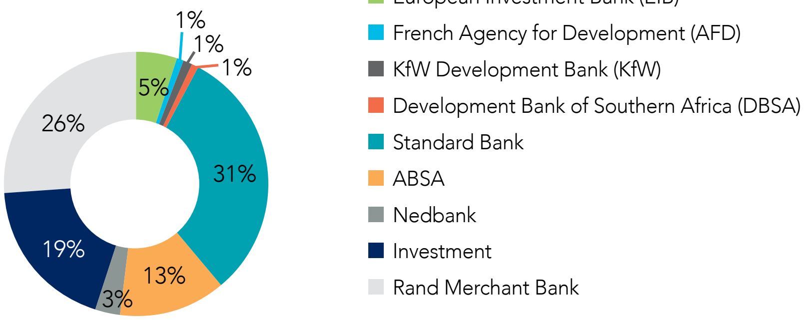


Figure 8.2: Total debt by institution

Total debt 2023 - R13 383 million **Total debt 2022 - R15 199 million**

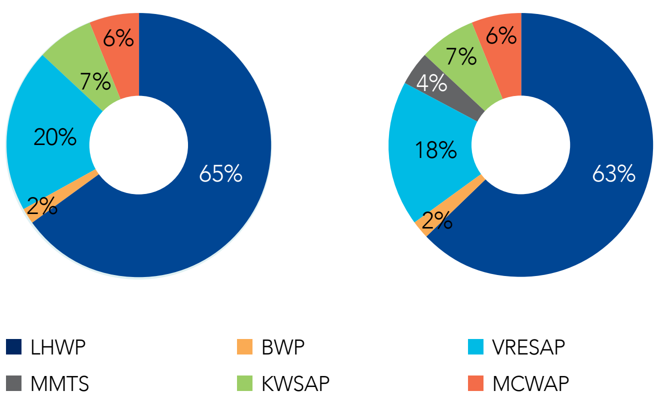


Figure 8.3: Debt per Project

PART C

SUSTAINABILITY

BULK SUPPLY INFRASTRUCTURE

The location of many major cities in the world has been driven by factors other than the availability of water, such as the location of a safe anchorage or mineral deposits. As a result, as the cities grew, water had to be brought in from ever-greater distances to meet demand.

Such a need is not confined to modern history. During the Roman Empire, many aqueducts were constructed throughout its territories, with 11 to serve Rome alone. These 11 aqueducts served a population of 1.25 million, most of whom lived near the centre of the city in three-to-six-story apartment buildings. This location made it easy for them to walk to the main centres of attraction and made it convenient to get water from different fountains if one aqueduct was not working. Drawing water from different sources and using gravity to bring the water into the city, combined with a dense population, resulted in a resilient system.

Such systems would not be replicated until the early 19th century when urban centres started reaching or exceeding the population of Imperial Rome. The bulk supply systems developed to serve Brussels, Paris, Birmingham, Glasgow, and New York mimicked the aqueducts of Rome in many ways. Glasgow, for example, raised the level of Loch Katrine, protected the watershed so no treatment was required, and gravitated the water into the city via twin covered channels. This infrastructure served the city for over 150 years, even when there was significant underinvestment in the water supply system.

In South Africa, when the need arose to bring water into urban centres or mining hubs, the country did not have the luxury of using gravity. Most water systems in the country rely on pumping to deliver water to the customer. Cape Town, Mangaung, Gqeberha, Free State Goldfields, Polokwane and Gauteng are but a few of the examples where this has occurred.

Pumping introduces other challenges in maintaining the system's resilience, such as ensuring the integrity of pressurised pipes and the maintenance of pump stations. It is also vital to ensure that there is a power supply to the pump station. Pumping is not limited to the bulk supply systems and occurs on the inter-basin transfer schemes as well. Perhaps, the most dramatic example of pumping head is where water is taken from the Tugela River, just outside the town of Bergville, and lifted 570 m over the Drakensberg Mountains into Sterkfontein Dam.

In South Africa, the challenge is not just the pumping head, but also the distance over which the water is piped. Rand Water draws its supplies from the Vaal River next to Vereeniging, through a 3,056km network of large-diameter pipes. It serves over 11 million people in municipalities in the Free State, Gauteng, Northwest and Mpumalanga. In Northern Cape, the Vaal-Gamagara Scheme takes water from the Vaal River at Delportshoop and supplies Hotazel over 250km away.

Given such distances and the vast numbers of people served, it becomes impractical to serve people and industry through any other means, such as using tankers. Such systems need to be designed with a high level of redundancy to ensure water continues flowing. This redundancy caters to unforeseen failures, such as the washaway of bulk supply lines into eThekwini during floods in 1984 and 2022, and during the rehabilitation, replacement and upgrades that Rand Water is currently undertaking on its system.

The importance of this level of redundancy can be seen in the Vaal River Eastern Subsystem, where there are often two ways of supplying water to a power station. It will become a reality for the Medupi and Matimba Power Stations once Phase 2A of the Mokolo Crocodile River (West) Water Augmentation Project is complete, bringing water from close by Thabazimbi to Lephalale. Such schemes provide resilience from both drought by drawing from two different catchments and interruptions in water supply due to pipe failures.

This highlights the need for a thoroughly integrated approach to water supply planning since the redundancy in the system can vary by location. At times, the redundancy will be within the national water resource infrastructure, as is the case with MCWAP-2A, whilst at other times, it might be within the municipality itself, with the capability to draw from different sources (reuse of sewage effluent instead of discharge to the sea or the ability to switch supply areas between catchments (Nelson Mandela Bay Municipality which receives water from the Algoa and the Orange-Fish-Sundays System).

In moving towards a resilient bulk supply, the question needs to be asked if the current model of separating national water resource infrastructure from bulk supply from water services is serving South Africa well. Considering South Africa's vast geographic and socio-economic differences, it is worth questioning the model's universality. Can the same model that works for Rand Water in Gauteng also be effective for the bulk supply from Henkries on the Orange River to Port Nolloth in Northern Cape?

INTRODUCTION

"Environmental and social sustainability aspects, risks and opportunities are appropriately addressed and accounted for through the lifecycle of all TCTA operations."

In line with the above TCTA Environmental Goal Statement, implementation of the 2022/23 Environmental Strategy continues to drive the organisation's transition from a project-centric Environmental Management System to the implementation of an organisation-wide Environmental and Social Management System (ESMS). The ESMS development grows TCTA's ability to demonstrate responsible corporate citizenship and improved integration of social and environmental sustainability considerations into the organisation's operations.

The 2022/23 financial year has been a time of significant change and adaption for TCTA with the relocation of our business premises for the first time in over 30 years. In the process, steps have been taken to optimise resourcing and connectivity, adapting the hybrid working model to bring teams together in the office at least once per week.

The transition from one office to another has required that practices and operational management programmes are assessed, redefined and shaped to ensure that TCTA can improve practice towards realising the environmental and social objectives as defined in the Environmental Management Policy

AWARENESS

Global awareness of the potential of environmental factors to substantially disrupt our lives and livelihoods is higher than ever. As TCTA emerges from the COVID-19 pandemic mindset, we have taken the time to focus on building staff awareness of the practical measures that can be implemented to reduce our susceptibility to the physical, mental, and emotional impacts of daily living TCTA representatives who participated in the 2022 Danida Fellowship Programme on Green Growth, Climate Change and Environmental Sustainability have shared learning both internally and externally. Knowledge-sharing sessions, presentations and the incorporation of lessons into the planning and operation of TCTA operations and projects has raised staff awareness and will continue to foster improved practice by applying practical, ground-level interventions that can build the resilience of our organisation, communities, networks, infrastructure and economies.

The diversification of the offerings of the ESMS Awareness Programme and the improved use of the e-TCTA platform by staff has had a positive effect on the reach and accessibility of awareness slides, presentations and knowledge-sharing sessions.

During the 2022/23 financial year TCTA has maintained representation on national and international for a *inter alia* the Board of the International Association of Public Participation Practitioners (IAP2sa), the South African Right of Way Association, the Land Rehabilitation Society of Southern Africa, the South African National Committee on Large Dams, and on technical committees of the Blue Deal Partnership and the International Commission on Large Dams.

The Panel of Experts

Panels of environmental and social specialists are available to advise TCTA projects on matters related to risk reduction, best practice and for the review and evaluation of performance.

A review for the MCWAP-2A project is underway to determine alignment with the Equator Principles. Further Panel of Experts involvement is planned for developing projects and for the formalisation of key environmental programmes, including the revision of TCTA's Carbon Footprint.

COMPLIANCE

Project Authorisations

All current projects and those under development are fully authorised in terms of the National Environmental Management Act 107 of 1998. As a responsible implementer, TCTA reviews EAs issued in terms of this act to limit project impacts on people and the environment, as well as the costs and implementation time constraints for its projects.

Where specific conditions of the EAs cannot be upheld, amendment applications have been undertaken to reduce risk whilst maintaining the intended outcome of the original EA conditions. To this end, the uMkhomazi Water Project EA amendment process was concluded, resulting in the approval of an Environmental Management Programme for preparatory work that will be able to commence whilst planning of the required biodiversity offset is undertaken. The Basic Assessment for the deviation of a portion of the MCWAP-2A pipeline route to avoid sensitive environmental features was successfully concluded and an integrated EA for the whole project was issued by DFFE. MCWAP-2A has submitted the required Phase 2 Heritage Assessment and supporting documentation to the South African Resources Heritage Agency and a response is awaited.

Water Use Licences and mining permits are required to secure sufficient resources for the construction of the infrastructure developments, these are applied for in terms of the National Water Act 36 of 1998 and Mineral and Petroleum Resources Development Act 28 of 2002, respectively.

The MCWAP-2A project has applied for all required Water Use Licences and the DWS has been engaged to discuss concerns related to sediment release loads and water uses. Additional work is likely to delay the finalisation of the application process, but it is not yet considered a project risk.

MCWAP-2A borrow pits are fully authorised and the project has sought DMRE approval for the use of ownerless and derelict borrow pit areas for the disposal of excess material from the pipeline developments. The opportunity to use excess material in this manner that rehabilitated the pre-construction landform presents the project with an opportunity to positively impact the project-receiving environment.

BRVAS's application for a Water Use Licence is in progress but includes additional works in the form of a revision of the Hydrological Report and the provision of site-specific rehabilitation measures and stormwater management planning for the river diversion.

The LHWP DTN shutdown planned for 2024 will require authorisation for works related to sections 21(c) and (i) of the National Water Act 36 of 1988. Engagements with the Bloemfontein DWS regional office are ongoing and DWS is consulting internally to determine how best to accommodate the unorthodox nature of the project time constraints related to the short window of opportunity for the design and implementation of river stabilisation works.

Environmental Compliance and Incidents

Acid Mine Drainage Project

Compliance monitoring and management provisions are included in the planning phase of all new projects. Independent Environmental Control Officers are appointed to monitor project implementation in line with each project's specific EA conditions. At present, only the Acid Mine Drainage (AMD) Operation and Maintenance works require auditing. The Eastern Basin and Central Basin plants are independently audited on a bi-annual basis. The most recent audit took place in January and February 2023, achieving a result of 96% for both the Central Basin and Eastern Basin. The next audit is due in August 2023 for the Eastern Basin and July 2023 for the Central Basin.

TCTA has applied a precautionary approach to the reporting and classification of potential environmental incidents. This has led to the recording and reporting of three environmental incidents during the 2022/23 financial year. All three were related to the operation and maintenance of the AMD Treatment Plants. The incidents were related to technical failures and did not result in significant environmental impacts. All mitigation measures were implemented in accordance with the emergency preparedness and response procedures. Control measures have been developed to limit the risk of reoccurrence of similar incidents. Regular site monitoring programmes are implemented to maintain high standards of practice.

Environmental and Social Management System Gap Analysis

TCTA Internal Audit engaged the services of a specialist auditor to conduct an ISO 14001:2015 Certification Readiness gap analysis. The assessment indicated a certification readiness of 64%. Detailed recommendations were provided and have been used to inform an action plan that will address areas for improvement, such as document and records management and the organisation's understanding of ESMS stakeholder needs, expectations and related obligations. The AMD Central Basin was audited as a representative sample of site-based operations, as the ESMS addresses aspects under both direct and indirect control of TCTA. Auditors commended the quality of the operational controls at the AMD Central Basin plant.

Project Social Management Implementation Audit

This audit reviewed the Social Management processes aimed at effectively managing social risks for the benefit of Project-Affected Persons and interested parties to ensure that projects are not compromised and are delivered as planned. It was observed that the implementation plan considers interdisciplinary collaboration and accounts for stakeholders' needs and expectations to proactively reduce potential negative impacts on land use and people's long-term livelihoods. The engagement with stakeholders cuts across all project phases and is maintained throughout the project lifecycle. Local leadership structures in the affected communities and relevant partners form an integral part of the identified legacy projects for sustainability and continuity of the initiatives beyond the lifecycle of TCTA projects.

ENVIRONMENTAL SUSTAINABILITY ASPECTS

The ability of TCTA to limit the negative impacts of its operations on the environment and people depends entirely on how the organisation and its representatives conduct their activities. Aspect-driven programmes are implemented in both the project and corporate spheres of the ESMS.

TCTA's eligibility to obtain green finance for infrastructure development projects has incentivised improved consideration of the need for sustainable practice throughout TCTA operations. Presently, TCTA has one sustainability-linked loan, the conditions of which seek to improve resource use efficiency at the corporate office facility. The formalising of simple indicators and targets has been an important first step for the organisation on its journey towards improved sustainability.

Resource Use

The revision of TCTA's operations to support the formally adopted hybrid work arrangements has fast-tracked the digitalisation of operations, reducing reliance on paper-based systems whilst demonstrating that productivity and collaboration can be maintained. TCTA relocated into a new facility in October 2022 that is designed to support the new hybrid working model and be more efficient to operate and maintain.

Water and electricity and paper are the most significant resources consumed through the operation of the TCTA corporate office facilities. TCTA's average monthly water consumption for the corporate office during the reporting period was recorded at 166 kl per month and remained below the baseline figure of 175 kl per month. The annual water consumption over the past three years has increased steadily as office occupancy has increased. The water use performance of the new office building is under investigation and a water use survey will be done to identify opportunities for improved efficiency.

The reporting on resource use will be expanded as infrastructure development projects commence construction and as operation and maintenance data becomes available.

Electricity consumption remains lower than that previous years despite the increased number of staff working from the office. A monthly average consumption of less than 31000 KWh was recorded for the financial year against the baseline average monthly consumption figure of 46000 KWh. The new office facility has included some additional electricity saving measures, but the effectiveness of these will be assessed as operations continue. It is noted that electricity fluctuations are less significant than water consumption as the systems that use the most electricity, such as the lighting, air-conditioning and IT servers, have remained more consistent.

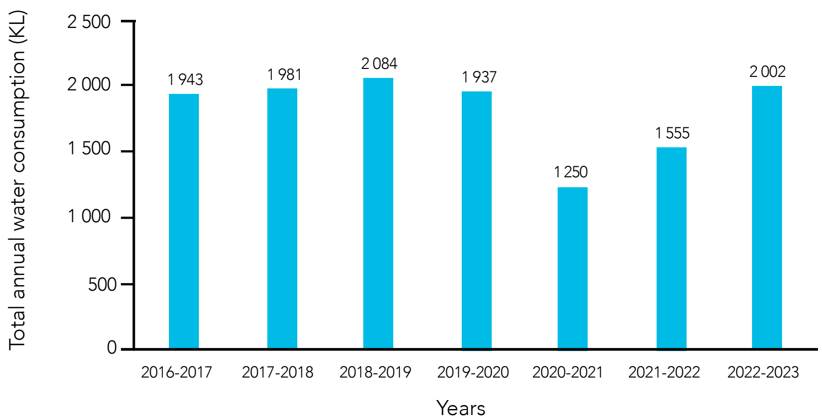


Figure 9: Annual water consumption for the TCTA corporate office facility

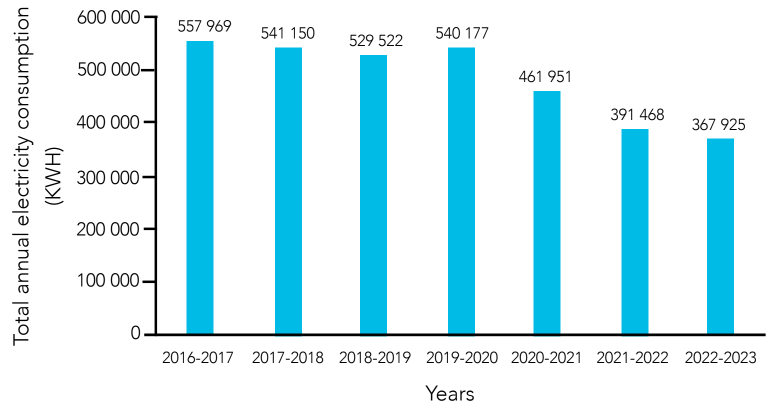


Figure 10: Annual electricity consumption figures for the TCTA corporate office facility.

TCTA maintains low levels of paper use (kg/year) despite an increase in office occupancy. It is anticipated that paper consumption may increase to some extent, but that average monthly consumption will remain well below the pre-pandemic baseline figures. This is ascribed to TCTA's digital transformation programme, including the elimination of wet signatures in favour of electronic approvals. Once operations at the new office facility have become more consistent, the baseline will be revised.

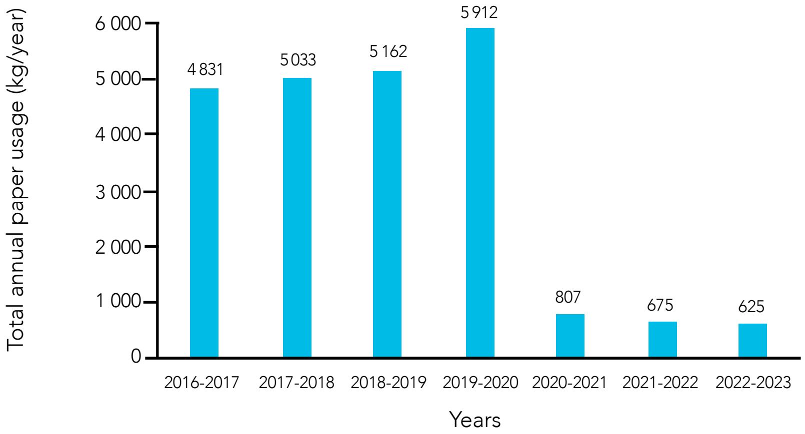


Figure 11: Annual TCTA paper used at the TCTA corporate office facility

Pollution Management

TCTA prioritises pollution prevention and control, aiming to reduce the risk of material adverse impacts on the environment. Pollution prevention and mitigation requirements are incorporated into the contractual obligations of all new and existing construction contracts.

Carbon Footprint Programme

TCTA monitors key resources used for the operation of the corporate office as a direct input into the Carbon Footprint programme. COVID-19 and the transition to remote working affected the baseline for the programme. Further to this, TCTA is in the process of redefining the scope of this programme. The MCWAP-2A Environmental Authorisation and Climate Change Impact Assessment Baseline Study will be used to guide the development of the programme elements, considering emissions contributions from infrastructure development projects.

AMD Neutralisation

The AMD Treatment plants contribute significantly to the prevention and reduction of pollution impacts on both land and water bodies through the abstraction and neutralisation of AMD.

The rate at which AMD has risen in the subsurface voids in all areas is directly related to the water ingress into the void from surface water runoff. High rainfall over the reporting period has led to a significant increase in the water levels within the different basins.

The Western Basin plant has performed at its operational design capacity, but this was not sufficient to draw down the water level, resulting in surface decant.

Operational challenges at the Central and Eastern Basin plants over the reporting period have reduced the amount of AMD that was abstracted and treated. Measures to resolve technical challenges have been implemented. Lower levels of performance have reduced the drawdown of subsurface AMD levels. The release into Blesbokspruit and Klipspruit of available neutralised water, which complies with the DWS specification, has been noted to have a positive impact on the existing pollution load within these streams.

In line with the project directive and the EA, quarterly groundwater quality and monthly surface water quality monitoring are conducted, and results are reported to DWS and shared with the Blesbokspruit Catchment and the Klipriver Catchment management fora.

Waste Management

Corporate ESMS Waste Management Programme

The management of waste is a significant aspect of TCTA's corporate operations. As such, a formal waste management programme was established and has been maintained as the TCTA corporate facility relocated to a new building for the first time in over 30 years.

Waste generated at the beginning of the financial year was very low and a sharp increase was observed in September, which was due to the move to the new office (figure 7). However, a decline in waste generated was observed around December as the unpacking of furniture and documents was coming to an end. It is anticipated that the waste will continue to decrease into the new financial year. The disposal of large quantities of excess furniture was not recorded, as it was sold on auction to staff for reuse. Once generation figures stabilise, a new baseline will be determined and formal recycling activities will be resumed under TCTA's direct control.

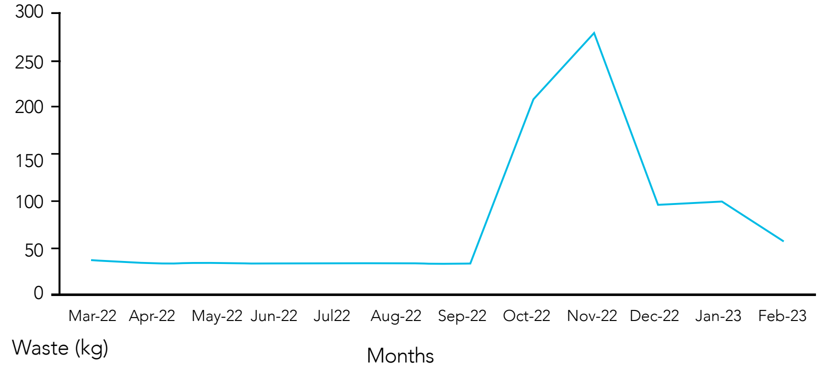


Figure 12: Annual TCTA paper used at the TCTA corporate office facility

Projects Waste Management

Waste management requirements are represented in project contractual obligations and are informed by project-specific pre-construction baseline information. The operations and maintenance of the AMD treatment facilities result in the generation and disposal of general waste, hazardous waste and hydrated lime sludge, all of which are disposed of via appropriate, authorised disposal facilities. AMD treatment facilities produce significant quantities of sludge for disposal. The Eastern Basin is running an underground sludge disposal pilot study, the Central Basin sludge is disposed of at a DRD Gold facility and the Western Basin sludge is disposed of in the West Wit Pits disposal site operated by Sibanye Gold. Where possible, general waste is separated and recycled by the plant operators.

Resource Transformation

The means of reducing the long- and short-term impacts on the quality and availability of key resources is a significant consideration in the design, implementation and operation of water infrastructure development projects.

SOCIAL SUSTAINABILITY ASPECTS

Social Responsibility (Community Development and Support)

TCTA Corporate Social Investment strategy implementation allowed for the establishment of the Youth Entrepreneurship Development Competition which seeks to help young entrepreneurs to start their businesses and learn business skills.

TCTA participated in career exhibitions in various secondary schools to ensure that previously disadvantaged learners from rural areas are exposed to information on potential careers and bursary opportunities. Participation in the DWS Youth Indaba and the Green Youth Indaba was used to grow learner consciousness of the importance of effective water resource management and to raise awareness of opportunities within the water sector.

A Woman's Day function was hosted in Clarens, during which TCTA staff assisted many local women with life skills. They were assisted with the compilation of curriculum vitae and were taught how to use email and social media for communication and the marketing of their local goods and services.

To raise environmental and social consciousness, TCTA staff were invited to participate in several river clean-up events, hosted by Hennops Revival, a local community-run programme. In addition to participating in these events, TCTA has bought essential equipment that will be donated to support the ongoing efforts of the Hennops Revival project.

During a staff wellness day, TCTA staff packed charity gift boxes which were later donated to children's homes around the Gauteng and Free State provinces.

TCTA encouraged staff to collect and donate used and old clothing and fabric to the Clothes to Good non-profit organisation (NGO) based in Centurion. The collection brought in a total of 60 bags of fabric that were handed over to the NGO for responsible redistribution, repurposing, or recycling into new fabric. TCTA staff were also encouraged to support the community development work being done with the AMD operator. The programme is aimed at strengthening the literacy rate in and around local schools in Germiston and Springs area. Books donated by staff and the AMD operator were handed over to a primary school in project areas.

Human Rights

Resettlement and Livelihoods Restoration

The MCWAP-2A baseline studies identified one household that will need to be relocated. The relocation and resettlement agreement for the homestead and associated infrastructure was reached with the affected landowner and the agreed compensation was effected. No other livelihood restoration or resettlement challenges have been identified on projects that are nearing implementation. On the uMWP-1 a heritage baseline and requirements for the responsible relocation of graves have been incorporated into the contractual obligations of parties who will be appointed for the development of the dam infrastructure.

Acquisition of land and land rights

The acquisition of land and land rights is managed with due consideration of the impacts of this process on the lives and livelihoods of project-affected persons. To limit the risk of construction delays, a full promotion of administrative justice and expropriation process is undertaken where possible. The acquisition, however, includes extensive consultation with all property and rights holders and any claims or complaints are addressed.

Following the conclusion of valuations on MCWAP-2A, 51% of land and servitudes required for the commencement of construction activities were expropriated. The acquisition of the remaining 49% of the land and servitudes will be managed to ensure that properties are accessible for the commencement of construction.

EMPLOYMENT AND EMPLOYMENT EQUITY ON PROJECTS

The creation of employment on TCTA projects is an integral part of the organisation's contribution to the government's transformation agenda and presents an opportunity to temporarily employ members of the communities affected by the infrastructure developments. Socio-economic targets are incorporated into the contractual obligations of TCTA Professional Service Providers, Construction Contractors and Operators. As project implementation gains momentum, performance against these targets will be reported in detail. The PSPs appointed for MCWAP-2A and BRVAS are actively reporting against their contractual targets and progress is being monitored.

The TCTA LHWP operations and maintenance team in Clarens is made up of in-house personnel. At the end of the fourth quarter, the team consisted of three semi-skilled local male employees handling on-site operations and one skilled staff member.

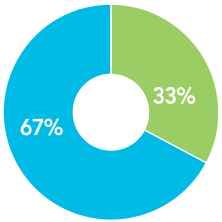
AMD Operations

The AMD operator of the Central and Eastern Basin facilities has identified some maintenance tasks that will be ring-fenced for local businesses. Local job opportunities are provided as and when required. The Eastern Basin facility employs a total of 36 personnel, all of whom are locally sourced. The team of 19 males and 17 females comprises various skill levels. In the Central Basin, there are a total of 36 personnel, all of whom are locally sourced. The team of 24 males and 12 females comprises various skill levels. The Western Basin facility, operated by Sibanye Gold, employs 33 staff, including a total of 6 females and 27 males. Locally sourced staff total 26, whilst 7 staff are employed from elsewhere. The team consists of 13 unskilled, 16 semi-skilled and 4 skilled staff. Across the three AMD treatment facilities operated by third parties, a total of 105 people are employed.

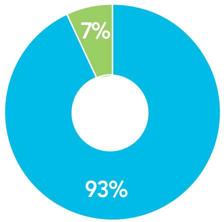
Table 6: Summary of Employment Category and Employment Equity

AMD PLANTS	Local	Elsewhere	Female	Male	HDI	Non-HDE	Total
Total	98	7	35	70	98	7	105
Unskilled	24	2	9	17	21	5	26
Semi-skilled	41	4	15	30	45	0	45
Skilled and Staff	**33**	**1**	**11**	**23**	**32**	**2**	**34**

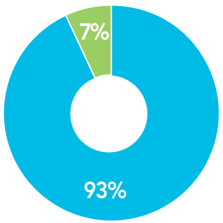
GENDER BASED AMD EMPLOYMENT



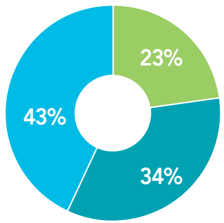
LOCALLY SOURCED AMD EMPLOYEES



HDI STATUS AMD EMPLOYEES



SKILLS STRUCTURE AMD EMPLOYEES



Active Infrastructure Development Projects

The BRVAS and MCWAP-2A projects are in their early stages of development and are still in the pre-construction phase and as such performance against contractual targets is limited. Only PSP contracts have been awarded. As construction contracts commence Socio-Economic Development (SED) and Transformation Reporting will be presented in greater detail.

On the MCWAP-2A Project, the PSP reports against five elements of Socio-Economic Development (SED) and Transformation. Progress, namely: ownership, development, supplier development, employment and skills development.

SED and Transformation Performance Monitoring against Targets in the MCWAP-2A PSP Contract

Table 7: Summary of SED and Transformation Targets

SED and Transformation Performance Monitoring against Targets in the MCWAP-2A PSP Contract	
Ownership	
Contractor	**Black Ownership %**
GIBB	67
Bigen	51
Nyeleti	51
Phathwe	100
Isinyathi Cathodic	51
PSW	51
Pipetech	100
Sentinal	52
Africando	100
Bapuleng	100
Sole For Real	100

Employment			
Category	**Minimum required %**	**Contracted %**	**Progress %**
Manco	30	100	79.1
Internal Review Panel	30	65.3	11.5
Specialist	40	87.4	0
Environment (Natural)	45	100	51.8
Environment (Social)	45	100	100
Engineering	50	91.8	34.7
Project Management	50	66.8	71.8
Skills Development			
Bursary	Four students per annum	36 over the duration of the project	(26 bursars) 72% - Some bursars have passed their courses.
Internship	Four recipients per annum	36 over the duration of the project	(23 internships) 64% - A new intake of interns is underway.
Learnership	Four recipients per annum	28 over the duration of the project	(30 learnerships) 125%

SED and transformation targets for the BRVAS Project are being amended to align with the amended procurement plan.

HEALTH AND SAFETY

Section 24 of our Constitution grants everyone the right to an environment that is not detrimental to their health or well-being. Matters pertaining to the health and safety of all TCTA personnel, third parties acting on our behalf and the public are presented below.

Occupational Health and Safety at the Corporate Office

TCTA's operational health and safety objective is to ensure and maintain a safe and healthy environment for employees and members of the public that visit the office. To this end, the Occupational Health and Safety programme has been adapted to support the roll-out of TCTA's new Flexible Working Policy. Staff are provided with weekly electronic communications to raise awareness of Occupational Health and Safety (OHS) requirements and COVID-19-related developments. The OHS Committee effectively monitors OHS compliance with the relevant legislation and internal requirements and all audit, risk, compliance and COIDA registers are maintained. An audit by the Department of Labour gave TCTA a clean bill of health, with no findings or recommendations.

In response to the COVID-19 pandemic, TCTA's operational objective is to minimise the spread of the virus and implement control measures to comply with government regulations and guidelines and to protect against severe illness. A specialised COVID-19 Task Team monitors COVID-19 compliance and the implementation of related protocols and guidelines for the office and Operations and Maintenance sites.

The weekly COVID-19 screening information is submitted to the National Institute of Occupational Health. A draft TCTA Vaccination policy is under development and has been the subject of rigorous internal consultation. The organisation's policy on this matter will be guided by relevant research, risk assessments, government guidelines, regulations and good practice.

Project's Health and Safety

In its project implementation, TCTA complies with the Occupational Health and Safety Act and the Construction Regulations of 2014. Project-specific health and safety specifications are developed to determine any risk associated with any hazard at a construction site. Construction Health and Safety (CHS) Agent performs the health and safety oversight which includes monthly audits from which the project's compliance scores are derived. CHS Agents for BRVAS and MCWAP-2A projects are appointed and have been involved during the tender design phase of the projects. Specialised security protocols are being incorporated into the MCWAP-2A project in line with the project's EA.

TCTA operates and maintains the Delivery Tunnel North (DTN) of the Lesotho Highlands Water Project (LHWP). There were no incidents recorded during the financial period. There were neither fatalities nor lost time injuries during the financial period, table 8 that follows captures the statistics for the AMD plants.

Table 8: Summary of AMD Plants' Health and Safety Statistics

Project	Year	Lost Time Injuries	Fatalities	First Aid	Near miss	Recordable cases	Recordable case rate	H & S compliance score
EASTERN BASIN	2022	0	0	0	15	0	0	97%
	2023	0	0	2	17	0	0	94%
CENTRAL BASIN	2022	0	0	1	16	0	0	97%
	2023	0	0	0	33	0	00	97%
WESTERN BASIN	2022	0	0	0	0	0	0	N/A
	2023	0	0	0	0	0	0	95%

KNOWLEDGE AND LEARNING

Entrenching the Knowledge Agenda

TCTA continues to engender organisational learning and growth through leveraging its knowledge assets in research and evaluation, as well as developing innovative solutions in water management and infrastructure development. The organisation captures lessons and best practices from its diverse projects and associated interventions, addressing challenges to water security, including those that relate to project structuring and funding. It also supports the fostering of inter-institutional partnerships for enhancing knowledge transfer and sharing, promoting best practice across the water value chain and a corporate environment

that values learning. In particular, the specialised advisory and coordination of the pivotal initiative on the strategic integrated programme (SIP-19), a part of the National Infrastructure Plan, has significant catalytic effects on both economic development and social advancement at a national scale.
In sustaining a corporate ecosystem that values knowledge generation, diffusion and learning, TCTA broadened its nurturing of strategic partnerships by encouraging inter-organisational cooperation in developmental value networks, both within and beyond the water and sanitation sector. One such critical partnership involves the deployment of significant knowledge resources to the National Water Resources Infrastructure Agency initiative in a manner that not only protects the TCTA legacy and market standing, but enriches its value proposition and values, as well as deeper sector reach and relevance, ultimately to the benefit of the entire sector and country.

Thought Leadership in the Water Sector

In the year under review, TCTA continued its pursuit of thought leadership in the water sector, by convening regular sector-wide fora that addressed key challenges to the sustainable management of water, and through broadening and strengthening specialised advisory inputs to the effective coordination and integration of strategic infrastructure projects.

The engagements covered a diverse set of themes related to access to water services, water infrastructure development and management, as well as general performance of public infrastructure programmes. Specific issues the sessions considered include water services delivery in the current era of power crisis, obstacles to critical water infrastructure development and their related impacts on South Africa's economic growth, perceptions of privatisation of the provision of water services, and the performance of public sector infrastructure projects. In addition, the organisation extended associated strategic advisory to partner institutions in both the water and infrastructure sectors.

As in the previous year, TCTA assigned a strong contingent of its intellectual assets to the ongoing process of establishing the National Water Resources Infrastructure Agency. In this light, TCTA retained its high-calibre resources assigned to the DWS-led project and made substantial commitments in time and effort, coming from Board members, executives and senior managers. TCTA considers the initiative to be both strategic and of existential importance, not just to the organisation, but the entire water sector: the establishment of a progressive, future-proof agency will be crucial in the turnaround of the sector.

With fresh surface water resources diminishing for allocation in South Africa, the need for good stewardship of the resource, as well as seawater desalination and water reuse, has surged to the fore as pivotal in addressing future national water security. In this vein, through its forward-looking Desalination Knowledge Hub, TCTA convened and anchored two multi-institutional desalination knowledge sessions, providing a unique platform for targeted research and knowledge exchange in this important domain. In particular, the strategically directed engagements focused on creating a critical mass of specialised knowledge on the planning and implementation of large-scale desalination projects.

Advisory on the Strategic Infrastructure Programme

During the review period, TCTA leveraged its thought leadership through the provision of strategic advisory for the effective coordination, implementation, and fast-tracking of prioritised projects in the strategic integrated programme of government, in the context of the National Infrastructure Plan. The organisation carried out this work in the context of its mandate to coordinate SIP-19, focusing on National Water and Sanitation Infrastructure, specifically centred on regular project tracking, monitoring and quarterly reporting to the Presidency on project status. TCTA proactively reviewed and addressed programme challenges and bottlenecks, thereby ensuring seamless project execution and delivery of sector strategic projects.

TCTA contributions also involved specialised technical support for the integrated implementation of strategic water and sanitation infrastructure in the five domains of the programme. These domains comprise national water resources infrastructure, grant-funded regional bulk infrastructure projects, and Water

Boards' capital infrastructure. The other elements of the programme are metropolitan municipality capital infrastructure and national irrigation projects.

Research and Publications

TCTA contributed to the infrastructure and water management knowledge areas through sector-related research, analysis and paper publications. In this regard, TCTA conducted research in six areas of importance to its principal partners, leading to the publication of as many papers and articles. The themes of the publications were diverse, ranging from seawater desalination to the matter of a social licence to operate with regard to mega-scale water projects.

The papers prepared covered topics such as "Pollution of the Vaal River System of South Africa: A case study", "Can Desalination Aspire to Having Global Impact", "Managing the Impact of Power Crisis on Water Provision", and "Critical Constraints to South Africa's Infrastructure Development". Other themes covered are: "Managing knowledge and the role of social media: public sector lessons from South Africa", and "Taking social costs into account: lessons from licence to operate in South Africa". These diverse and impactful thought-leading articles enhanced the profile of TCTA as an established and respected knowledge institution, both locally and internationally.

Generating Lessons for a Learning Organisation

As part of its chosen trajectory of sustaining knowledgeability and value-creation, TCTA increasingly draws on its knowledge assets as a critical driver of its business strategy, to affirm excellence in the provision of water infrastructure, as well as in its leadership and change agent role in pursuing a better life for all South Africans. In the reporting period, TCTA prioritised the systematic generation and use of evaluative knowledge for organisational learning and effective management. This also served to foster accountability.

During the year, the organisation undertook critical evaluative assessments unpacking key lessons and drawing management's attention to two areas of business operations: the enduring challenges in the TCTA procurement process and the organisation's experiences in hybrid working. Going forward, the mainstreaming of evaluative work, including the systematic review of significant programmes and operations, will increasingly provide TCTA with strong windows for reinforcing learning and knowledge flows amongst employees and stakeholders, promoting the effective management of results and embedding overall accountability.

PART D

HUMAN CAPITAL, SOCIAL AND ETHICS

WATER SUPPLY SERVICES

For residents and businesses, the lack of resilience manifests itself in dry taps or the quality of water coming out of the tap is not fit for purpose.

While many South Africans, particularly those residing in the former homelands, have never experienced resilient systems, the lack of resilience is now evident throughout the country. Municipal systems are failing to deliver water at the minimum requirement of supply being available for at least 350 days per year, with no interruptions exceeding 48 consecutive hours per incident and meeting the water quality requirements set out in SANS 241.

The above requirement was set for the provision of water for human consumption. What is often forgotten is that reticulation provides water for firefighting as well and in high-risk environments, where more water is required than can be carried in a fire engine, there should never be a period when there is no water available.

Resilience in water supply services is provided in several ways.

At the point of supply to the consumer, resilience is provided by the reticulation itself as it provides a number of different flow paths for the water to reach the consumer. So, unless the pipe outside the consumers' premises is shut off, they will have water. However, this resilience is compromised if pipes are not replaced as they deteriorate due to age. Some of the materials used previously, such as fibre cement pipes, had an estimated life of 50 years, and in many cases are well past their replacement date. This results in frequent bursts in the reticulation and a reduced level of resilience.

The next issue is the main water pipes leading from the reservoirs to the reticulation. Often it is a single large-diameter pipe, particularly where it exits the reservoir. Any breakage of the pipe will leave the entire reticulation without water. Dual pipes and pipes of a high-grade material, at critical points, as well as keeping critical spares in store, increase the resilience of the system.

Reservoirs are the next link in the system and are there to provide resilience in the system if there is a failure at water treatment works or bulk supply pipelines. If the bulk supply pipeline is adequately sized, then the norm is to provide 48 hours of storage. With the change in land use patterns, these parameters need to be constantly reassessed to prevent situations occurring, as in the Sandton Central Business District (CBD) where over the last 30 years the land use has completely changed but reservoir capacity has not increased. This example highlights the risks on the supply side where there was a dependency on a single point of supply from Rand Water and ensuring that the servitudes remain open giving easy access to the pipes. When the bulk supply pipeline failed in November 2017, the line had been buried under the Linbro Park Landfill, and was difficult to reach. Residents were left without water for up to four days. Fortunately, no buildings caught fire in the Sandton Central Business District during this time.

Around the reservoirs, there is typically a zone where water is pumped into an elevated tank. However, in the unusual case of the Yeoville reservoirs in Johannesburg, the water is pumped directly into the reticulation. For the pumps to operate, the water must be kept at a minimum level in the reservoirs and there must be a supply of electricity. Due to load shedding, along with inadequately sized reservoirs and bulk supply systems, consumers in these high-level zones frequently experienced outages. For example, consumers supplied via the pumpstation at the Yeoville reservoirs experience outages every time there is load shedding.

While load shedding was not foreseen when the electricity systems feeding the pumpstations were designed, they now require a dedicated supply to prevent the water supply being cut. This is especially true for systems where there are no elevated tanks and large populations served.

The Yeoville Reservoirs also provide a good example of how resilience should be provided by keeping equipment up to date and the ready availability of spares. In March 2023, the telemetry system, which turns off the Rand Water pumps when the reservoirs are full, failed. The reservoirs then overflowed, turning the streets of Yeoville into rivers. Water entered the pump station, which then knocked out the pumps. Since the pumps were so old, there were no readily available spares and residents and businesses were up to 9 days without water. Again, it is fortunate that no high-rise building caught fire during this period; as the fire service would have been unable to fight the blaze. Given that the Yeoville-Hillbrow-Berea area is one of the most densely populated areas in South Africa, making it difficult to supply via tankers, a high level of resilience is required.

With water treatment, the most critical element is that it remains safe for human consumption, even if the quantity is reduced because of other operational reasons. Resilience in water treatment comes from multiple treatment processes, with the last step being chlorination. This ensures that the water remains safe from the treatment plant to the consumer’s tap. This resilience can only be maintained if all processes are kept in working order, which, according to the 2022 Blue Drop Progress Report, is not happening.

HUMAN CAPITAL, SOCIAL AND ETHICS COMMITTEE REPORT

"The Human Capital, Social and Ethics Committee is constituted to assist the Board in ensuring that the organisation is a responsible employer which provides a healthy workplace. This entails, inter alia, establishing a working environment that is conducive to personal growth and development, and which is fair, responsible and transparent. The Committee also oversees organisational ethics and monitors social responsibility activities in the workplace, the broader economy, and the social and natural environment."

I am pleased to present the Human Capital, Social and Ethics Committee report for the year ended 31 March 2023. Overall the Committee was satisfied with the progress report against the key and strategic deliverables that were identified for 2022/23. A number of highlights are outlined below.

With regard to the structure and operating model, the hybrid working model adopted during the COVID-19 pandemic was refined, with a view to enhancing the flexibility and efficiency of working arrangements.

A culture pulse survey relating to employee satisfaction was conducted during the period under review. The outcome reflected a modest increase in the overall employee satisfaction score from 63% to 67%, compared to the previous survey that was conducted in 2021. A leadership toolkit was subsequently developed on all cultural elements that should further improve the results going forward. In addition, key improvements were made to performance management practices. However, the performance management process must still be automated to further drive efficiencies.

A remuneration benchmarking and qualitative and quantitative wage gap analysis culminated in changes to the Remuneration Policy that was subsequently approved by the Board. This will ensure that TCTA remains an equitable and competitive employer with regard to all facets of remuneration.

Terms of Reference and Composition

The Committee was reconstituted following the appointment of a new Board in January 2023 but continues to build on the solid foundations established by the former Committee. The Committee comprises four independent non-executive directors and the Chief Executive Officer. The members have sound knowledge and experience of general human resource matters including strategic human resource management, performance management, talent management, workforce planning, rewards and recognition and organisational development. Members of executive management have a standing invitation to attend meetings.

The Committee has formal terms of reference in place. Minor amendments were made to its terms of reference during the annual review; these were subsequently approved by the Board in April 2023. Overall, the Committee is satisfied that it has discharged its responsibilities under its terms of reference and 2022/23 work plan.

*Refer to pages 89 to 92 for the qualifications and experience of Committee members.

Meetings

Five scheduled and one special meeting were held during the period under review. Attendance during the reporting period is shown below:

Member	Attendance
Greg White: Chairman and Independent Non-Executive Director	100%
*Satish Roopa: Independent Non-Executive Director	100%
*Mollale Maponya: Independent Non-Executive Director	100%
*Lindelwa Dlamini: Independent Non-Executive Director	100%
**Vidhu Vedalankar: Independent Non-Executive Director	100%
**Mmanare Mamabolo: Independent Non-Executive Director	100%
**Roy Mnisi: Independent Non-Executive Director	0%
***Percy Sechemane: Executive Director (CEO)	100%

*Term of office ended on 31 December 2022
** Appointed as a member with effect from 18 January 2023
*** Membership terminated on 28 April 2022

Responsibilities

The Committee is, amongst others, responsible for overseeing:

- human resource and organisational development matters;
- performance and knowledge management;
- remuneration, benefits, rewards and incentives;
- reputation and stakeholder management;
- environmental and social sustainability; and
- fraud and corruption (from an ethical perspective), economic transformation and organisational ethics.

The following matters received attention during the period under review

- Human resources and change management risks associated with the formation of the National Water Resources Infrastructure Agency.
- Progress against the five elements of the approved medium-term Total Rewards Strategy and its implementation plan.
- Critical remuneration information such as market comparison information, the compa-ratio, wage gap and executive remuneration analysis is included in Part E and notes 20.1.1 and 20.1.2.
- The implementation of human resource priorities, the human resource optimisation plan, performance management practices and the facilities management and logistics strategy.
- The review and recommendation of human resources policies and strategies and the medium-term Employment Equity Plan for approval by the Board.
- Stakeholder Management and Knowledge Management.
- Annual salary increases and short-term rewards and incentives as well as the strategic resourcing plan.

The following areas of focus, amongst others, have been identified for 2023/24:

- Matters of culture transformation and change management especially in areas relating to the establishment of the National Water Resources Infrastructure Agency and Enterprise Resource Planning.
- Human resource optimisation plan implementation and outcome of the organisation efficiency study (phase 2).
- Talent management with a specific focus on performance management, career development, succession planning and leadership development.
- The implementation of the Human Resource Information System and the Change Management Strategy.
- The institutionalisation of ethics management through the implementation of the Social and Ethics Programme for 2023/24.

Greg White
Human Capital, Social and Ethics Committee Chairman

HUMAN CAPITAL PRACTICES

TCTA's human capital activities are anchored through the South African Board of People Practices' Human Resource Management National Standard comprising 13 practice elements. We aim not only to meet but to exceed the standard by ensuring that the human capital function is aligned and employs the best practice methodologies, strategies and systems for a modern and agile organisation like TCTA.

Our mission is to have engaged employees, in the right places at the right time with the right skill set, to deliver with excellence on the organisational objectives. Having attained stability in a majority of the 13 elements, our primary focus for the period under review was on Talent Management, Performance Management, Learning and Development, Total Rewards, Culture and Change Management, and HR Technology.

Talent Management

TCTA has adopted the five pillar framework to optimise and nurture talent within the organisation. This framework is informed by the TCTA business strategy and the human resource management people strategy. The six talent pillars are: ***Attract, Identify, Develop, Manage, Retain and Engage***. Each of these pillars has a selection of enablers which are appropriately used to ultimately lead to an engaged professional cadre of employees who contribute to the business of TCTA using their best talent. As with all people-related work, the glue of the business is organisational culture. Overall, TCTA has set itself up for an improved culture of Professionalism and Performance which is evident in all talent management interventions.

Performance Culture

Creating a Culture of Performance Management has been a focus area of the business since 2019/20. An independent performance management practices review finalised in the first quarter of 2022/23 financial year indicated specific areas of improvement. The Performance Management Improvement Plan was implemented this year to fine-tune Performance Management practices across the organisation.

Learning and Development

Learning and development of employees support the strategic imperative of a performance culture by increasing competency levels for individuals, teams and the organization. TCTA aims to leverage learning and development as one of the pillars of Talent Management for the attraction, motivation, succession and retention of talent in the new world of work. TCTA seeks to raise the quality, relevance and cost-effectiveness of skills development by giving effect to the learning and development goals and making available financial assistance, within budgetary considerations, to employees to advance themselves occupationally and academically.

An approved training plan has guided the organisational-wide training interventions. TCTA delivered 111% of the training plan, showing additional intervention was implemented due to the business need. Excellent attendance has been recorded with improved participation by combining the virtual platform with physical attendance. The impact of training interventions was measured through post-evaluation feedback forms and the target of 3 was exceeded with an average score of 3.84. Table 9 below shares information as it relates to training costs.

Table: 9 Training Costs

Personnel expenditure	Training expenditure	Training expenditure as a percentage of personnel	Number of employees trained	Average training cost per employee
R223,497,114.36	R1,923,388.62	0.86%	84	R22, 897.48

Regarding skills development for the youth and countering unemployment, TCTA had 11 interns in place and most of them had completed training in different areas for their development, with an enhanced focus on the scarce skills category. TCTA has decided to enhance its internship programme and will be hosting 20 interns during the 2023/24 financial year. The expenditure on

Interns and Bursary holders for the year under review is as per table 10 below:

Table 10: Expenditure on Interns and Bursary Holders

	Salaries and Stipend	Training and Fees	Total
Interns	R2,129,787.78	R210,235.53	R2,340,023.31
Bursary holders	R 102,000.00	R129,716.84	R 126,716.84
TOTAL	R2,231,787.78	R243,952.37	R2,466,740.15

The learning and development programme aimed to build capable leadership and people managers at different levels within the organisation continued into the year under review. This programme hinges on two key interventions namely an organisational-wide coaching programme and a People Management Capacity Programme (PMCP) with fit-for-purpose modules designed by the in-house centre of expertise.

Upon review of the coaching programme implemented over the first three years, a need to re-align same to the changing needs of TCTA, especially to prepare leaders for the changing operating landscape, both internally and externally was identified. Now, the programme will capacitate the Executive and Senior Managers cohorts with coaching skills in the context of the three leadership principles of Accountability, Trust and Courage, hosted in team coaching form with combined boot camps. These principles will be cascaded to the general staff in the form of power hour webinars. The programme outcomes align with the culture transformation plan to ensure the approach is integrated with the broader high-performance strategic intent. The implementation of the second year (2022/23) of the PMCP was successful according to the delegates' evaluation. Again , lessons learned were integrated into the design of the 2023/24 programme.

Total Rewards

TCTA started the 2022/23 year with a freshly approved Total Rewards Strategy, which signified a shift from a narrow remuneration approach to a more strategic approach, namely total rewards. This strategy prompted management to conduct an independent review of total guaranteed packages with the intent to ensure fairness is applied in terms of compensation practices. The study benchmarked TCTA practices against the private sector, Schedule 2 and 3 entities as well as the DPSA. The study further included a quantitative and qualitative analysis of three forms of wage gaps. The outcome of the study resulted in TCTA adopting a unified pay curve, underpinned by the Paterson job grading system, instead of the previously used three-tier pay curve. The study outcome showed no unfair treatment in terms of equal pay for equal value of work with females earning 8% less at 31 March 2023, a progressive position in terms of the global and national norms.

In keeping with the total rewards strategy, during 2023/24 TCTA will conduct a similar benchmarking study as it relates to the variable pay component.
TCTA's remuneration and incentive policies hinge on a pay-for-performance philosophy and the attraction of the best skill in the market. Both these policies were reviewed and approved during the year under review.

The guaranteed remuneration, or total guaranteed package, is determined by the unified pay curve, drawn every three years from the national market, Schedule 2 companies, Private Sector and State-Owned Entities. The guaranteed pay includes the employer's contributions to employee benefits. For the period 1 April 2022 until 31 March 2023 the following salary increment were implemented:

- 5.5% increase in Total Guaranteed Package
- Pension Fund employer contribution of 7.5% (same principle as year before)
- 50% employer subsidy to Medical Aid
- 50% employer contribution on TCTA Group Life

Annual increases are given in line with the direction of the Board. The Board considered relevant outer and inner contextual information such as economic growth indicators, the Consumer Price Index, remuneration trends, TCTA remuneration portfolio information and staff cost affordability.

Regarding the variable element of pay, TCTA paid out incentives during the 2022/23 year, based on performance levels at organisational, divisional and individual levels, as per the Board discretion applied, in line with the guiding policy

Culture and Change Management

At the strategic level, the planned organisational changes are informed and driven by the Shareholder (Government) and include, amongst other priorities, the creation of a new organisation – the National Water Resource Infrastructure Agency (NWRIA). The envisioned NWRIA will be a transformational change in that it will bring TCTA and parts of the Department of Water and Sanitation together. This change will come with a significant impact on all aspects of the organisation, namely: the mandate, strategy, culture, operations, systems, processes, location and people. In addition to the above-planned changes, TCTA is also embarking on a journey to redefine its organisational culture, enhance organisational efficiencies and upgrade information technology. Readiness for change is encapsulated in a newly approved Change Management strategy and supporting implementation plan. Yet, successful change management is highly dependent on the organisational culture. TCTA showed a 4% improvement (from 63% to 67% employee satisfaction) from the 2021 baseline study to the employee poll taken in 2023. The in-depth follow-up independent culture survey will be conducted in early 2024.

Human Resource Information System (HRIS)

As an interactive system of information management, the HRIS standardises human resources (HR) tasks and processes while facilitating accurate record-keeping and reporting.

Essentially, an HRIS is a "two-way street" in which information about employees is delivered into the organisation and, conversely, back out to employees. By eliminating paper-based and manual HR-related processes, an HRIS offers more seamless, streamlined, and efficient interactions between employees and the organisation they work for while freeing HR professionals to perform more strategic and high-value work.

Aside from having a functional and effective payroll system, the lack of an HRIS remains a challenge.

MEANINGFUL STATISTICAL INFORMATION

Staff complement, rewards, skills development, employment equity and employee relations cases

Staff complement

On an annual basis, a cautious approach is adopted toward resourcing the structure. TCTA's planning approach towards the filling of vacancies, is flexible and is informed by the conclusion of implementation agreements with DWS and the securing of funding, reflecting the project environment and financial markets in which it operates. A combination of employment techniques is used, such as permanent placement, fixed-term contracts, temporary placements and interim and internal redeployments. Every attempt is made to optimise the structure and to appropriately allocate resources: a balance is maintained between prudent staff cost management and having the right people in the right job at the right time. This approach was solidified through an HR Optimisation Project being approved in November 2022, where 9,6% of the approved headcount was frozen.

As of 1 April 2022, TCTA operated from an approved headcount of 194 plus 14 interim resources, plus 19 interns and 6 temps. As at 31 March 2023, TCTA employed 173 people in the organisation.

Table 11: Employment and Vacancies - 2022/23

Level	Employment at the beginning of the period	Appointments	Terminations	Employment at the end of the period
Top management	1	-	-	1
Senior management	9	-	-	9
Professionally qualified	86	1	1	91
Skilled	50	12	7	47
Semi-skilled	9	1	4	21
Unskilled	-	-	-	-
Headcount Subtotal	**155**	**14**	**12**	**157**
Interns	11	2	5	8
Interim Resources	5	5	2	8
Temps	1	1	2	
Contingent resources				
Total	**172**	**22**	**21**	**173**

The breakdown of employment by category in table 12:

Table 12: Employment by Category

Level	2021/22 Number of employees	2022/23 Approved posts	2022/23 Number of employees	2022/23 Vacancies	Vacancies as percentages
Top management	1	1	1	-	-
Senior management	9	9	9	-	-
Professionally qualified	87	112	91	26	13.40%
Skilled	50	63	47	13	6.70%
Semi-skilled	9	9	9	-	-
Unskilled	-	-	-	-	-
Headcount Total	**156**	**194**	**157**	**39**	**20.10%**
Interns	11	19	8	11	25.00%
Interim resources	5	14	8	6	13.64%
HR Temps	1	6	-	5	11.36%
Contingent resources	-	1	-	1	2.27%
Subtotals	**17**	**44**	**16**	**23**	**52.27%**
Grand Total	**173**	**234**	**173**	**62**	**26.50%**

* This includes 1 professional employee who was deceased

Table 13 below indicates the reasons why employees left TCTA.

Table 13: Reasons for Staff Leaving

Reason	Number	(%)
Death	0	0%
Resignation	9	43%
Dismissal	2	10%
Retirement	1	5%
Ill health	0	0%
Expiry of contract	6	29%
Other	3*	14%
Total	**21**	**100%**

* 3 positions were filled by internal candidates, hence resulting in internal movements

Staff Cost

This section of the report reflects on staff cost as a key element of human resource management and elaborates on TCTA's remuneration approach, policy and implementation practices, especially as it is aligned with King IV™ , Principle 14. Principle 14 says that "the governing body should ensure that the organisation remunerates fairly, responsibly and transparently, to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term." TCTA complies with all the practices that apply to a State-owned Entity, under this remuneration governance principle.

Staff cost is described in table 14 below.

*Table 14: Personnel Cost by Employment Category for the period under review**

Level	Personnel expenditure (guaranteed package) R'000	Percentage of personnel expenditure to total personnel	Number Employed During Period	Average personnel cost per employee R'000
Top management	6 019	2.58%	1	6 019
Senior management	28 387	12.15%	9	3 154
Professionally qualified	158 818	68%	99	1 604
Skilled	35 240	15.09%	47	750
Semi-skilled	5 095	2.18%	17	300
Unskilled	-	-	-	-
Total	**233 560***	**100%**	**173***	**1 350**

*These figures include employees who have exited TCTA's employment during the financial year.

The average cost per employee increased from R1 176 000 (2021/22) to R1 350 000 (2022/23).

Employment equity

The table that follows reflects TCTA's employment equity targets in the three categories, as aligned to the Economic Active Population at the National level. In addition, in 2022/23 TCTA adopted a youth employment target, which is also included below. These targets are influenced by TCTA's commitment to transformation and alignment with the South African labour force in terms of the designated groups.

Table 15: Overall Employment Equity (%)

Group	Females as at 31 Mar 23	Males as at 31 Mar 23	Total staff number	Expressed as %	Target as of 30 Sep 23	National EAP
African	63	72	135	78.03%	78.8%	79.40%
Coloured	8	4	12	6.94%	8.15%	9.10%
Indian	5	6	11	6.36%	4.35%	2.7%
White	9	6	15	8.67%	8.7%	8.8%
Sub total	**85**	**88**	**173**			
Youth	9	8	17	9.83%	14%	N/A
Persons with Disability	1	2	3	1.73%	2.2%	2.5%

Note: The information above includes 9 foreign nationals employed by TCTA

Table 16: Breakdown of Employment Equity by Employment Category as at 31 March 2023

Classification	African				Coloured				Indian				White				Foreign nationals			
	Current		Target		Current		Target		Current		Target		Current		Target		Current		Target	
Level	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F
Top management	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Senior management	3	2	4	1	0	0	0	0	1	0	0	0	0	2	1	2	1	0	0	0
Professionally qualified	41	27	36	30	3	2	4	3	5	3	6	2	5	5	5	4	4	4	3	1
Skilled	14	22	20	23	1	6	1	6	0	2	1	3	0	2	1	4	0	0	0	0
Semi-skilled	9	8	8	6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	68	59	69	60	4	8	5	9	6	5	7	5	5	9	7	10	5	4	3	1

Table 17: People Living with Disabilities

Level	Current: 2022/23	Target: 2022/23
Top management	-	-
Senior management	-	-
Professionally qualified	1	2
Skilled	1	2
Semi-skilled	-	-
Unskilled	-	-
Total	2	4

Employee relations management

The new world of work promotes a progressive approach to employee relations. In this vein, TCTA promotes healthy employee relations, guided by the following key principles, as articulated in the Employee Relations Strategy:

- The employer-employee relationship is governed by the applicable South African labour laws, and all employees' conduct is underpinned by TCTA's Values namely Respect, Integrity, Excellence, Growth and Unity.
- Healthy employee relations are foremost the responsibility of management, and good communication between management and all employees is essential.
- In the employer-employee relationship, management's prerogative is at the behest of the employer to make decisions which are in the interest of the business's growth and sustainability.
- Whilst engagement with recognised labour unions is acknowledged and captured in the relevant Recognition Agreement, it will not replace the close relationship that management seeks to maintain with all employees.

Labour Relations Cases

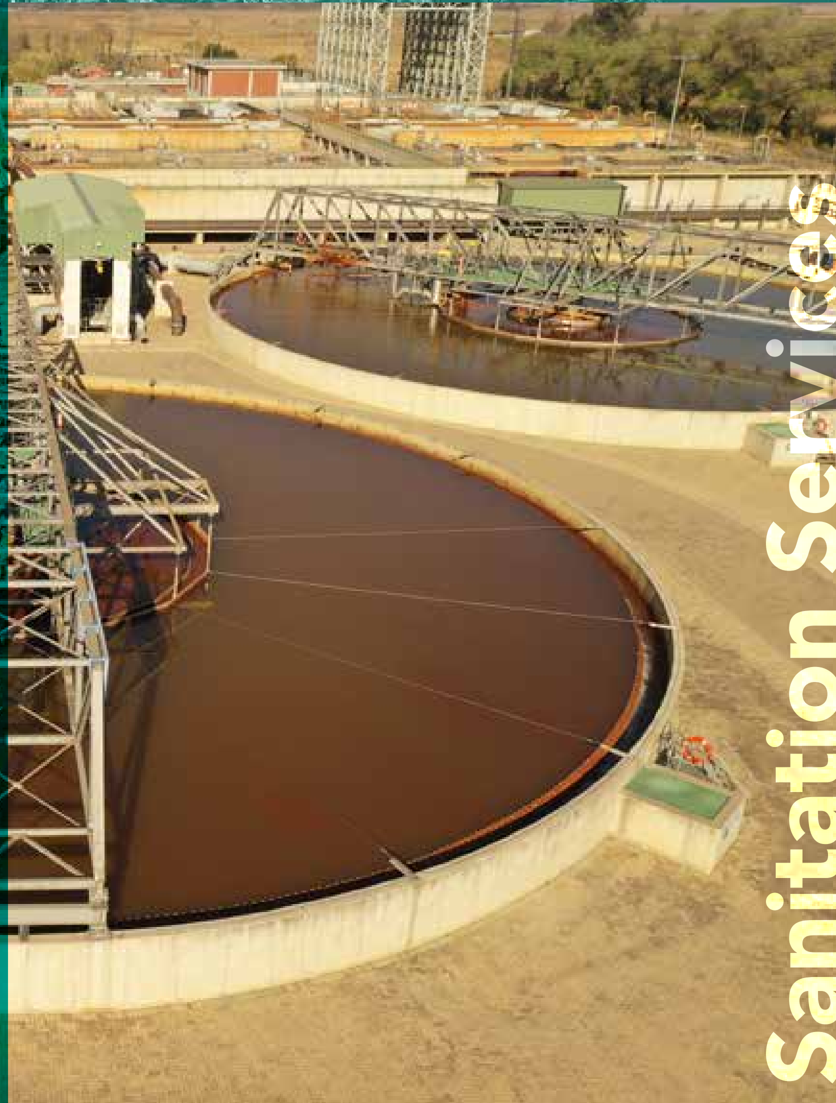
Table 18 below depicts the Labour Relations cases for the year under review.

Table 18: Labour Relations Cases

Element	Q1	Q2	Q3	Q4	Analysis
Grievance	1	1	1	0	Low risk
Disciplinary	2	1	1	1	Low risk
CCMA	1	1	2	2	Low risk
Labour Court	1	1	1	1	Same case, matter on roll
Investigation	2	2	0	0	Low risk
Incidental		Incompatibility	Incompatibility	Incompatibility	Low risk

PART E

GOVERNANCE



SANITATION SERVICES

For consumers, the immediate impact of failing sanitation services is the toilet becoming unusable. With flush toilets, this is usually due to a lack of water supply. However, the biggest impact when there is a lack of resilience in sanitation services is the pollution of the water resource. It becomes especially critical if communities source water or irrigate crops downstream. This is the case in Tshwane, where the Temba Water Treatment Works is only 20km from the Rooiwal Wastewater Treatment Works with extensive irrigation in between.

Waterborne sewage networks work use gravity to concentrate sewage at a single point, so unlike water supply systems, there are no alternative flow paths if problems occur. Resilience needs to be provided by good design, robust operation and maintenance (including educating the public, and proactive replacement of ageing infrastructure). There also needs to be a proactive addition of new treatment capacity so that the effluent discharged into the water resource meets the required standard.

Sewage, unlike water, is anything but a homogeneous liquid, as the sewer system is often used for waste disposal, both deliberately and inadvertently. Therefore, this must be considered in the design. At the household level, a 110 mm diameter pipe is used for the connection. It connects into a minimum of 160 mm diameter pipe on the municipal side. The reason behind this practice is that if an object gets through the household connection, it is less likely to block the municipal sewer.

One cause of blockages in the municipal sewer is large objects being disposed of in manholes (cow hides, dead bodies and car parts are some of the things that workers have to remove from sewers). Education of the public is key here as well as having teams with the right equipment who are able to respond quickly to clear blockages. Blockages can also result from sudden changes in grade (from steeper to flatter slopes). This results in objects being carried in the sewage settling out. Grit entering the sewer from stormwater or other uses is a challenge. Once the problem areas have been identified, proactive maintenance, such as sewer jetting, can resolve them. Sedimentation is a common problem in outfall sewers when design flows are not achieved for many years. Sometimes, constructing two sewers is necessary to avoid this problem.

Blockages are also caused by tree roots entering the pipes. The older clay pipes (spigot and socket variety) are a particular problem and often develop hairline cracks through which roots penetrate. Proactive rodding, having teams who can respond to such blockages and budgeting for replacement before the problem becomes unmanageable are some of the ways to provide resilience.
Isolated pump stations present challenges for sanitation engineers.

Blockages, short equipment life due to the aggressive environment, theft and vandalism all make these the weakest link in the waterborne sewage network. A clever design that has high volumes of sewer entering the system at its head will prevent sewers from having to be laid at great depths in flat areas, obviating the need for pump stations. Simply bypassing areas that cannot be drained without a pump station can mitigate this issue. The towns that make up the Matjhabeng Local Municipality in the Free State are a particularly bad example of poor design that no longer functions. This situation has been further exacerbated by the economic decline resulting from the closure of the gold mines. Although this situation cannot be easily rectified, the lessons learned need to be applied to ensure resilience in future sanitation systems.

If the sewage reaches the wastewater treatment works, then it must be treated.

Since sewage rarely stops arriving at wastewater treatment works, they can never stop operating. Therefore, the minimum number of modules that can be developed is two modules so that one can be taken out of service for maintenance (replacement of liners, repairs to concrete works, etc.).

If works such as ponds are working under gravity, then there is little requirement for backup systems, and it does not detract from the resilience. It is for this reason that many rural municipalities have installed ponds due to the ability to operate with little daily input from operatives, where there are very limited financial resources and limited technical capacity.

Once electro-mechanical equipment is introduced, maintaining the system's resilience requires the appropriate skills. If it cannot be repaired on-site, there must be the capability to remove and send it away for repairs. When specialist lifting equipment is needed, particularly in rural municipalities where it may not be readily available, the system's resilience suffers. The cost of bringing in the equipment becomes prohibitive, leading to delays in its removal and repair.

The 2022 Green Drop Report paints a dire picture, with 334 (39%) of systems identified to be at a critical score level. However, the majority were small systems in rural municipalities. The risk posed by a 2.4 Ml/d treatment works at Colesberg is very different to the 405 Ml/d Northern Works in Johannesburg.

To encourage municipalities to achieve the objective of containing all sewage in the system and treating it before discharge, a more nuanced approach to monitoring and evaluation might be required, depending on the risk posed. With these considerations, South Africa can progress towards resilient sanitation systems.

OVERSIGHT

Executive Authority

In accordance with the Notice of Establishment 2000, the Board is appointed by the Executive Authority (the Minister of Water and Sanitation) through a formal, competitive and transparent process. The Executive Authority ensures that the appropriate mix of directors is appointed with the necessary skills, knowledge, experience and qualifications to lead the organisation. The Minister of Water and Sanitation appointed a new Board of Directors with effect from 1 January 2023.

Portfolio Committee on Water and Sanitation

The Portfolio Committee on Water and Sanitation (the Portfolio Committee) oversees the service delivery performance of TCTA within the broader context of its contribution to the sector and the State. During the reporting period, TCTA attended three Portfolio Committee meetings, on 4 May 2022 to present its Corporate Plan 2022/23 to 2024/25 and on 11 October 2022 to present its Integrated Annual Report 2021/22. On 18 October 2022, TCTA also presented a report to the Standing Committee on Public Accounts on the status of its irregular expenditure.

Shareholders' Compact

In terms of the Treasury Regulations issued under the Public Finance Management Act, TCTA must, in consultation with the Executive Authority, agree on its predetermined objectives, measures and indicators annually. These are included in the shareholder's performance agreement (shareholders' compact) between the Board and the executive authority. The shareholders' compact promotes good governance practices by setting out the roles and responsibilities of the Board and the executive authority.

ACCOUNTING AUTHORITY

Ethical and Effective Leadership

The Board understands that directors should individually and collectively exercise their fiduciary duties ethically and in good faith and assume collective responsibility for steering the entity and setting its strategic direction. The Board has a balance of power, with no individuals having unfettered power over the Board as a whole. The main focus of the Board is to ensure that strategy, risk, performance and sustainable development considerations are effectively integrated and appropriately balanced. The Board ensures that TCTA is governed in accordance with leading corporate governance practices, appropriate and relevant industry rules, codes and standards, and internal control systems.

As a values-based organisation, TCTA is committed to the highest standards of business integrity and ethics in all its activities. Directors acknowledge that their fundamental responsibility is to lead and direct the organisation in an ethical and effective manner. Led by an independent non-executive chairman, the Board reports, in a transparent and balanced manner, to all stakeholders regarding the performance of TCTA and how it has fulfilled its responsibilities.

Board Charter

To guide its effective functioning, the Board annually reviews its charter. The purpose of the Board Charter is to regulate the parameters within which the Board operates and to ensure TCTA applies good corporate governance practices in all its dealings. The charter also sets out the roles and responsibilities of the Board and its individual directors, including its composition and relevant procedures.

Board Induction, Development and Training

To remain effective, the Board recognises it must develop its members to suit the organisation's needs. Accordingly, the Corporate Secretariat has a structured induction programme that seeks to equip new directors with an understanding of the strategy and the complexities of the business. Ongoing training is provided for all directors on various matters related to their role to assist them to act with due care, skill and diligence. By keeping informed of various developments, directors are able to exercise courage in taking appropriate risks and capturing opportunities in a responsible manner and in the best interests of TCTA

Board Attendance

Eight scheduled and three special meetings, including a two-day strategy session, a risk workshop and an inaugural meeting for new directors, were held during the period under review. Attendance for the reporting period is shown below:

Table 19: Attendance at Board Meetings

Director	Designation	Attendance
***Gerald Dumas	Independent Non-Executive Director and Deputy Chairman	100%
*Maemili Ramataboe	Independent Non-Executive Director and Deputy Chairman	100%
*Simphiwe Kondlo	Independent Non-Executive Director	82%
*Satish Roopa	Independent Non-Executive Director	82%
Greg White	Independent Non-Executive Director	100%
*Mollale Maponya	Independent Non-Executive Director	82%
*Norman Baloyi	Independent Non-Executive Director	100%
*Lindelwa Dlamini	Independent Non-Executive Director	100%
**Precious Sibiya	Independent Non-Executive Director and Chairman	100%
**Neo Tladinyane	Independent Non-Executive Director	100%
**Roy Mnisi	Independent Non-Executive Director	100%
**Zelda Tshabalala	Independent Non-Executive Director	100%
**Mmanare Mamabolo	Independent Non-Executive Director	100%
**Pule Mofokeng	Independent Non-Executive Director	100%
** Vidhu Vedalankar	Independent Non-Executive Director	100%
Percy Sechemane	Executive Director (CEO)	100%

* Term of office ended on 31 December 2022
** Appointed as a director with effect from 1 January 2023
***Chairman until 31 December 2022. Deputy Chairman with effect from 1 January 2023

Board Leadership

The Board is led by an independent non-executive chairman. The role of the chairman is separate and distinct from that of the Chief Executive Officer (CEO). The separation of powers and responsibilities, as set out in the Board charter, ensures no single person has unfettered decision-making powers and that the appropriate balance of power exists at the Board level.

During the period under review, the Board, amongst others, approved the following strategic policies, frameworks and plans:

- Environmental Policy
- Revised Recruitment Policy
- Sponsorship and Donation Policy
- Contracts Management Policy
- Land Acquisition Policy
- Procurement Policy for Goods and Services
- Procurement Policy for Infrastructure
- Digital Transformation Strategy
- Organisational targets and performance indicators
- Framework for tariff review and fiscal funding requirements
- Employment Equity Policy
- Short-Term Incentive and Rewards Policy
- Remuneration Policy
- Data Protection Policy
- Disaster Recovery Strategy
- ICT Governance, Risk and Compliance Framework
- IT Strategy
- Strategic resourcing and high-level organisational structure
- Employee Relations Strategy
- Corporate plan including the budget.

Board Composition and Director Independence

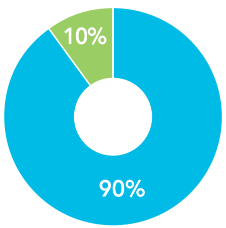
The Board is appointed by the Minister of Water and Sanitation and comprises the appropriate balance of knowledge, skills, experience, diversity and independence to discharge its governance role and responsibilities objectively and effectively. Individual members bring considerable and diverse demographics, skills and experience into the boardroom. In line with King IV™, non-executive members may be categorised as independent if the Board concludes that there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision making in the best interest of the organisation.

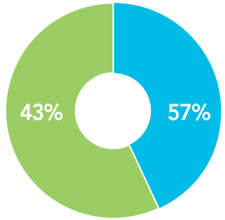
Diversity of Skills and Experience

The Board skills matrix is on page 89 to 92

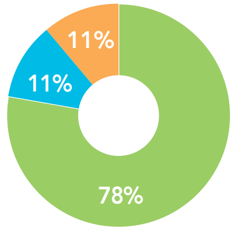
Figure 13: Board Gender, Racial and Age Diversity

- Independent non-executive directors
- Executive directors

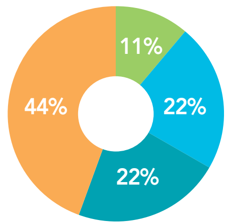




Gender diversity:
- Female
- Male



Race diversity:
- African
- Indian:
- White



Age Diversity:
- 70 and older
- 60 years and older
- 50 to 59 years
- 40 to 49 years

Board Performance

A Board performance evaluation is conducted under the auspices of the Nominations and Governance Committee in consultation with the Board Chair. The objective is to determine ways to improve the effectiveness of the Board and its committees; these assessments are transparent and documented. The Board has adopted a formal performance evaluation policy in 2021.

The last externally facilitated effectiveness review of the Board was undertaken in 2021, the results of which were reported in the 2021 Integrated Annual Report. The Board made good progress in implementing the actions to address the findings. For 2022/23, the Board approved a deviation from its policy as the term of office of directors would have expired at the end of April 2022. An internal effectiveness review, through an online survey, would be conducted towards the end of 2023/24 since a new Board was appointed in January 2023.

Company Secretary

The Board is assisted by a competent and suitably qualified Corporate Secretariat function, led by Wilma de Witt, who has an arm's length relationship with the Board. Following a rigorous assessment of her performance in November 2022 and July 2023, the Board is satisfied that the function has the competency, qualifications and experience to provide sound governance advisory and stewardship to the Board and management.

Board Committees

The Board ensures that delegation within its structures promotes independent judgement and assists in maintaining the balance of power and the effective discharge of its duties. Responsible leadership from the Board is supported by a delegation of authority, which is reviewed and approved annually. All strategic decisions are debated in detail, either by the committees or the Board, with cognisance of the risks and unintended consequences of such decisions. In delegating responsibility to management for implementing the organisation's strategic objectives, the Board monitors key processes in relation to ethical decision-making, control environments and assurance. The delegation of authority ensures that management functions are suitably empowered to discharge their responsibilities while being held accountable through their respective reporting lines. The Board has delegated the responsibility of ensuring that individuals with the necessary competence, authority and adequate resources are appointed to key management functions to the CEO.

All Board committees have approved charters, which are reviewed annually considering current and emerging governance best practices. The Board is satisfied that all committees have fulfilled their responsibilities in accordance with its charter for the reporting period. Healthy collaboration between committees is facilitated by feedback sessions at Board meetings.

The Board monitors how its committees discharge their responsibilities by annually setting work plans for each committee and monitors the implementation thereof with the assistance of the company secretary. The Board has formally, and in writing, delegated powers to the following standing committees:

- Audit and Risk Committee;
- Human Capital, Social and Ethics Committee;
- Nomination and Governance Committee;
- Technical Committee; and
- Finance Committee.

The Board acknowledge the importance of technology and information in relation to the achievement of the organisational strategy and has therefore established the Information, Communication and Technology Governance Committee in February 2023, as a standing Board Committee, to increase the focus on technology, information, compliance and maximising opportunities to manage risk factors going forward. The activities of this Committee will be reported on in 2023/24.

Audit and Risk Committee

As of the date of this report, the Committee comprises four independent non-executive directors and a co-opted specialist. The Committee complies with all applicable and relevant legal and regulatory requirements as necessary under the legislation and applies the corporate governance practices for audit Committees as recommended by King IV™. The Board recognises the important role of the Committee as part of the risk management and governance processes. The Committee's mandate is, amongst others, to review the effectiveness of internal controls, ensure satisfactory standards of governance and compliance, maintain oversight for financial results and integrated reporting, and oversee risk management, including risk control systems. In this regard, the Committee also has oversight of financial reporting risks, internal financial risks, as well as fraud and IT risks as they relate to financial reporting.

During the period under review, two combined Audit and Risk Committee and Finance Committee meetings were held to consider the draft annual financial statements and the audited annual financial statements, respectively. Attendance at these meetings is shown below:

Table 20: Combined Audit and Risk Committee and Finance Committee meetings

Member	Attendance
*Maemili Ramataboe: Chairman and Independent Non-Executive Director	100%
***Satish Roopa: Independent Non-Executive Director	100%
***Norman Baloyi: Independent Non-Executive Director	100%
*Mollale Maponya: Independent Non-Executive Director	100%
**Simphiwe Khondlo: Independent Non-Executive Director	100%
***Greg White: Independent Non-Executive Director	100%
*Nala Mhlongo: Finance Specialist	100%
**Percy Sechemane Percy Sechemane: Executive Director (CEO)	100%

*Audit and Risk Committee member
** Finance Committee member
***Audit and Risk Committee and Finance Committee member

Refer to pages 129 to 133 for the Chairman's report, which reflects the composition, role and responsibilities of the Committee as well as the members' attendance record during the period under review.

Finance Committee

As of the date of this report, the Committee comprises four independent non-executive directors, a co-opted specialist and the CEO. The Committee is chaired by a non-executive director, appointed by the Board. Executive managers attend meetings by invitation.

The Committee's mandate as set out in its terms of reference is, amongst others, to consider finance policies and strategies, the organisational budget, bridging facilities, water tariff setting review, strategic guidance and effective oversight on financial reporting, procurement activities and processes including the supply chain management system to ensure that same is consistent with the Preferential Procurement Policy Framework Act, the Broad-Based Black Economic Empowerment Act and relevant National Treasury Regulations. Five meetings were held during the period under review. Attendance for the reporting period is shown below:

Table 21: Attendance at Finance Committee Meetings

Member	Attendance
*Norman Baloyi: Chairman and Independent Non-Executive Director	100%
Greg White: Independent Non-Executive Director	100%
*Satish Roopa: Independent Non-Executive Director	100%
*Simphiwe Khondlo i: Non-Executive Director	75%
*Nala Mhlongo: Finance Specialist	100%
**Precious Sibiya: Chairman and Independent Non-Executive Director	100%
**Zelda Tshabalala: Independent Non-Executive Director	100%
**Neo Tladinyane: Independent Non-Executive Director	100%
Percy Sechemane: Executive Director (CEO)	100%

*Term of office ended on 31 December 2022
** Appointed as a director with effect from 1 January 2023

Human Capital, Social and Ethics Committee:

As of the date of this report, the Committee comprises four independent non-executive directors. The Committee is chaired by a non-executive director, appointed by the Board. The Committee is constituted to assist the Board in ensuring that the organisation remunerates fairly, responsibly and in a transparent manner to promote the achievement of strategic objectives and outcomes in the short, medium, and long term. The Committee also oversees organisational ethics and monitors social responsibility activities in the workplace, the economy, and the social and natural environment.

Refer to pages 69 to 71 for the Chairman's report which reflects the composition, role and responsibilities of the Committee as well as the members' attendance record during the period under review.

Technical Committee:

As of the date of this report, the Committee comprises four independent non-executive members and the CEO. The Committee is chaired by a non-executive director, appointed by the Board. Executive managers have a standing invitation to attend all meetings. The Committee assists the Board in providing strategic leadership to management on project technical management-related functions and has oversight on organisational project technical management functions.

Four meetings were held during the period under review. Attendance for the reporting period follows:

Table 22: Attendance at Technical Committee Meetings

Member	Attendance
*Simphiwe Kondlo: Chairman and Independent Non-Executive Director	100%
* Maemili Ramataboe: Independent Non-Executive Director	100%
***Gerald Dumas: Independent Non-Executive Director	100%
*Lindelwa Dlamini: Independent Non-Executive Director	100%
**Neo Tladinyane: Chairman and Independent Non-Executive Director	100%
**Vidhu Vedalankar: Independent Non-Executive Director	100%
**Mmanare Mamabolo: Independent Non-Executive Director	100%
**Pule Mofokeng: Independent Non-Executive Director	100%
Percy Sechemane: Executive Director (CEO)	100%

*Term of office ended on 31 December 2022
**Appointed as a director with effect from 1 January 2023
***Membership terminated on 18 January 2023

Nomination and Governance Committee:

The Committee comprised five independent non-executive directors. Although the Committee does not have the power to nominate or elect Board members, the Committee actively seeks to collaborate with the executive authority on the required knowledge, skills and capabilities of new directors.

The Committee reviews the structure and composition of its committees, from time to time, to enhance its effectiveness and oversees the development of an induction programme for new directors. The Committee further ensures that a continuous development and training programme for directors is in place and oversees the performance review of the Board and its Committees. Concerning governance matters, the Committee has oversight over the development and implementation of the organisational strategy and the business model, including the corporate plan and predetermined objectives. The Committee also annually considers the outcome of the organisational performance review and oversees the application of King IV™ practices.

Four scheduled meetings and four special meetings were held during the period under review. Attendance for the reporting period follows:

Table 23: Attendance at Nomination and Governance Committee Meetings

Member	Attendance
***Gerald Dumas: Chairman and Independent Non-Executive Director	100%
*Maemili Ramataboe: Independent Non-Executive Director	100%
*Simphiwe Khondlo: Independent Non-Executive Director	100%
Greg White: Independent Non-Executive Director	75%
*Norman Baloyi: Independent Non-Executive Director	100%
**Precious Sibiya: Chairman and Independent Non-Executive Director	100%
**Neo Tladinyane: Independent Non-Executive Director	67%
**Zelda Tshabalala: Independent Non-Executive Director	100%

*Term of office ended on 31 December 2022
**Appointed as a director with effect from 1 January 2023
***Membership terminated on 18 January 2023

Director Information

Surname and Initials	Gender	Race	Age	Skills, Knowledge and Experience: Qualifications	Skills, Knowledge and Experience: Field of Expertise	Term of Office: Date of first appointment	Term of Office: Expiry of Term	Term of Office: Other Directorships
 **Sibiya, PN**	Female	African	53	• Bachelor of Accountancy, • Postgraduate Diploma in Accounting, • Chartered Accountant (South Africa), • Advanced Short Course in Business Rescue Practice.	• Finance • Risk Management • Audit • Supply Chain Management • Human Resources • Information Technology • Business Rescue	01 January 2023	31 December 2025	• AWCA Investment Holdings • Zukhanye Consulting • SO2BE Enterprises • Air Traffic Navigation Services • The Independent Regulatory Board for Auditors
 **Dumas, GT**	Male	African	72	• Master of Business Administration • Municipal Executives Financial Programme • Diploma in Business Management • Diploma in Production Management • Bachelor of Science	• Water Sector • Strategy Development and Implementation • Risk Management • Audit • Human Resources • Stakeholder Relations	01 May 2019	31 December 2025	Nethezeka Business Solution
 **White, GNJ**	Male	White	63	• BA (Economics) • Honours BAdmin: Development Studies – postgraduate • Executive Leadership Programme	• Human Resources and Remuneration • Social and Ethics • Development Finance • Treasury • Corporate Strategy • Consulting	01 May 2019	31 December 2025	Kudumane Mining Employee Trust

		Skills, Knowledge and Experience				Term of Office		
Surname and Initials	**Gender**	**Race**	**Age**	**Qualifications**	**Field of Expertise**	**Date of first appointment**	**Expiry of Term**	**Other Directorships**
 **Tladinyane, NM**	Male	African	58	• B.Sc. (Civil Engineering) • GDE (Municipal Engineering)	• Civil and construction engineering • Project Management • Infrastructure (South Africa and African countries) • Consulting • Construction and Development Management • Human Settlement Delivery Management	01 January 2023	31 December 2025	• PHB Engineers • Neo Projects • PHB Telecoms • One Climate Fund Southern Africa • ENsync Engineers • Tladinyane Family Trust
 **Vedalankar, VN**	Female	Indian	63	• Executive Development Programme - GIBS • Master in Town and Regional Planning • Bachelor of Science	• Strategic Planning • Business Planning and Execution • Leadership and Management • Delivery of Services at Scale • Governance and Risk Management • Sustainability	01 January 2023	31 December 2025	• Transport Authority Gauteng • Laws.Africa • BIGEN
 **Mamabolo, ME**	Female	African	46	• Baccalaureus Legum- LLB • Diploma in Business Leadership • Practical Legal Training (PLT)	• Legal and Regulatory • People Management • Project Management • Dispute resolution	01 January 2023	31 December 2025	• Sefako Makgatho Health Science University

		Skills, Knowledge and Experience				Term of Office		
Surname and Initials	Gender	Race	Age	Qualifications	Field of Expertise	Date of first appointment	Expiry of Term	Other Directorships
 Mnisi, PR	Male	African	46	• Bachelor of Laws/LLB Degree • Post Grad Certificate in Compliance Management	• People Management • Corporate Strategy • Dispute Resolution • Human Resource Development • Transformation	01 January 2023	31 December 2025	• MBSA • JBCC • National Homebuilders Registration Council
 Tshabalala, ZN	Female	African	40	• Master of Business Administration (MBA) • Post Graduate Diploma in Business Administration • Bachelor of Commerce (BCom)	• Internal Audit • Finance • Risk Management • Compliance • Performance Evaluation and Monitoring • Corporate Governance	01 January 2023	31 December 2025	• ZNT Risk Advisory • WAX O Smooth • Black Lawyers Association

Surname and Initials	Gender	Skills, Knowledge and Experience				Term of Office		
		Race	Age	Qualifications	Field of Expertise	Date of first appointment	Expiry of Term	Other Directorships
 Mofokeng, PJ	Male	African	42	• Master of Science (MSc) in Computer Science • Master of Business Administration (MBA) • Master of Arts (MA) in ICT Policy and Regulation • Postgraduation in Management Practice • Multi-disciplinary Professional Certificate in CIO Practice	• Digital Transformation • ICT Governance • Information system management • Business continuity systems • Project Management • ICT Infrastructure • Software development	01 January 2023	31 December 2025	• PMFH Consulting • The Innovation Hub
 Sechemane, P	Male	African	56	• Bachelor of Commerce • Master of Business Administration (MBA)	• 15 years Chief Executive Officer experience in the water sector	22 October 2018	21 October 2023	None

APPLICATION OF KING IV™

King IV™ is the corporate governance code in South Africa and applies to all types of entities. The King IV™ application register below provides information on how the principles and recommended practices were applied. Assisted by the Nomination and Governance Committee, the Board accepts responsibility for the integrity of this register, which provides investors and other key stakeholders with information and commentary on TCTA's governance practices to ensure they can make informed assessments. In our opinion, this report demonstrates, in a fair and balanced way, how TCTA's sound governance practices seek to mitigate against value destruction and create sustainable value for our stakeholders.

Principle	Application
Principle 1: **The Board should lead ethically and effectively**	The Board of Directors (the Board) of TCTA is committed to good corporate governance principles as set out in King IV™, these being the overarching principles for an ethical foundation. The directors hold one another accountable for decision-making based on integrity, competence, responsibility, fairness, and transparency. The Board assumes responsibility for the governance of ethics, including the approval of the Business Code of Conduct and Ethics (the Code). It also includes oversight by the Human Capital Social and Ethics Committee (HCSEC) of the monitoring and review of its implementation and the efforts to establish an ethical culture. The Code applies to directors and staff to ensure that the organisation maintains the highest level of integrity and ethical conduct. The Board Conflict of Interest Policy outlines the directors' responsibilities on matters such as declarations and the receipt of gifts.
Principle 2: **The Board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.**	The Board, assisted by the HCSEC, oversees and monitors the management of ethics to ensure that it is integrated and embedded in the operations and culture of the organisation. The Code guides the interaction between employees, clients, stakeholders, suppliers, and the communities within which the organisation operates. Management is responsible for ethics management and the implementation of the Code and reports material breaches to the HCSEC. Several initiatives are used to entrench the Code's principles and build and maintain a values-based culture beyond compliance, including employee surveys. As part of ongoing efforts to raise awareness of the importance of ethical behaviour, focus is placed on training. A comprehensive ethics programme was put in place to assist in strengthening and entrenching a culture of ethics across the business as well as formulating and implementing the framework accordingly. Mechanisms are in place for stakeholders to report fraud, theft, corruption, unethical behaviour and irregularities and the anonymity of reporters is protected. The Internal Audit Function evaluates all reported incidents to ensure proper investigation and action and provides pertinent information on these issues to the Audit and Risk Committee (ARC).

Principle	Application
Principle 3: **The Board should ensure that the organisation is and is seen to be a responsible corporate citizen.**	The Board, assisted by the HCSEC, oversees the governance and monitors activities to demonstrate that TCTA is a responsible corporate citizen. These include rural development, community development, enterprise development and socio-economic development. The internship programme aimed at encouraging students from different backgrounds and schools to consider careers within the water sector, thus affording them opportunities to grow their skills. The Environmental Department, within the Project Management and Implementation Division, has processes and procedures in place to ensure that the organisation acts responsibly when it comes to the environment and sustainability. All these activities are embedded in organisational policies. The Board ensures compliance with relevant legislation and regulations through the ARC and the HCSEC.
Principle 4: **The Board should appreciate that the company's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all Inseparable elements of the value creation process.**	TCTA recognises that its activities and outputs can have both positive and negative impacts on the economy, society, and environment in which it operates and the capital it employs to create value for stakeholders by achieving reliable performance. It sets its strategy objectives by assessing the risks and opportunities presented in relation to the risk appetite and risk tolerance, establishes its key performance indicators and the key risk indicators and measures its performance against these. The Board has delegated to management the detailed formulation and implementation of the strategic plan. The Board approves the strategy, key performance measures and targets for management and oversees the implementation of the strategy and plans carried out by management against the agreed performance measures and targets. The ARC oversees the governance of risk and monitors the effects of the identified risks and the mitigating controls. The responsibility for risk management is detailed in the ARC Terms of Reference. The Board annually enters into a Shareholders' Compact with the Executive Authority being the Minister of Water and Sanitation (The Minister). The Shareholders' Compact includes key performance indicators and objectives that are set by the shareholder. The Board quarterly reports to the shareholder on the performance of the organisation against these objectives and indicators.
Principle 5: **The Board should ensure that reports issued by the company enable stakeholders to make informed assessments of the company's performance, and its short, medium, and long-term prospects.**	The Board assumes responsibility for the integrity of the Integrated Annual Report and critically assesses and satisfies itself as to the assurances obtained in terms of the combined assurance model. The model enables an effective internal control environment that supports the integrity of information used for internal decision-making by management, the Board, and its committees. The Board, assisted by its committees, oversees that the various reports are compliant with legal reporting requirements. The Board approves management's basis for determining materiality and takes accountability for the Integrated Annual Report and, through the ARC, ensures that the necessary controls are in place to verify and safeguard the integrity of the annual financial statements and reports, and any other disclosures. These disclosures are in line with the relevant King IV™ recommended practices.

Principle	Application
Principle 6: **The Board should serve as the focal point and custodian of corporate governance in the organisation.**	The Board serves as the focal point and custodian of corporate governance. Its role and responsibilities and the way it executes its duties and decision-making are set out in the Board Charter. The Board is supported by standing committees, which have delegated responsibility to assist the Board to fulfil specific functions. Each Board committee is governed by Terms of Reference. The Board committees quarterly report to the Board on its work. The governance structures have been aligned to King IV^{TM}, and the organisation has materially applied all the principles. The organisation's governance framework and corporate governance practices are disclosed in detail in the Integrated Annual Report.
Principle 7: **The Board should comprise the appropriate balance of knowledge, skills, experience, diversity, and independence for it to discharge its governance role and responsibilities objectively and effectively.**	The non-executive directors (NEDs) of the Board are appointed by the Minister, whilst the CEO is appointed by the Board. These appointments are affected in accordance with the Notice of Establishment 2000. Although the Board does not have the power to nominate and elect members, it actively seeks to collaborate with the shareholders in this regard. The Board is satisfied that its current composition is appropriate and that an optimal mix of knowledge, skills, experience, and independence is present. Most Board members are independent NEDs. Details of the directorate are provided in the Integrated Annual Report.
Principle 8: **The Board should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with the balance of power and the effective discharge of its duties.**	The Board has delegated certain responsibilities to standing committees and the Executive Committee (ExCo), through the CEO. The composition of the Board and its committees is aligned with the relevant King IV^{TM} practices. There is a clear balance of power to ensure that no individual has undue decision-making powers. Each Committee has a formal Terms of Reference, approved by the Board, recording the responsibilities delegated to it. Each Committee must have a minimum of three members and sufficient capability and capacity to function effectively. Any member of the Board is entitled to attend Committee meetings as an observer. Management is allowed to attend by standing or ad-hoc invitation. The Board and its committees have fully complied with their terms of reference during the reporting period. Membership of the committees is reviewed, through the NGC, to ensure that these committees are optimally constituted for their respective mandates. Without abdicating its own responsibility, the Board has formally, and in writing, delegated powers to the following standing committees: - Audit and Risk Committee; - Human Capital, Social and Ethics Committee; - Nominations and Governance Committee; - Technical Committee; - Finance Committee; and - Information, Communication and Technology Governance Committee. All Board committees have work plans in place to execute their oversight responsibilities. Refer to the Integrated Annual Report for details about Board Committee membership and Terms of References.

Principle	Application
Principle 9: **The Board should ensure that the evaluation of its own performance, and that of its committees, its chairperson, and its individual members, support continued improvement in its performance and effectiveness.**	The Board adopted a Performance Evaluation Policy requiring a formal, externally facilitated evaluation process every two years for the Board, its committees, individual directors and the Chairman. In the intervening years, Corporate Secretariat conducts and facilitates a peer review. The Board and its committees consider the outcome in their meetings. They note any areas of improvement or concern and take actions to address the identified shortcomings.
Principle 10: **The Board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.**	The Board has appointed a CEO, who is responsible for leading the strategy implementation and who regularly reports to the Board on the progress thereof. The Board ensures that key management functions are led by a competent and appropriately authorised individual and are adequately resourced. A delegation of authority, which details the powers and matters reserved for the Board and those to be delegated to Management through the CEO, is in place. The delegation of authority is annually reviewed and any amendments are approved by the Board. The Board is satisfied that TCTA is appropriately resourced and that its delegation to management contributes to an effective arrangement by which the authority and responsibilities are exercised.
Principle 11: **The Board should govern risk in a way that supports the organisation in setting and achieving its strategic objectives**	The Board has direct responsibility for the governance of risk and approved the risk appetite on a regular basis. The Board acknowledges the importance of risk management as it is linked to the strategy, performance, and sustainability of the business. The Board, through the ARC, has delegated to management the implementation of processes to ensure that the risks to the sustainability of the business are identified and managed within acceptable parameters. Management continuously identifies, assesses, mitigates, and manages risks within the existing operating environment. Mitigating controls are in place to address these risks, which are monitored on a continuous basis. An enterprise-wide approach to risk management, enabling a formal and systematic process for identifying and assessing the organisation's material risks, has been adopted. The Board has approved the Risk Management Policy and Risk Charter that defines the objectives and governance of risk management. The policy involves continuous risk and opportunity identification at both strategic and operational levels, as well as the evaluation of mitigating controls. TCTA applies a combined assurance model in its management of corporate risk, with both internal and external service providers providing assurance over the process. The Board oversees this and monitors the effectiveness of the organisation's risk management processes through the ARC. The Board is satisfied that the risk management process is effective in continuously assessing risks and opportunities and ensuring that these risks are managed in line with business strategy.

Principle	Application
Principle 12: **The Board should govern technology and information in a way that supports the organisation's setting and achieving its strategic objectives.**	During the period under review, the Board was assisted by the ARC to oversee information and technology governance. The Board is aware of the importance of technology and information in relation to the achievement of the organisational strategy and has therefore established the Information, Communication and Technology Governance Committee, as a standing Board Committee, to increase the focus on technology, information, compliance and maximising opportunities to manage risk factors going forward. The responsibility for the implementation of the Board approved IT Governance, Risk and Compliance Framework was delegated to Management and progress is monitored on a quarterly basis. The Internal Audit function as well as the Auditor-General of South Africa (AGSA) also provides further assurance on IT internal controls to the ARC.
Principle 13: **The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.**	The Board, assisted by the ARC, ensures that the organisation complies with applicable laws, adopted non-binding rules, codes and standards. The compliance landscape is monitored by the ARC, which also assesses the impact of new laws and regulations. The applicable laws, codes and standards that impact operations were identified to ensure compliance. The Board provides a statement of compliance in the Integrated Annual Report, confirming that it satisfied itself with the extent of compliance with all applicable laws, regulations, codes and standards in the business. The Compliance and Regulatory Management Framework and Policy are reviewed and approved by the Board every two years. The ARC receives regulatory and compliance reports on a quarterly basis.
Principle 14: **The Board should ensure that the organisation remunerates fairly, responsibly, and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium, and long term.**	The Board, assisted by the HCSEC, assumes responsibility for the governance of remuneration by setting the direction for how remuneration should be approached and addressed on an organisation-wide basis. The HCSEC ensures that executives and general staff are remunerated fairly and responsibly in line with industry standards with a view to promoting the creation of value in a sustainable manner. TCTA's remuneration policy is reviewed and recommended by the HCSEC for approval by the Board. The policy is designed to attract and retain human capital, promote the achievement of strategic objectives, positive outcomes, an ethical culture, and responsible corporate citizenship. The HCSEC oversees the implementation of the policy to ensure the achievement of the policy objectives. The Board is satisfied that the Remuneration Policy and its implementation reflect appropriate alignment between strategic objectives and stakeholder interests. The remuneration of NEDs and executive management is disclosed in the Integrated Annual Report.

Principle	Application
Principle 15: The Board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.	The Board delegated ARC to ensure the application of King IV™'s recommended practices on combined assurance. The ARC adopted the four Lines of Assurance, and an updated Combined Assurance Strategy and Combined Assurance Policy were documented based on the four levels of assurance and initially approved by ARC in April 2020 and updated in April 2023. A Combined Assurance Forum (CAF) was set up during the period under review to provide a means for the internal assurance providers to engage on one platform and coordinate their efforts more seamlessly and drive the combined assurance implementation. The CAF provided leadership to further involve the first-line and second-line assurance providers in the implementation of the Control-Self-Assessment (CSA) process for a key process. The aim of the CSA process is to ultimately have management fully own the process, to improve the internal control environment. To reduce duplication of effort, Internal Audit placed reliance on the work conducted by the Department of Employment and Labour to ensure compliance with the Employment Equity Act. The AGSA used the work of Internal Audit in 2022/23 in a number of areas, through the Direct Assistance process. Other work of Internal Audit, over and above the Direct Assistance, was used for the risk assessment by the AGSA at the planning stage. This improvement is embraced and more opportunities for improved collaboration with AGSA. Management provided first-line assurance through, among others, reports with relevant Management Information that supported the integrity of information for internal decision-making, and for reporting to external stakeholders. The Risk, Compliance and Legal departments, among others, as part of the second-line assurance providers, presented relevant reports and progress on the mitigation strategies to Management, the Board and its committees. The irregular expenditure management process and consequence management process were improved during the period under review. There is a portion that still remains on the historic items. The collaboration from all key role players requires improvement for full compliance with the National Treasury's Note 4 effective from 01 Jan 2023. Internal Audit, through the risk-based internal audit plan, provided reasonable assurance on the adequacy and effectiveness of controls, risk management and governance processes, as the third line. The AGSA provided fourth-line assurance to the Board and other external stakeholders, through the 2021/22 Regulatory Audit and the 2022/23 Interim Audit that was concluded by 31 March 2023. The interim audit would contribute to improving the performance information and the annual financial statements due for submission to AGSA for review.

Principle	Application
Principle 16: **In the execution of its governance role and responsibilities, the Board should adopt a stakeholder-inclusive approach that balances the needs, interests, and expectations of material stakeholders in the best interests of the organisation over time**	The Board, with the assistance of the HCSEC, is responsible for monitoring the organisation's relationship with stakeholders. Through regular reporting by the HCSEC, the Board is equipped with the necessary information to enable it to take the legitimate interests and expectations of stakeholders into account in its decision-making to drive a sustainable and long-term value strategy. The organisation has fostered and strengthened its relationships with various stakeholders it interacts with. Environmental, social and governance factors in investment decision-making and practice affect the value of an investment and these are considered essential by the Board for responsible investments to promote good governance and creation of value by the companies in which it invests.
Principle 17: **The governing body of an institutional investor organisation should ensure that responsible investment is practised by the good governance and the creation of value by the companies in which it invests.**	The principle does not apply to TCTA.

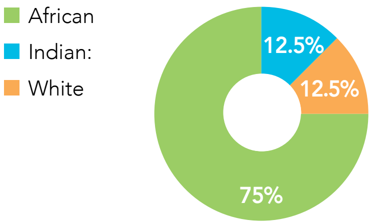
EXECUTIVE COMMITTEE

Our Executive Committee comprises the CEO, the Chief Financial Officer and six executive managers. The Chief Internal Auditor has a standing invitation to attend all Executive Committee meetings. The Board delegates authority to executive management, through the CEO, to manage, direct, control and coordinate the day-to-day business activities and affairs of the organisation, subject to statutory limits and other limitations set out in the delegation of authority. As of the date of this report, the Risk, Compliance and Ethics Forum, the Policy Review Committee, the Combined Assurance Forum and the Business Planning and Integration Committee were ExCo standing committees.

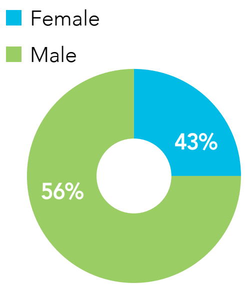
Diversity of Skills and Experience

ExCo gender and race diversity as of the date of reporting

Race diversity:



Gender diversity:



BUSINESS ETHICS

Ethics plays an important role in TCTA's business operations particularly funding raising and implementing projects. The Board and Human Capital Social and Ethics Committee are responsible for the governance of ethics (strategic and oversight role) within TCTA. Management is responsible for the implementation of the ethics policy and framework within the organisation. The ethics programme was approved and monitored by the Human Capital Social and Ethics Committee of the Board. The Committee considered the ethics, workplace, Environmental and Social Sustainability, Occupational Health and Safety and fraud reports. There were no major issues considered and reported by the Management to the Committee and Board. Ethics workshops and cafés were held throughout the organisation to elevate ethics culture.

RISK MANAGEMENT

TCTA actively manages risks to ensure the achievement of organisational goals and the long-term sustainability of the organisation. The Board governs risk in a way that supports the organisation in setting and achieving objectives. This is in line with King IV™ Report on Corporate Governance. The Board assumes the responsibility for the governance of risk by setting the direction of how risk should be approached and addressed by the organisation. The Board has delegated its responsibilities concerning ERM to the Audit and Risk Committee.

TCTA's enterprise-wide risk management approach is integrated and structured to ensure that the organisational strategy is implemented effectively to ensure the achievement of all corporate objectives. This is fundamental to the delivery of the organisation's mandate. The Enterprise Risk Management (ERM) framework ensures that the organisation TCTA takes a holistic view of the risks inherent in its organisational strategy and business operations, hence, risk management is entrenched in TCTA's business planning and decision-making processes. All business areas and divisions are responsible for identifying risks, developing risk-mitigating plans and reporting risks in their areas of responsibility. Risks and treatment plans are continually monitored and reviewed.

The risk management process is governed through an approved Risk Management Policy, Risk Management Framework, and risk implementation plan. The Risk Management framework is aligned to principles outlined in COSO internal control framework, ISO 31 000: Risk Management Guidelines, the King Code Governance Framework (King IV™), the Public Sector Management Framework, COBIT for Information Technology and Project Management Body of Knowledge for project management. The Board approves the organisation's risk appetite and tolerance levels, which set out the amount and type of risk that TCTA is prepared to accept in order to achieve its objectives.

Business continuity is managed through an approved business continuity policy and business continuity framework. The framework is based on ISO 22301 and the Business Continuity Institute, Good Practice Guidelines 2018.

TCTA has also adopted a combined assurance approach, which allows Risk Management, Internal Audit, Compliance and Legal to work together to manage organisational risks. The combined assurance approach within TCTA is a proactive process that combines both internal and external assurance to Management and the Board that risks and controls are considered, managed, and improved on where necessary. It emphasises every employee's collective responsibility for monitoring and mitigating risk.

The Audit and Risk Committee (ARC) of the Board reviews the implementation of risk management activities on a quarterly basis, in line with the annually approved Risk Management plan. In managing risks, TCTA adopts a top-down and bottom-up approach to risk management.

The responsibility to implement and execute risk management has been delegated to ExCo in order to support the organisation in achieving its strategic objectives. The organisation has in place a Risk, Ethics and Combined Assurance Forum established by the Executive Committee (ExCo). The Forum identifies, monitors and controls risk and ethics-related matters on an enterprise-wide basis in support of the Board's strategic objectives. The Forum further makes recommendations to ExCo on the combined assurance's proposed scope and coverage and deliberates the assurance provided to cover overlaps and gaps. The Forum reports to ExCo.

The Risk Management department continually conducts periodic environment scans, by monitoring TCTA's internal and external environment to detect potential threats to the organisation. The information gathered is used to assess material risks and opportunities that may affect the achievement of objectives. This allows the organisation to execute its business strategy effectively. The risk assessment is based on objectives set out in the corporate and divisional plans. The department conducts risk assessments across the organisation. Divisional risks are identified quarterly through workshops with Executives. During the risk register review sessions, new and emerging risks are identified and progress towards the implementation of measures to reduce previously identified risks is monitored.

The status of key risks is reported quarterly to the Audit and Risk Committee.

Risk Management Governance Statement

A sound risk governance structure provides a solid foundation for embedding an effective risk management culture within the organisation. TCTA recognises that risk management requires a team-based approach for effective application across the organisation. In this regard, the organisation has adopted a combined assurance approach to manage organisational risks. This allows for the allocation of responsibilities to assurance providers and ensures that key risks are not missed and misjudged. The responsibility to implement and execute risk management is delegated to management, in line with King IV™, to ensure the achievement of business objectives. Management ensures that all risks affecting their areas of responsibility are identified and mitigated to acceptable tolerance levels.

Approach to Risk Management

The management of risk at TCTA entails the proactive identification of potential risks and opportunities in a continuous and systematic manner in accordance with the enterprise risk management framework. This approach enables TCTA to manage risks to an acceptable tolerance level. The risks are identified, evaluated, and managed at the appropriate levels, and their collective impact is aggregated. Risks are identified according to the various risk categories defined by the organisation. The defined categories include strategic risks, sustainability risks, operational risks, financial risks (funding, liquidity, interest rate etc.), reputational risks, governance risks, human capital, political risks, information technology and project risks (construction, environmental, engineering, social risks as well as health and safety). The identified risks are then assessed in terms of likelihood of occurrence and impact.

During the year, gaps were identified, and the organisation sought to improve the risk management process by addressing those gaps. This included appointing Risk Champions and providing them with the necessary training. Risk management key performance indicators and the Board approved Risk appetite and Tolerance framework were implemented and monitored on a quarterly basis.

Management of risks during the financial year

The risk management implementation plan approved by the Board at the beginning of the financial year 2022-2023 year was successfully implemented. The strategic, operational and project risks were reviewed in order to ensure that all identified and emerging organisational risks were mitigated, in line with the organisational risk appetite and tolerance level.

During the year, the organisation placed corporate insurance covers on the market. These included Asset all risk cover, motor policy cover, travel policy, Directors and Officers Liability, Commercial Liability, Employment Practices Liability and Cyber Liability cover.

Strategic Risks

These are risks that are likely to impact TCTA's strategic direction and are largely outside of the organisation's control. The identification and assessment of strategic risks is conducted at an annual risk workshop conducted with the Board and ExCo. The assessment is based on the organisational balanced scorecard and business plan for the financial year. Divisions are responsible for the identification and management of business risks as well as strategic risks in their areas of responsibility. The implementation of mitigations in place to reduce such risks to acceptable levels is regularly reviewed with ExCo.

During the financial year, the organisation identified 14 key strategic risks. Out of the 14 risks, four were rated extreme, five were rated high, and another four rated medium and one was rated low at the end of the financial year.

Key strategic risk identified during the financial year 2022/23

The table below shows the key strategic risks and their mitigation measures, as well as the inherent and residual ratings in line with the TCTA risk rating matrix. At the end of the financial year, the organisation was still in the process of implementing some of the mitigation measures to manage the identified risks.

Table 24: Key Strategic Risks

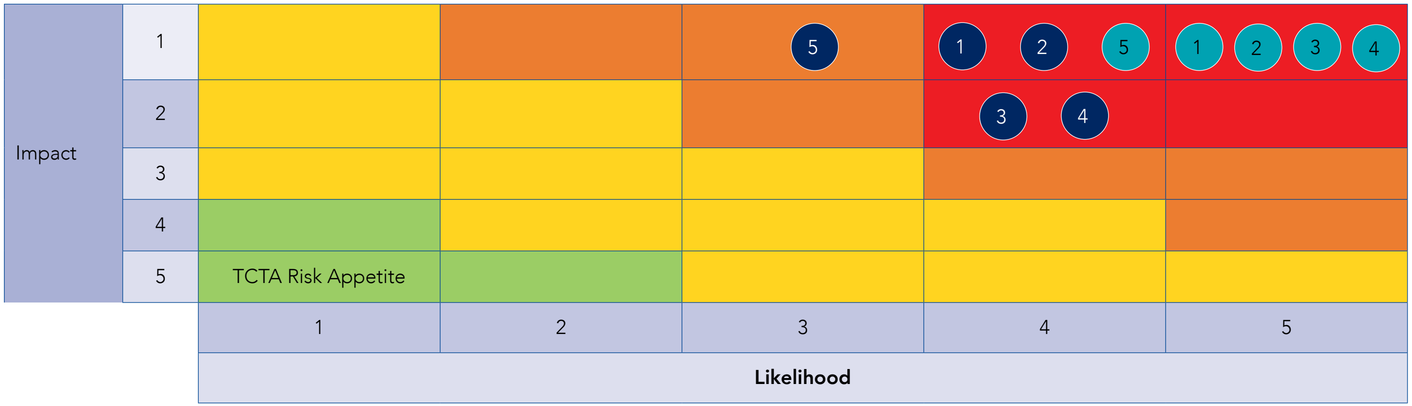
No.	Risk	Inherent risk	Mitigation Measure	Residual Risk
1.	**Inability to influence the establishment of the new Agency initiative**. – This was mainly due to the following: • Lack of capacity to undertake the complex change initiative.	25	• Project charter to be developed with a detailed plan. • Implement Cabinet-approved roadmap. • Develop integrated resource plan for the initiative	20
2	**Failure to treat irregular, fruitless, and wasteful expenditure**. – This was due to Historic irregular expenditure and inability to clear the backlog	25	• Implementation of consequence management by management. • Application for condonation submitted to National Treasury. • Review and assess the implementation of the LCC recommendation by management quarterly	20
3.	**Non-compliance with legislation and regulations (JSE, PFMA)**. – This was due to • Incorrect royalty calculation. • Lack of implementation of Audit recommendations	25	• Payments made of agreed amounts from sign-off by LHWC. • Committee established to address royalty issues and audit findings. • Implementation of action plans to address audit findings.	16
4.	**Inability to procure in an efficient manner**. – • Inability to enforce procurement plans. • Lack of automated systems. • Inadequate skills and experience	25	• Supply Chain Management follows up with divisions on gaps identified in the implementation of procurement plans. • Implementation of Control Self Assessments. • Role clarification sessions with user departments are undertaken.	16

No.	Risk	Inherent risk	Mitigation Measure	Residual Risk
5.	**Funding not raised on time and in the amount required to implement projects**. – This was due to • Inadequate response to the RFP by the market. • Perceived negative environmental or social impacts that cannot be mitigated (e.g., project supports coal mining, power from fossil fuels). • Failure to conclude negotiations with funders. • Defaulting on loan agreements. • Delays in approving guarantees or borrowing limits.	20	• Regular interaction with funders to promote understanding of TCTA credit, compliance with covenants. • Implement provisions of the Procedure for Sourcing Funding. • Communicating Agency developments to funders and involving NT and DWS in negotiations. • Covenant compliance programme is in place.	15

Key

Extreme		High		Medium		Low	

The following heatmap illustrates the inherent and residual risks in line with the TCTA risk rating matrix.



	Inherent		Residual

Project risks

Project risks were monitored and reported on a monthly basis. All the new projects were in the preparation stages during the financial year. The main risk associated with the projects was the conclusion of institutional arrangements which is required before funding can be raised. The details of the risk per project during the financial year are shown below:

- **Berg River Voëlvlei Augmentation Scheme (BRVAS)** – The main risk was the delays in implementing the project due to the delays in concluding water supply agreements. There were also delays in obtaining the borrowing limit. The risk mitigated through the provision of funding by DWS for project preparation activities.
- **Phase 2A of the Mokolo Crocodile River Water Augmentation Project** – (MCWAP-2A). The main risk was delays in the implementation of the project due to delays in obtaining funding in time for contract award. Further, National Treasury Note 3, does not allow the Request for Bids to be issued until funding is available, which further delayed the procurement process.

  The risk of failure to obtain funding was managed through the Funding Policy and strategy in place. The approved borrowing and good credit rating of the project, as well as government guarantees for the remaining off take, also helped to mitigate the fund-raising risk. Furthermore, there were policies, procedures and guidelines to mitigate some of the operational risks.

- **Phase 1 of the uMkhomazi Water Project (uMWP)** – The main risk affecting the project was the failure to conclude water offtake agreements with the municipal users. The impact was mitigated by securing from the Budget Facility for Infrastructure.

Financial risks

The organisation was exposed to financial risks associated with project funding and liability management. The key treasury risks such as liquidity risk, interest rate risk and credit risk were well managed during the financial year. The following were some of the risks identified during the year:

- **Liquidity risk** – ORWRDP-2C liquidity risk was rated moderate because the project is dependent on the transfer of funds from the Department of Water and Sanitation (DWS) to meet obligations such as payment on invoices. Should DWS delay the transfer of funds, there was a potential for delays in paying invoices.
- **Borrowing limits** - The organisation is required to comply with borrowing limits obtained from National Treasury. At the end of the financial year, all projects remained within the borrowing limits approved by National Treasury. However, the borrowing limit for KWSAP was close to the limit. Any further utilisation against the limits had to be closely monitored to prevent any breaches.
- **Interest rate risk** - In terms of the approved Treasury Risk Policy, projects that are post-construction must have at least 70% of project funding at a fixed rate and a maximum of 30% floating rate to make interest rate payments predictable. The only project that was within the recommended threshold at a 100% fixed rate was BWP. The rest of the projects were outside the recommended thresholds, i.e., LHWP 100%, VRESAP 43%, KWSAP 78% and MCWAP 72%. However, VRS was not required to meet the ratio, as Phase 2 of LHWP was under construction. VRESAP was not considered a breach as the Finance Committee condoned the deviation from the ratio for the remainder of the repayment period.

The fixed-to-floating rate ratios for both KWSAP and MCWAP were below the recommended ratio. This was because the interest rate hedges that fixed the RMB loans had expired in June and October 2022, respectively. The Board recommended that the MCWAP loan be refinanced at the end of October

2022. However, this was dependent on the decision to refurbish the Exxaro pipeline. By the end of the year, a decision had not been made.

The proposal for KWSAP was to repay R100 million on the RMB loan and fix the interest rate on the remaining loan until June 2027. Both projects were exposed to interest rate risk until such a decision was concluded and effected.

Business Continuity Management (BCM)

The scope of TCTA's BCM Programme covers six life cycle stages, namely policy and programme management, embedding, analysis, design, implementation and validation in line with the Good Practice Guidelines and International Organisation for Standardisation (ISO) 22301. TCTA continued to implement the BCM programme to ensure readiness for potential business disruptions. During the financial year, the following activities were performed to enhance the BCM programme:

- Awareness sessions and Training of Business Continuity Champions.
- Conducted business impact assessments and developed business continuity strategies for all divisions.
- The ICT Coordination Continuity Plan was reviewed and amalgamated with the disaster recovery plan.
- An off-site Disaster Recovery Testing was conducted.

Planned areas of future focus for the 2023/24 Financial year

As part of continuous risk management improvement in TCTA, the following are the key activities that will be implemented in the 2023/24 financial year.

- Conduct risk awareness sessions to improve the embedment of risk management and Business Continuity management into organisational processes and activities.
- Contribute to the implementation of the combined assurance process in collaboration with Internal Audit, Compliance and Legal.
- Ensure that business continuity remains a top priority and that the organisation adheres to the relevant standards and regulations in implementing BCM.

REGULATORY COMPLIANCE

TCTA Compliance ensures that the outcome of its Compliance Programme is aligned with the mandate of the Audit and Risk Committee and executes its areas of focus during the financial year in line with an annual Board-approved Compliance Programme.

Managers are responsible for ensuring compliance in their areas of accountability. More than 30 primary regulatory requirements impact TCTA and form part of the organisation's Compliance Universe.

Compliance is implemented through a risk-based approach using a decentralised model, with Compliance Champions appointed within the operating divisions. The Compliance function monitors and reports on compliance controls relating to high-priority regulatory requirements.

The Compliance function assists and supports the Board and management to discharge their compliance responsibilities.

PFMA compliance

Sections 51 and 55 of the PFMA impose certain obligations on the organisation relating to the prevention, identification and reporting of fruitless and wasteful expenditure. Irregular expenditure is expenditure that is incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, and losses through criminal conduct. The scope of application is broad, and it includes all transgressions of any statute or policy and procedure derived from applicable statutes regardless of whether the breaches were deliberate or accidental, or they happened unknowingly or in good faith. Whether value (an asset or service) was received for the expenditure incurred is irrelevant; the requirement is to report the related non-compliance. Irregular expenditure should be clearly distinguished from fruitless and wasteful expenditure. Fruitless and wasteful expenditure is defined as expenditure which was made in vain and would have been avoided had reasonable care been exercised. Losses through criminal conduct include losses where TCTA employees were party to the criminal acts committed. Details of irregular expenditure, fruitless and wasteful expenditure are presented in the pages that follow.

Legislative framework in relation to the disclosure of irregular expenditure

Section 55 (2)(b) of the PFMA requires the accounting authority to ensure that the annual report and annual financial statements (AFS) of the entity include: (i) any material losses through criminal conduct and any irregular and fruitless and wasteful expenditure that occurred during the financial year; (ii) any criminal or disciplinary steps taken as a consequence of such losses or irregular or fruitless and wasteful expenditure; and (iii) any losses recovered or written off. Furthermore, a public entity is required to disclose in its AFS any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure as required by Treasury Regulation 28.2.1. The Compliance and Reporting Framework requires the accounting authority of the public entity to disclose in their AFS, any irregular and fruitless and wasteful expenditure incurred in the current and the previous financial year for comparative purposes.

Legislative Framework in relation to condonation of irregular expenditure

Chapter 1 of the Irregular Expenditure Framework (Applicable until 31 December 2022) defined relevant authority as – (i) The National Treasury, in the case where an employee or the accounting authority of a Schedule 2, public entity, was responsible for irregular expenditure. This definition of the relevant authority meant that all irregular expenditure incurred by PFMA institutions must be considered for condonation by the National Treasury in the case of national departments or national public entities. The criteria for condonation of irregular expenditure prescribed that irregular expenditure incurred must (i) not have resulted in any losses, (ii) be free of corrupt, fraudulent, and other criminal acts, and (iii) be accompanied by consequence management process followed by the institution. If the National Treasury does not condone the irregular expenditure, then, section 59 of the Framework permitted the accounting authority to remove such irregular expenditure upon satisfying the provisions of section 58 of the Framework. The accounting authority considered and resolved to remove from the Annual Financial Statements the irregular expenditure for amounting to R553 538 406.00 after following a due process, which, amongst others, included approaching the National Treasury for condonation. Further, the accounting authority resolved to write off irrecoverable fruitless and wasteful expenditure amounting to R691 396.85 after due process was followed.

Details of irregular, fruitless and wasteful expenditure for the reportable expenditure as at 31 March 2023 are contained in the disclosure section of the annual financial statements, specifically note 28.

INTERNAL AUDIT

The in-house Internal Audit division upholds the Institute of Internal Auditors' International Professional Practice Framework (Standards) and the Committee of Sponsoring Organisations (COSO) of the Treadway Commission's Internal Control Framework, in executing its deliverables. The approved Internal Audit Charter outlines the mandate that informs the execution of assurance and advisory reviews. The Internal Audit Methodology guides the execution of reviews and is aligned with the Standards. Internal Audit provides reasonable assurance to Management, the Audit and Risk Committee, and the Board, on the adequacy and effectiveness of internal controls, risk management and governance processes. Internal Audit strives to add value to TCTA and provide management with foresight, advice and guidance on improving operations, through advisory reviews conducted.

The 2022/23 risk-based Internal Audit Plan was completed by year-end and largely executed in a hybrid working environment.

A Co-source resourcing model remained in place during the period to provide technical and specialist skills, and additional capacity to TCTA, as and when required.

Internal Controls

To ensure compliance with PFMA Requirements, the 2023/24 risk-based annual and strategic three-year rolling Internal Audit Plan was approved on 28 March 2023, prior to the commencement of a new financial period. The annual assessment of internal controls is informed by the outcome of the completed assurance and advisory reviews, to inform the process of developing an overall audit opinion on the adequacy and effectiveness of controls, risk management and governance processes. The monitoring and reporting on the Audit Tracking progress continued as an existing control to encourage timeous resolution of action plans committed to by management, on internal and external audit findings. The resolution rate on 31 March 2023 was 97.09%, which is an incremental increase from 93.15% for 2021/22, and 92.4% reported for 2020/21.

The failure to fully resolve the long overdue Irregular, Fruitless and Wasteful Expenditure (IFWE) from prior financial periods is now an extreme risk for TCTA's leadership and a key concern for internal Audit. Implementation of consequence management was not fully achieved by 31 March 2023, and the urgency and commitment that was required to meet this strategic objective did not transpire. The Audit and Risk Committee recommended a significant amount to the Board for removal of the IFWE amount from the Annual Financial Statements, with the balance carried over to 2023/24.

The procurement process for sourcing the Enterprise Resource Planning (ERP) solution was not concluded during the period. This extended delay further exacerbates the challenge of highly manual processes in key areas like contract management, performance management and procurement. The manual process prohibits Internal Audit from applying Data Analytics to improve the level of assurance, among others, and is inherently more susceptible to human error and inefficiencies. The further delay in the implementation of the ERP Project has negatively impacted the ability of TCTA to embrace continuous auditing and continuous monitoring, to realise efficiency and effectiveness.

All the above points are considered in informing the Annual Written Assessment for 2022/23.

Risk Management

The COSO ERM Framework was also adopted by the Risk Department in the period. An Enterprise Risk Management (ERM) review was conducted, with the outcome in table 25, and the audit conclusion was "Partially Adequate and Partially Effective".

Table 25: 2022/23 ERM Review Outcome

#	Audit Finding	Risk Rating
1	**Governance and Culture**	
1.1	Key Risk Indicators not added to the Risk Appetite and Tolerance Framework	Medium
1.2	Remedies to address assurance gaps not identified	High
2	**Strategy and Objective Setting**	
2.1	Inconsistency in Fraud risk categorisation	High
3	**Performance**	
3.1	Strategic risks identified are not categorised	Medium
3.2	Updated appointment letters not issued to Risk Champions	Medium
4	**Review and Revision**	
4.1	Risk maturity assessment not conducted timeously	High
4.2	Repeat Finding: Shortcomings in risk software	High

A Fraud Risk Management Review was conducted in the period and the outcome is reflected in table 26, with a "Partially Adequate and Partially Effective" audit conclusion.

Table 26: 2022/23 Fraud Risk Management Review Outcome

NO	AUDIT FINDINGS	RISK RATING
1.	Gaps identified in the Fraud Risk Register	High
2.	Types of Preventative and Detective Controls not defined	Medium
3.	Gap identified in the Fraud Awareness Training	Low

The overall risk management process and the embedding of risk management into all daily operations remained an area of focus to embrace ERM optimally. Additional information that was considered to inform this written assessment is the level of implementation of action plans in the strategic risk register; reports presented to management structures and Board oversight structures; the Irregular, Fruitless and Wasteful Expenditure backlog, consequence management process and the root causes identified during the execution of internal audit reviews. The strategic importance of ERM and its direct impact on the achievement of objectives and organisational performance should be embraced by Executive Management, to improve the overall risk management process. The non-achievement of key targets over a number of financial periods remains a concern. Oversight from the Board and its committees should be a priority to ensure that Management achieves the strategic objectives and improves organisational performance.

The implementation of the Business Continuity Strategy, Policy and Plan was pursued in the period, to improve organisational resilience through an effective business continuity management process. The business continuity management programme requires management to document key business processes to mitigate the risk of continuity of operations in the event of an emergency or a disaster, especially during a remote or hybrid working environment. The Digitisation Project was concluded in the period, seeing most processes being documented, to address this need.

Investigations

No new cases were reported to the Anti-Fraud and Ethics Hotline in the period, which could be a reflection of internal controls strengthening or possibly an increase in fraud risk awareness by employees. A few investigations were initiated through management requests and were reported on. Recommendations were made for management's implementation, to address internal control failures and weaknesses identified during the investigations. A Whistleblower Procedure was approved in the period, to guide the implementation of the Whistleblower Policy approved in the prior period. The Fraud risk was managed as part of the risk management process. A fully outsourced Anti-Fraud and Ethics Hotline was available for employees and external parties to report allegations of fraud, corruption or unethical behaviour anonymously. Internal Audit administers the Hotline, and the Risk Department facilitates the management of fraud and ethics risks, as part of the broader risk management process.

Governance

A Governance Review for the Board and its committees was included in the Internal Audit Plan; however, it was deferred to 2023/24 as the new Board was appointed from 01 January 2023 and recommended the deferral.

A Governance Review on the Risk Forum was conducted, with a "Partially Adequate and Ineffective".

Table 27: 2022/23 Governance Review: Risk Forum Outcome

#	AUDIT FINDINGS	RISK RATING
1.	Ethics Management matters not regularly discussed by the Forum	High
2.	Action list/matters arising document not adequately completed	High
3.	Reports not submitted on time to the Secretariat for circulation	High
4.	Lack of participation of Forum Members at the meetings	Medium
5.	Appointment letters not signed prior to the effective date of appointment as Members of the Forum	Low
6.	Discrepancies identified in the minutes of meetings of the Forum	Low

A follow-up review on the Ethics Management Review was conducted during the period.

Of the seven findings reported, 29% were resolved, 14% were not resolved and 14% were partially resolved with the due dates being overdue. The 43% were not yet due for completion at the time of the follow-up review. The Organisation Culture requires improvement to inform the Tone and the Top and how the risk management, compliance and ethics management processes could be further enhanced.

TCTA subscribes to the King IV™ Report and Code. A self-assessment was conducted by the Board members, with support from the Company Secretary. The consistent non-achievement of the majority of key targets and the strategic objectives remains a concern and the Board and Management should strive to improve organisational performance. The long outstanding consequence management process relating to the irregular expenditure incurred in prior periods also requires urgent improvement from the leadership, as the preceding financial periods' transactions were still not finalised at year-end. This matter was reported in 2020/21 and 2021/22 as well. Overall good governance practices and King IV™ Principles were pursued, as far as relevant to TCTA. The new Board and Management should strive to pursue effective leadership, ethical culture and legitimacy to achieve improved performance against set strategic objectives.

Accountability

The Internal Audit division reports functionally to the Audit and Risk Committee and administratively to the Chief Executive Officer.

Combined Assurance

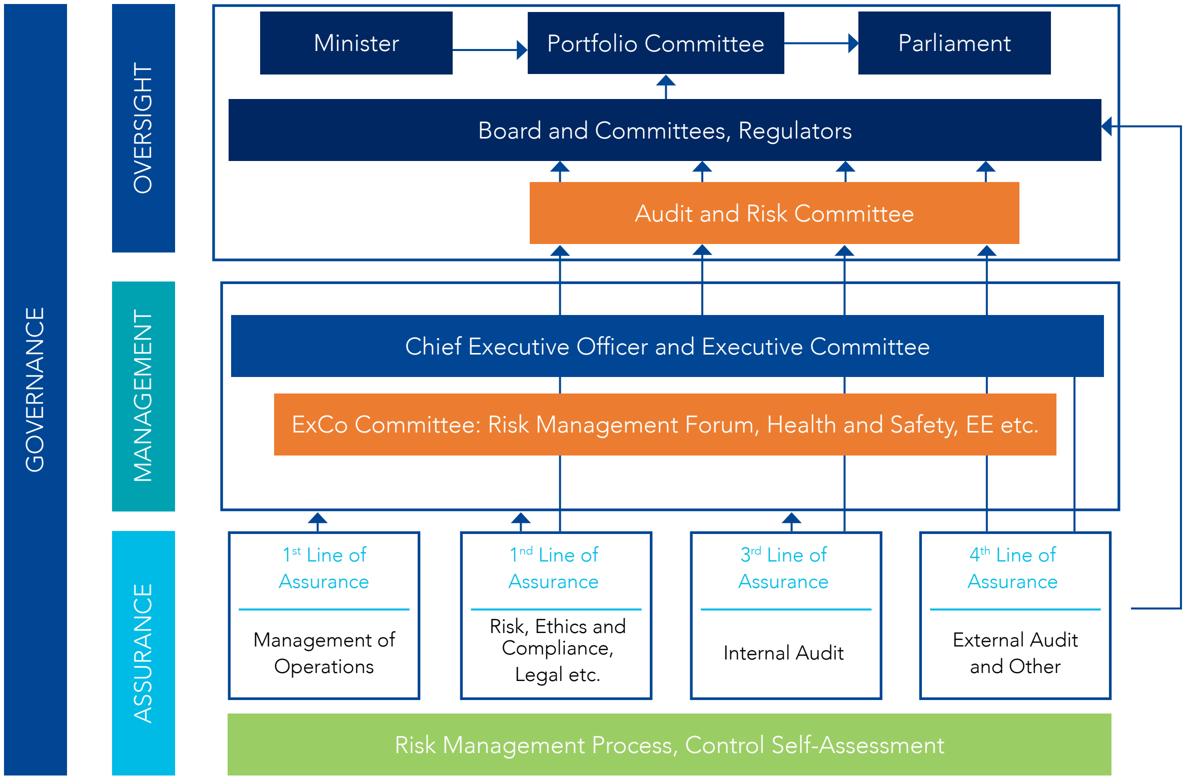
The Combined Assurance Strategy and Policy was approved in April 2023. Four lines of assurance have been adopted by the Audit and Risk Committee and the approved Combined Assurance Strategy and Policy were aligned to this approach. The TCTA Combined Assurance Model is depicted in figure 14.

The Internal Audit division led the implementation of the Combined Assurance Plan, supported by the first-line and second-line assurance providers. The Control Self-Assessment (CSA) process was further embedded in the period. The main key success factor for the Combined Assurance approach to yield the desired results is for the Leadership to set the tone at the Top and for the risk management process to further improve, with Management owning and driving the management of risks effectively.

The Combined Assurance Forum (CAF), chaired by the Chief Internal Auditor, was operational during the period. The CAF seeks to provide a platform for all internal assurance providers to coordinate their efforts more effectively for improved collaboration. First-line assurance providers were appointed as members of CAF to improve the chances of success of the combined assurance approach.

The Auditor-General of South Africa (AGSA) used the work from Internal Audit on a greater number of reviews, compared to prior periods. The "Direct Assistance" approach reduced duplication of effort and audit fatigue for the Auditees. Internal Audit will continue to collaborate with AGSA to maintain or, where possible, increase the number of audits where the AGSA can use work executed by Internal Audit.

Figure 14: TCTA Combined Assurance Model



Annual Written Assessment

Conclusion

The overall internal audit opinion on the TCTA internal control environment is that the system of internal controls, risk management and governance processes are partially adequate and partially effective. The Organisational Culture and the Tone from the Top from the Executive Management and the Board, once improved, will contribute positively to the improvement of the risk management process and the control environment. The Combined Assurance approach, the CSA process and the commitment from the leadership are essential to pursuing a Clean Audit in the short-term.

PART F

INFORMATION AND COMMUNICATION TECHNOLOGY

REFURBISHMENT AND REPLACEMENT OF ASSETS

The maintenance, refurbishment and replacement of assets is one of the most important criteria in enabling systems to have the capacity to withstand difficulties.

Tous Dam in Valencia, Spain, had what is termed a controlled spillway, meaning that gates need to be raised to operate the spillway. On 20 October 1982, during an intense storm, the grid and backup generator power to the dam failed, resulting in the operators being unable to open the radial gates. This eventually led to the over-topping of the dam and the central embankment washing out. The flood generated by this failure led to the deaths of eight people, the evacuation of 100,000 people and property damage of between R7 and R14 billion.

Although this particular failure cannot be directly attributed to lack of maintenance, the impact of not being able to raise the gates when needed, due to lack of maintenance, is the same. Many of South Africa's dams, including Vaal and Clanwilliam, have controlled spillways. To ensure their resilience to pass major floods safely, scheduled maintenance must be undertaken as planned. In June 2023, during the floods in the Western Cape, 11 of the 13 gates on Clanwilliam Dam were opened to enable the flood to be passed safely without damage to the dam. The size of the flood was such that even with the water being released in a controlled manner, there was significant damage downstream with the main access road to Citrusdal being washed away. If maintenance of the gates had been neglected, the outcome would have been very different.

The current preference is for uncontrolled spillways, like those installed at Midmar and Hazelmere dams when they were raised, to remove the risk of electro-mechanical equipment failing.

TCTA operates and maintains the Delivery Tunnel North of the Lesotho Highlands Water Project on behalf of the Department of Water and Sanitation, and rigorously adheres to the maintenance schedule. Although in this case, the integrated Vaal River System provides resilience in case of failure, the cost of reinstating the tunnel after failure far outweighs the expense of regular maintenance.

An example of the cost of replacement far outweighing the cost of maintenance can be seen at Kilburn Street in Roodepoort. Failure to keep the inlet on a stormwater pipe open, eventually led to the washaway of the road embankment.

All materials and equipment eventually reach the end of their useful life and need to be refurbished or replaced. If this is left too late, the frequency of failures becomes so great that the required level of service can no longer be provided. In the case of water pipes, the leaks become so excessive that the water resource is no longer able to give the required level of assurance of supply and the water service provider ends up with significant non-revenue water.

Rand Water, when faced with significant problems with its pre-stressed concrete pipes could embark on a programme of replacement to the point that it has now eliminated them from its network. Johannesburg Water, which receives its water from Rand Water, has identified in its business plan that it needs to replace all the fibre cement pipes that have reached the end of useful life. However, the utility does not receive sufficient money through the tariff to undertake this work. The result is higher costs to Johannesburg Water on their bulk purchases from Rand Water and frequent service interruptions in areas served by the fibre cement pipes.

The high levels of leakage in the municipal reticulation feedback up the water value chain with a larger bulk supply required and eventually new dams such as the Polihali Dam in Lesotho. Since South Africa is the 30th driest country in the world, building dams and losing water through leaks is counterproductive when every drop should be conserved.

In many of the older government water schemes, such as the Lower Olifants River in the Western Cape and Vaalharts, which straddles the border between the Northern Cape and the North West, the canals need a major refurbishment. Failure of the canals results in farmers not being able to irrigate their crops and people, served by these canals, being without water.

Whether sufficient revenue is received directly from users through tariffs or indirectly through higher taxes, sufficient funds must be secured to maintain infrastructure throughout its useful life. This ensures that it provides the required level of service and can be replaced at the end of its useful life.

BUSINESS CONTINUITY

The Information Technology (IT) environment is a key business process enabler and vehicle for delivery of services, towards the achievement of our overall corporate objectives. Providing an innovative, secure, and resilient environment is critical, not only for business continuity, but also for enabling a future-fit business that is capable of utilising IT for competitive advantage and improved service delivery to our stakeholders.

During the year ended March 2023, the average uptime recorded for critical servers is 98.61% (figure 15) which is above the organisational target of 95%. This annual average is slightly lower compared to 99.42% in the previous period, owing to a firewall reconfiguration implemented in July 2022. Server uptime sharply increased to normal after the reconfiguration was reversed.

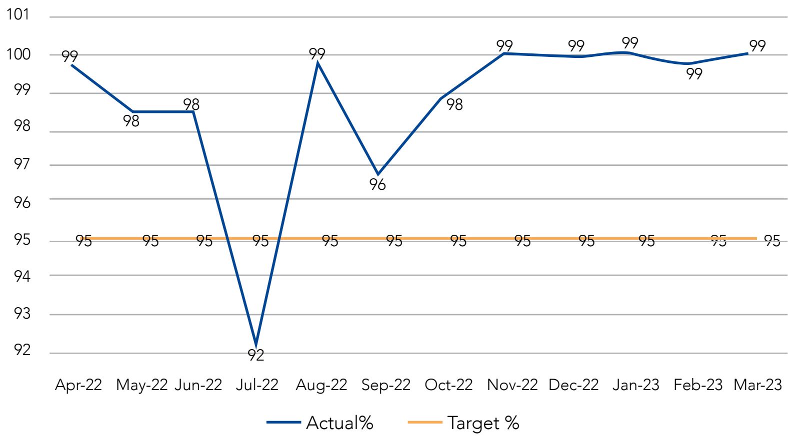


Figure 15: Critical Server Uptime Rate

Continuous monitoring and monthly maintenance of critical servers are undertaken to ensure business continuity and system availability. This strict maintenance regime has ensured that improvements in operations gained from the provision of the cloud infrastructure environment (Infrastructure as a Service) are sustained.

The average success rate achieved for data backup was 99.96% on the first attempt, which indicates an improvement from 99.37% in the previous year. On the second attempt, an average success rate of 100% was achieved (figure 16). Corporate data is backed up daily and data restore tests are conducted weekly.

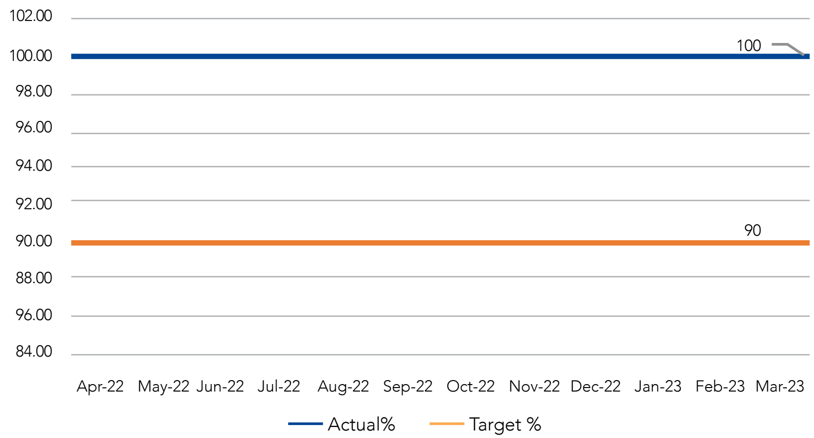


Figure 16: Data Backup Success Rate

An average success rate of 100% was achieved for data restore tests, which remains steady from the previous reporting period (figure 17).

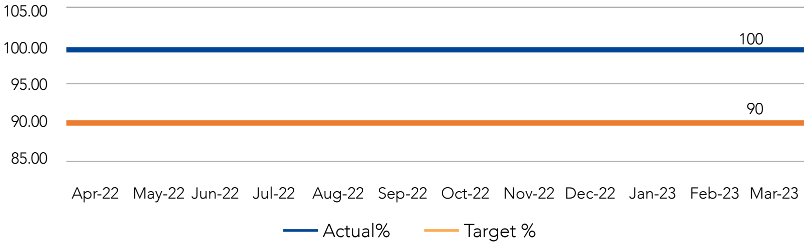


Figure 17: Data Restore Success Rate

TCTA maintains a highly effective antivirus solution to protect its entire IT network, including servers, desktops and laptops, from computer viruses, malware and other electronic threats. This system is regularly updated as new threats emerge. An average update success rate of 94.3% was achieved during the reporting period, which is a significant improvement from 82.46% in the previous period. In May 2022, the set target of 95% was not achieved due to delays in users connecting to the corporate network for synchronisation to occur. It must be noted that ordinarily most of our users work remotely and only connect to the corporate network when the need arises. The above process to get all users connected speedily took longer than expected, resulting in a lower update success rate, however, this has since been improved through various education and communication initiatives.

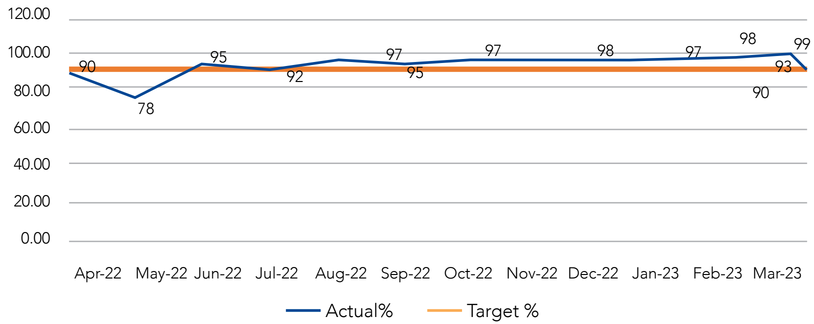


Figure 18: Antivirus Update Success Rate

We continue to mitigate the risk of data loss through the implementation of new policies and systems. Awareness sessions are held regularly to ensure that the endpoints are being protected accordingly. The KnowB4 (Security Awareness Training) solution was implemented to better equip users to detect phishing attempts and protect themselves and the organisation. These interventions continue to enhance the reliability, stability and security of our environment.

CYBER AND INFORMATION SECURITY

The IT Department continues to provide effective support and management of our infrastructure platforms, more especially in the new normal environment of hybrid working, remote connectivity and collaboration. Globally, the shift towards increased flexible working has also increased the risks to the confidentiality, integrity and availability of IT systems. However, in the context of TCTA, we have and continue to implement various tools to mitigate these risks. The IT leadership fully recognises the need for ongoing cyber and information security controls regardless of the location from which employees are operating. To this end, effective technical and administrative controls have been implemented and are continuously monitored and enhanced, as required, to effectively manage IT risks.

While there is continuous monitoring of the IT landscape, TCTA cannot ignore the fact that it is often people who are the weakest link within the cyber security threat chain. Thus, it is important to ensure that TCTA employees are made aware of cyber threats, increased social engineering and email phishing attempts. Cyber security awareness and training have been embedded in the culture of TCTA to further reduce the risk of cyberattacks within the organisation. For the period ending March 2023, there were no cyber security incidents reported. Despite this strong cyber security posture, we continuously review our Cyber Security Strategy to respond more effectively to emerging cyber threats. In addition to this, we conduct monthly vulnerability assessments to identify new vulnerabilities and take appropriate measures to resolve them.

REPORTABLE INCIDENTS

There have been no reportable incidents during the period under review.

STRATEGIC OBJECTIVES AND PROJECTS

TCTA recognises IT as a strategic enabler by which to deliver business value and enable the corporate strategy. The IT strategy seeks to turn our Information and Technology capabilities into strategic assets so that we can also look at exploiting new technological advances that could provide new opportunities for TCTA.

The IT strategy has been split into ten main themes (Innovation, Digitisation, Customer Focus, Cloud Focus, Information Management, Capable Workforce, Sustainability, Simplification, Speed and Quality) to allow for the prioritisation of projects in the next three years. These themes will not only address organisational challenges but will also be guided and where relevant, aligned to industry demands and trends.

This three-year strategy focused on stabilisation in year one, optimisation in year two and lastly digitisation in year three. For the period ended March 2023, we optimised the IT environment through sourcing IT research and advisory services from Gartner, upgrading the Treasury Management Systems, upgrading to a new Meeting Management System and implementing various office productivity tools to further support the remote work environment.

With the implementation of the ERP solution being delayed due to procurement challenges, more focus was shifted towards the broader Digital Transformation Strategy to ensure that other digitalisation opportunities are given focus whilst we await the conclusion of the ERP procurement process. The Digital Transformation Strategy seeks to:

- Create a positive employee experience, through enabling access, collaboration, and automated processes.
- Establish synergistic work practices by removing silos and implementing integrated systems.
- Improve speed of execution of processes and agility in new technology adoption, whilst simplifying the way of work.
- Provide greater auditability, visibility and efficiency, thereby ensuring that external stakeholders' needs are met.

During the reporting period, we achieved 94% implementation of the IT Strategy and 94% implementation of the Digital Transformation Strategy. We further revised the IT Strategy during the period to align with the overarching Digital Transformation strategy of the organisation going forward.

INFORMATION AND TECHNOLOGY GOVERNANCE

Reliance on Information Technology (IT), as a key business enabler and vehicle for delivering the business strategy, has increased significantly and continues to do so. Such reliance brings to the fore the requirement for the sound governance of IT as part of the corporate governance agenda. In exercising their duty of care, the Board continues to ensure that prudent and reasonable steps are taken by Management with respect to IT Governance, Risk and Compliance (GRC). Such steps included the development of a new and more streamlined IT GRC Framework, the development of new policies such as the ICT Security Policy, putting in place governance structures and controls for the protection of information assets from loss, unauthorised disclosure and other threats; prioritising and investing in the appropriate projects and ensuring return on investment; putting in place business resilience measures to continue operations in the case of a disaster; and implementation of controls to mitigate identified risks.

The new IT GRC framework, which adopts COBIT, provides a formal and documented process by which decisions on IT investments are made; how risks associated with those investments are managed; and what legislation, best practices and standards TCTA must comply with. Some of these include compliance with the Protection of Personal Information Act in respect of information about data subjects that the organisation holds. TCTA promotes the protection of the personal information of data subjects and guides its employees on mitigating the risk of information breaches as well as processes and procedures for dealing with that breaches in the event that they do occur.

The implementation of our framework is constantly monitored by the Board and areas of improvement are identified in line with legislation, business priorities, as well as relevant Technology trends.

PART G

PFMA COMPLIANCE REPORT

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QUESTIONS TO PONDER

South Africa is the most unequal country in the world. How in the face of such inequality do we ensure that everyone has access to the minimum level of service as set out in policy and the Constitution?

Resilience can only be achieved if sufficient financial resources are made available. Are businesses and households prepared to make those resources available, either through tariffs or taxes or do they accept the increasing level of disruption as infrastructure reaches its end of useful life and is not replaced?

During Apartheid there were significantly different levels of service depending on the area you were allowed to live in. Even in 2023, bucket toilets are still in use and in many schools, there are unsafe toilets, which have resulted in the deaths of children. To rectify this requires significantly higher investments than currently occur in the sector. Are those who can pay, prepared to pay for these investments to ensure there is resilient infrastructure for all?

Resilience in the electricity sector was lost, in partly due to not making the capital investments in time and not carrying out maintenance when required. Does South Africa understand that the water sector faces the same challenges and that the economic impact is equal to that of load shedding?

1. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES

1.1. Irregular expenditure

a) Irregular expenditure and Fruitless and wasteful expenditure

Description	2023 R'000	2022 R'000
Irregular expenditure	408 083	962 998
Fruitless and wasteful expenditure	4 143	4 828
Closing balance	**412 226**	**967 826**

b) Reconciliation of irregular expenditure

Description	2023 R'000	2022 R'000
Opening balance	962 998	806 287
Prior Period Errors	(3 181)	
As Restated	**959 817**	**806 287**
Add: Irregular expenditure confirmed	3 782	156 711
Less: Irregular expenditure condoned	-	-
Less: Irregular expenditure not condoned and removed	(555 516)	-
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recovered and written off	-	-
Closing balance	**408 083**	**962 998**

The Board resolved to remove from the Annual Financial Statements an amount of R555 516 437 after following a due process, which, amongst others, included approaching the National Treasury for condonation. An adjustment of R3 180 876.51 was made in the annual financial statements, this adjustment relates to transactions which were erroneously declared as irregular expenditure.

c) Reconciling notes to the annual financial statement disclosure

Description	2023 R'000	2022 R'000
Irregular expenditure that was under assessment in 2021/22		
Irregular expenditure that relates to 2021/22 and identified in 2022/23		123 759
Irregular expenditure for the current year	3 782	32 952
Total	**3 782**	**156 711**

d) Details of current and previous year irregular expenditure (under assessment, determination, and investigation)

Description[1]	2023 R'000	2022 R'000
Irregular expenditure under assessment	-	-
Irregular expenditure under determination	408 083	962 998
Irregular expenditure under investigation	-	-
Total	**408 083**	**962 998**

The Loss Control Committee will continue to consider the reported irregular expenditure with the aim of appropriately assessing and applying for condonation of the remaining balance of declared historical irregular expenditure.

e) Details of current and previous year irregular expenditure condoned

Description	2023 R'000	2022 R'000
Irregular expenditure condoned	-	-
Total	**-**	**-**

The Loss Control Committee will continue to consider the reported irregular expenditure with the aim of appropriately assessing and applying for condonation of the remaining balance of declared historical irregular expenditure.

f) Details of current and previous year irregular expenditure removed - (not condoned)

Description	2023 R'000	2022 R'000
Irregular expenditure NOT condoned and removed	(555 516)	-
Total	**(555 516)**	-

The Board resolved to remove from the Annual Financial Statements an amount of R555 516 437 after following a due process, which, amongst others, included approaching the National Treasury for condonation.

There has been no recovery of irregular expenditure in the current or previous financial year.

There has been no write off of irrecoverable irregular expenditure in the current or previous financial year.

There were no cases of non-compliance where TCTA was involved in an inter-institutional arrangement.

g) Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure

Description	2023 R'000	2022 R'000
	1 977	-
Total	**1 977**	**-**

A disciplinary process was conducted against some employees relating to the appointment of a service provider to provide internet line services without following the procurement process. Following this process, the employees concerned were not found guilty or responsible for the irregular expenditure.

1.2. Fruitless and wasteful expenditure

a) Reconciliation of fruitless and wasteful expenditure

Description	2023 R'000	2022 R'000
Opening balance	4 828	4 646
Add: Fruitless and wasteful expenditure confirmed	6	194
Less: Fruitless and wasteful expenditure written off	(691)	-
Less: Fruitless and wasteful expenditure recoverable	-	(12)
Closing balance	**4 143**	**4 828**

b) Reconciling notes to the annual financial statement disclosure

Description	2023 R'000	2022 R'000
Fruitless and wasteful expenditure that was under assessment in 2021/22		-
Fruitless and wasteful expenditure that relates to 2021/22 and identified in 2022/23		-
Fruitless and wasteful expenditure for the current year	6	194
Total	**6**	**194**

c) Details of current and previous year fruitless and wasteful expenditure (under assessment, determination, and investigation)

Description	2023 R'000	2022 R'000
Fruitless and wasteful expenditure under assessment	-	-
Fruitless and wasteful expenditure under determination	6	194
Fruitless and wasteful expenditure under investigation	-	-
Total	**6**	**194**

d) Details of current and previous year fruitless and wasteful expenditure recovered

Description	2023 R'000	2022 R'000
Fruitless and wasteful expenditure recovered	-	12
Total	-	12

e) Details of current and previous year fruitless and wasteful expenditure not recovered and written off

Description	2023 R'000	2022 R'000
Fruitless and wasteful expenditure written off	691	-
Total	**691**	**-**

f) Details of current and previous year disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure

No disciplinary or criminal steps have been taken on expenditure incurred resulting in fruitless and wasteful expenditure.

1.3. Additional disclosure relating to material losses in terms of PFMA Section 55(2)(b)(i) &(iii))

No material losses in terms of PFMA Section 55(2)(b)(i)&(iii) have been incurred.

2. LATE AND/OR NON-PAYMENT OF SUPPLIERS

Description	2023 R'000	2022 R'000
Valid invoices received	3 841	7 744 000
Invoices paid within 30 days or agreed period	3 361	7 742 541
Invoices paid after 30 days or agreed period	480	1 386
Invoices older than 30 days or agreed period (unpaid and without dispute)	3	66
Invoices older than 30 days or agreed period (unpaid and in dispute)	2	7

3. SUPPLY CHAIN MANAGEMENT

3.1. Procurement by other means

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
ACCPAC Licenses and support for a period of 12 months	Acctech Systems	Deviation	12792	443
Appoint of professional service provider to assist TCTA with long term economic forecast	Bureau of Economic Research (BER)	Deviation	10598	519
Total				**962**

3.2. Contract variation and expansion

Project description	Name of supplier	Contract modification type (Expansion or Variation)	Contract number	Original contract value R'000	Value of previous contract expansion/s or variation/s (if applicable) R'000	Value of current contract expansion or variation R'000
Microsoft M365 Volume Licensing	Microsoft	Variation	13 520	6 108	-	911
AccPac	AccTech Systems	Variation	N/A	237	-	163
Cleaning Services	People's Choice Projects	Variation	13 550	606	-	1 650
Security Services	Phuthadichaba Trading Enterprise	Variation	N/A	6 350	2	1 222
Integrated Annual Report	Blackmoon Design & Research	Variation	11 042	738	-	50
Team Effectiveness Workshop	Life Employee Health Solutions	Variation	10 942	981	-	-
Boardview software application	Gijima Holdings	Variation	22 374	1 125	-	52
Psychometric assessments	MN Nethavhani	Variation	10 948	647	-	97
Procurement of Desktops and Laptops Infrastructure	Sage	Variation	11 556	4 113	499	1 287

Project description	Name of supplier	Contract modification type (Expansion or Variation)	Contract number	Original contract value R'000	Value of previous contract expansion/s or variation/s (if applicable) R'000	Value of current contract expansion or variation R'000
Appointment of service provider for the provision of oracle HCM support services for the period of 12 months	EOH Mthombo Pty (Ltd)	Variation	N/A	8 036	749	4 341
Attorney of Record for the KOL matter with Frazer Solar GMBH	Werkmans Attorney	Variation	N/A	1 500	-	18 000
Recruitment	" Zion HR Mandisa Tipp Focus KwaKuhle Mastech Capital CMC SET Consult Hutech "	Variation	N/A	13 718	-	-
Office Lease	Inani Prop	Variation	N/A	121 902	-	-
Office accommodation	Central Vision Development	Variation	12758	76 749	-	3 868
IT Infrastructure as a Service contract	Gijima Holdings	Variation	N/A	119 194	2 167	390
CaseWare software for the preparation of financials	AdaptIT	Variation	N/A	963	712	160
Catering Services	M'Anthi	Variation	12765	404	-	-
Supply of Computer equipment and accessories	Sage Compute Technologies	Variation	11556	4 113	1 444	443
Provision of fraud and ethics hotline	AdvanceCall	Variation	10483	170	-	15
Supply of Computer equipment and accessories	Sage Compute Technologies	Variation	13215	9 125	-	210
Total				**376 779**	**5 573**	**32 859**

PART H

FINANCIAL INFORMATION

Contents

I am pleased to present the audit and risk committee report for the year ended 31 March 2023.

"The primary mandate of the Audit and Risk Committee is to provide oversight on TCTA's internal controls, implementation of the risk management and governance processes. The Public Finance Management Act and King IV™ requirements are upheld for the financial reporting process, to provide assurance to the Board on compliance with the statutory duties and responsibilities required of it. The Committee also provides oversight on the implementation of Combined Assurance, ICT Governance and the Regulatory Audit process led by the Auditor-General of South Africa (AGSA)."

The Committee is satisfied that it has discharged its responsibilities in accordance with the charter approved by the Board, throughout the reporting period.

Composition

As guided by the King IV™ Report, the Board Chairperson is not eligible to be a member of the committee. The committee consisted of five independent non-executive directors, from 01 April 2022 to 31 December 2022. Four new members were appointed to the committee from 01 January 2023 to 31 March 2023, following the appointment of a new TCTA Board. Collectively, the members have the requisite skills on internal audit, risk management, ICT governance, finance, business and leadership, to execute on the mandate. The chief executive officer, chief financial officer, chief risk officer, chief internal auditor, and the independent external auditor (AGSA), are permanent invitees to the committee meetings. The committee meets with the external auditors at least once a year, and periodically with internal audit, without management, to uphold independence and objectivity.

Committee members' details on qualifications and experience are available on pages 89 to 92.

Attendance at Meetings

Eight scheduled, four special meetings and one workshop were held during the period under review. Attendance for the non-executive directors, for the reporting period is shown below:

Members	Attendance %
*M Ramataboe (Chairperson)	100%
*S Roopa	100%
*N Baloyi	100%
*M Maponya	100%
**Z Tshabalala (Chairperson)	100%
**P Mofokeng	67%
**R Mnisi	100%
G Dumas	100%

**Term of office ended on 31 December 2022*

***Appointed as a director with effect from 1 January 2023*

Key Focus Areas

The following key focus areas were actioned in line with the Committee's Charter, among others:

- Consideration of the risk appetite and tolerance framework approved by the Board, in relation to the risk profile.
- Monitoring of the implementation of action plans in the strategic risk register, the Risk Management Plan and the Fraud Prevention Plan.
- Approval of the strategic and annual internal audit plan, and overseeing the execution of internal audit's deliverables.
- Review of the audit strategy and engagement plan of the AGSA.
- Consideration of the quarterly organisational performance reports presented by management, and recommendation of their approval by the Board, for onward submission to the Executive Authority and the National Treasury.
- Oversight on the resolution of historic irregular, fruitless and wasteful expenditure, and the management of the current period's irregular, fruitless and wasteful expenditure.
- Oversight on the business continuity management process.
- Oversight on the assurance provided on the adequacy and effectiveness of internal controls, including internal financial controls, risk management and governance processes.
- Monitoring of the audit tracking process, to ensure action plans committed to by management to address internal and external audit findings. The audit tracking report on external audit findings was recommended to the Board, for onward submission to the Portfolio Committee quarterly.
- Oversight on regulatory compliance, the compliance programme and the regulatory universe.
- Consideration of legal reports and monitoring of litigation cases for resolution.
- Assessment of the effectiveness of internal financial controls based on assurance provided by management and internal audit through audit reports and the annual written assessment.
- Oversight on the integrated reporting process.
- Monitoring of the implementation of the combined assurance and control self-assessment process.
- Consideration of the mitigation of the ICT risks, monitoring of the implementation of the ICT strategy,
- Consideration of final forensic investigation reports, with recommendations for implementation by management.
- Approval of the Whistleblower Policy.

Effectiveness of the Finance Function

To satisfy King IV™ requirements, the Committee concluded that the finance function has adequately performed its role during the period under review. Supply chain management processes within the organisation were identified as areas of improvement in the previous reporting period and further improvement is still required for optimal effectiveness. The committee would be closely monitoring the implementation of corrective actions going froward. Overall, the Committee was satisfied with the expertise and competency of the Chief Financial Officer.

Effectiveness of the Committee's performance

A Governance Review was planned for the period, however the newly appointed board recommended that the review be deferred to 2023/24, to allow the board adequate. The performance of the Committee was not assessed during the period under review, due to the term of the board coming to an end. An internal assessment, facilitated by the Corporate Secretariat, is being planned for 2023/24.

Responsibilities

The committee confirms that it has exercised its duties and responsibilities in line with the approved terms of reference, and report as follows:

Annual Financial Statements Review

The appropriateness of the applicable accounting principles and relevant Accounting Standards, professional and regulatory requirements were considered to comprehend the annual financial statements.

The review of the annual financial statements was conducted by the committee, including significant accounting and reporting issues, complex project issues and other financing transactions that involve complex judgment areas.

The consistency of the annual financial statements, information reported by management and other assurance providers, and other relevant information known to the committee during the period under review was considered.

Quarterly reports to the Department of Water and Sanitation and the National Treasury from management were considered, in line with regulatory requirements, accounting principles, and TCTA information known to the committee.

The relevant aspects of the Annual Integrated Report, and the accuracy and completeness of information were considered. Relevant regulatory requirements were applied in this regard, and the committee is comfortable that it complies with the governing disclosure and reporting in all material respects.

Internal Control

The adequacy and effectiveness of TCTA's internal control system, including Information Technology security and controls were deliberated on. The extended delay in the procurement of the Enterprise Resourcing Planning (ERP) system by 31 March 2022, is highly regrettable. The committee acknowledges the negative impact that the extended delay has on the improvement on IT controls, various IT projects for systems improvement and efficiency. The manual procurement process, among others, is highly prone to human error and inherent inefficiency. The legacy finance and other systems, in the absence of the ERP compromises the control environment negatively. The controls around contract management and expenditure management still require further improvement.

Management's non-compliance to the National Treasury Framework on Irregular, Fruitless and Wasteful expenditure and the delay in implementing consequence management, in the period under review and prior periods remains a major concern for the committee and the Board.

The Business Continuity Management (BCM) strategy, policy and plans in place are adequate to ensure continuity of TCTA's operations, in the event of an emergency or disaster. The disaster recovery plan was aligned to operational requirements, and a budget allocated accordingly. The digitisation project was finalised in the period, which resulted in most of TCTA's 'As-Is' business processes being documented and the 'To-Be' processes being mapped out as well.

Internal and external audit reports were considered and the appropriateness of the recommendations and planned remedial actions were reviewed accordingly. The commitment expressed by management provides the committee with comfort that the current control weaknesses can be adequately addressed to further improve the internal controls.

Internal Audit

The TCTA Internal Audit function satisfactorily meets the International Professional Practice Framework Standards, governed by the Institute of Internal Auditors, with the next external assessment due in 2024/25.

The Internal Audit Charter was approved in October 2022, and it aligns to all applicable requirements.

The 2023/24 risk-based strategic and annual internal audit plan was approved by the committee in the period. The approved 2022/23 risk-based annual internal audit plan was fully delivered by year-end. The Committee closely monitored this deliverable together with the Chief Internal Auditor, and approved minor revisions of the plan, to maintain the focus on critical risk areas.

External Audit

The AGSA proposed audit scope for 2022/23 was reviewed in the period. The committee is satisfied with the fifth year of the AGSA as the external auditor, and a fourth line assurance provider. The AGSA conducted an Interim Regulatory Audit, for the first time in the period, which was a noteworthy improvement. The fruitful engagement and acquaintance with the business environment, required in line with the statutory requirements are most welcome. The matter raised by the AGSA in 2021/22 on the Royalty payments between TCTA and Lesotho Highlands Water Commission (LHWC) remained unresolved in the period. This matter has been escalated to the Minister's office for an intervention.

The committee, management and the AGSA have discussed the 2021/22 annual financial statements and accepted the overall audit outcome of an unqualified audit opinion, with no matter of emphasis.

Combined Assurance

The committee adopted the four lines of assurance model for TCTA. The combined assurance strategy and policy were translated into actions in the combined assurance implementation plan for 2022/23. The combined assurance approach improved in the period, with the establishment of a combined assurance forum (CAF), whose mandate is to oversee the effective implementation of combined assurance. The forum provided a platform for all assurance providers to further embed combined assurance and improve the control self-assessment (CSA) process. An improvement in the combined assurance maturity level is still dependent on all four assurance providers collaborating effectively, for an improvement in the internal control environment, risk management and governance processes. The Internal Audit Division continues to collaborate closely with management as first-line and risk management, compliance and legal departments, as second-line assurance providers.
The collaboration with the AGSA improved in the period, through the 'Direct Assistance' approach, that resulted in AGSA using internal audit's work in an increased number of reviews.

The committee is looking forward to further improvement in this area, and an integrated approach among all TCTA functions, for optimal effectiveness.

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Risk Management

The office of the chief risk officer includes the risk management department, with an overarching responsibility for co-ordinating the risk management process throughout TCTA. It includes a compliance department, which is responsible for co-ordinating compliance with laws and regulations. Compliance with the Public Finance Management Act, the National Treasury Framework for managing Irregular, Fruitless and Wasteful Expenditure remains a challenge. The committee is dissatisfied with the delay in the implementation of consequence management process on historical cases, which remains a big challenge for management. Management have submitted an application to the National Treasury for part of the historical expenditure, in the period and a substantial amount to the committee, to recommend to the board to condone. The non-compliance with the prescribed period within which the irregular expenditure must be addressed requires significant improvement from management. A significant decrease of irregular, fruitless and wasteful expenditure was recorded during the period under review, compared to prior periods, as a result of strengthening of controls and oversight on the implementation of the National Treasury Framework for Irregular Expenditure, by the Accounting Authority. The Loss Control Committee that was set up during the previous financial period continues to consider irregular expenditure and recommend appropriate actions to address the transgressions. The committee will enhance its oversight to ensure that management improve and manage TCTA's reputation, to mitigate this risk, and eradicate irregular expenditure from the AFS of the TCTA.

The committee formally adopted the Committee of Sponsoring Organisations of the Treadway Commission (COSO) enterprise-risk management framework in the period. The risk management framework, policy, plan and risk appetite and tolerance framework were maintained to ensure appropriate management of business and projects risks emanating from TCTA's operations.

Legal:

TCTA was served with a Writ of Execution and Notice of Attachment in execution of incorporeal property or rights in incorporeal property on 17 May 2021, emanating from a dispute between Frazer Solar GMBH ("the Company"), a company incorporated in Germany and the Kingdom of Lesotho ("KOL"). TCTA was not a party to the original proceedings between the Company and KOL. The Writ of Execution and Notice of Attachment make provision for the attachment of the KOL's right to receive payment of royalties from the Republic of South Africa (RSA), through TCTA for water delivered into RSA. The matter is being opposed by the KOL, the Lesotho Highlands Development Authority (LHDA), TCTA and the Minister of Water and Sanitation. The KOL applied separately, for a review and set aside of the original contract concluded between itself and Frazer, in the Lesotho High Court. The original contract was thereafter set aside by the courts in Lesotho. The existing litigation in South Africa involving TCTA, and the Minister of Water and Sanitation has been suspended until the outcome of the Rescission Application between KOL and the Company, which is continuing separately as TCTA and the Minister were not part of the original contract, and ensuing litigation which gave rise to the arbitration award against the KOL. The matter was heard from 05 to 08 June 2023 and judgment has been reserved. The outcome of these proceedings between KOL and the Company will determine if the proceedings against TCTA will continue thereafter. One of the assertions made by KOL in support of its application for condonation was that a provision contained in the Arbitration Act of 2017 was unconstitutional on the basis that it obliges a party to bring its review application within three months of an arbitration award being made. KOL had brought its application well outside these time frames. Since the Minister of Justice is the custodian of this legislation, it filed an intervention application which did not primarily oppose KOL's application for condonation but opposed this particular contention, that relevant provision was unconstitutional, and it contended that the timeframes provided for were adequate for purposes of KOL proceeding. KOL was not happy with the intervention from the Minister of Justice and filed a Note Verbale with the Minister of International Relations in South Africa to register its objection thereto. The Minister of Justice is represented by State Attorneys as well as Senior and Junior Counsel.

The Note Verbale contains factually inaccurate statements in that the Minister of Justice did not oppose KOL's application for condonation, but simply contended that the relevant provisions should not be declared unconstitutional. Judgment has been reserved and is now awaited.

Conclusion:

The committee concludes by confirming that it has considered and recommended the approval of the annual financial statements and the Integrated Report for the financial year 2022/2023, to the board of the TCTA.

Zelda Tshabalala
Committee Chairperson

Report on the Audit of the Financial Statements

Opinion

1. I have audited the financial statements of the Trans-Caledon Tunnel Authority (TCTA) set out on pages 145 to 299, which comprise the statement of financial position as at 31 March 2023, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Trans-Caledon Tunnel Authority as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act, (Act 1 of 1999) (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs).My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Subsequent event – acid mine drainage memorandum of agreement signed after year-end

7. With reference to note 24 to the financial statements, that deals with events after the reporting period, TCTA and Department of Water and Sanitation signed a memorandum of agreement (MoA) for the acid mine drainage (AMD) project on 1 June 2023. This was after the financial year-end. The MoA details how TCTA will recover costs incurred for the construction, operations and maintenance of the AMD project, this has affected how the entity has been accounting for its AMD receivable and is an adjusting event after the financial statements.

Other matter

8. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited irregular expenditure and fruitless and wasteful expenditure

9. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022/23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 26 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of TCTA. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the auditees.

10. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

Responsibilities of the accounting authority for the financial statements

11. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
12. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

13. My 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 my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements
14. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

15. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected objectives presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.
16. I selected the following objectives presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected objectives that measure the entity's performance on its primary mandated functions and that is of significant national, community or public interest.

Objective	Page numbers	Purpose
Objective 2: implement capital projects on time, within budget, to the appropriate standards and in a sustainable socio/environmental manner	page 13	The core function of TCTA is to plan, finance and implement sustainable and accessible water resource infrastructure in line with directives issued by the Minister. The measures and targets included in objective 2 track the implementation of two critical projects Mokolo-Crocodile Water Augmentation Project - Phase 2A (MCWAP-2A) and Berg River Voëlvlei Augmentation Scheme (BRVAS) in line with project plans in place. The successful implementation of these projects will ensure continued water security in RSA.
Objective 3: operate and maintain designated projects to meet DWS requirements/ specifications	page 13 to page 16	To ensure the operation and maintenance of the delivery tunnel north (DTN) in line with mandated legislation, the notice of establishment and the treaty between RSA and Lesotho. The operation and maintenance of the DTN is critical in ensuring continued water supply from the LHWP to the RSA. To operate and maintain the Acid Mine Drainage water treatment plants as part of the short-term solution (AMD-STS) in line with the DWS strategic objective of preventing further environmental degradation.

17. I evaluated the reported performance information for the selected objectives against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the entity's planning and delivery on its mandate and objectives.
18. I performed procedures to test whether:
    - the indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives
    - the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
    - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
    - the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
    - the reported performance information is presented in the annual performance report in the prescribed manner
    - there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.
19. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.
20. I did not identify any material findings on the reported performance information of the selected objectives.

Other matters

21. I draw attention to the matter below.

Achievement of planned targets

22. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and underachievements. This information should be considered in the context of the material findings on the reported performance information.

23. The entity plays a key role in delivering services to South Africans. The annual performance report includes the following service delivery achievements against planned targets:

Key service delivery indicators not achieved	Planned target	Reported achievement
Objective 2: implement capital projects on time, within budget, to the appropriate standards and in a sustainable socio/environmental manner *Targets achieved: [0/2] 0%*		
Reaching of project critical milestones as reflected in the project plan	MCWAP – 2A: Award of main construction contract	MCWAP – 2A: The main construction contract was not awarded.
	BRVAS: Award of design and build tender	BRVAS: The design and build tender was not awarded.
Objective 3: Operate and maintain designated projects to meet DWS requirements/ specifications Targets achieved: [6/8] 75%		
Operate and maintain the plant to meet the minimum operating volumes	**Eastern Basin:** An average daily volume of treated water of between 80% and 90% of the max treatment capacity of 100 Ml/d, including planned outages, calculated over the full year. Adjusted for any *force majeure* or other events outside TCTA's control.	**Eastern Basin:** An average daily volume of treated water of 21 Ml/d (21%) of the max treatment capacity of 100 Ml/d calculated over the full year. No adjustments were made as no *force majeure* or other events outside of TCTA's control occurred in the period.
LHWP Delivery Tunnel North – Ensure infrastructure is operated and maintained to ensure sustainable water deliveries from Lesotho	Award tender for the PSP contract for the 2024 tunnel outage by 30 September 2022	The tender for the PSP contract for the 2024 tunnel outage had not been awarded by 30 September 2022. The revised and improved tender document was developed and approved by the Bid Specification Committee on 28 March 2023.

24. Reasons for the underachievement of targets are included in the annual performance report on pages 12 to 20

Report on compliance with legislation

25. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the entity's compliance with legislation.
26. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

27. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
28. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

29. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA.
30. Material misstatements of revenue and expenditure identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

31. Effective and appropriate steps were not taken to prevent irregular expenditure, as disclosed in note 25 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The irregular expenditure was caused by non-compliance with national treasury instruction note 03 of 2016/17 where expansions to contracts had not been approved by the National Treasury.

Consequence management

32. Disciplinary steps were not taken against the officials who had incurred and/or permitted irregular expenditure, as required by section 51(1)(e)(iii) of the PFMA. This was mainly due to recommendations of the Loss Control Committee not being executed.
33. Disciplinary steps were not taken against the officials who had incurred and/or permitted fruitless and wasteful expenditure, as required by section 51(1)(e)(iii) of the PFMA. This was mainly due to recommendations of the Loss Control Committee not being executed.

Other information in the annual report

34. The accounting authority is responsible for the other information included in the annual report, which includes the Audit Committee's report. The other information referred to does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.
35. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
36. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
37. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

38. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
39. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on compliance with legislation included in this report.
40. Management did not adequately review the annual financial statements to ensure that they were prepared in accordance with some aspects of

the financial reporting framework, as a result a material misstatements were identified on the financial statements, the misstatement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

41. The accounting authority did not adequately implement consequence management processes in relation to contravention of applicable policies, laws and regulations, as a result material findings were identified relating to consequence management compliance audit.
42. Management did not implement adequate controls to prevent and detect non-compliance with the PFMA and the Treasury Regulations, which resulted in the incurrence of irregular expenditure.

Auditor- General

Pretoria
31 July 2023

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-General's responsibility For The Audit

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objectives and on the entity's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I 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 my 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 entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a entity to cease operating as a going concern
- evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting authority with a statement that I 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 my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Construction industry development board Act 38 of 2000	CIDB reg. 17 CIDB Act 18(1) CIDB reg. 25(7A
The South African King IV™ Report of corporate governance Code	Practice Note 1(a)(i) Practice 1(a)(iv) Practice 1(d) Practice1 (a - d) Practice 2 Practice 3 Practice 4 Practice 6 Practice 7 Practice 8 Practice 9 Practice 22 Practice 23 Practice 25 Practice 26 Practice 27 Practice 28 (a - i) Practice 33 Practice 34 Practice 36 (a,b,e)

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999 (PFMA)	PFMA section 50(2)(b) PFMA section 50(3)(a) PFMA section 50(3)(b) PFMA section 51(1)(a)(ii) PFMA section 51(1)(a)(iii) PFMA section 51(1)(b)(i) PFMA section 51(1)(b)(ii) PFMA section 51(1)(a)(iv) PFMA section 55(1)(b) PFMA section 51(1)(b)(ii) PFMA section sec 51(1)(f) PFMA section 51(2) PFMA section 52 (b) PFMA section 54(2)(c) PFMA section 54(2)(d) PFMA section 55(1)(a) PFMA section 55(1)(c)(i) PFMA section 56(2)(c) PFMA section 51(1)(e)(iii) PFMA section 52(b) PFMA section 57(b) PFMA section 66(3)(a)
Preferential Procurement Regulations of 2017 (PPR)	2017 Preferential Procurement reg. 6(8), 7(8), 10(1)&(2) & 11(1) 2017 Preferential Procurement reg 5(1) & 5(3) 2017 Preferential Procurement reg. 2017 5(6) 2017 Preferential Procurement reg. 5(7) 2017 Preferential Procurement reg. 4(1) & 4(2) 2017 Preferential Procurement reg. 9(1) 2011 Preferential Procurement reg. 9(1) 2017 Preferential Procurement reg. 8(2) 2017 Preferential Procurement reg 8(5)
Preferential Procurement Regulations of 2022 (PPR)	PPPFA (1) PPPFA 2(1)(a) PPPFA 2(1)(f) 2022 Preferential Procurement regulation 4(4) and 5(4)

Legislation	Sections or regulations
Treasury regulations	TR 16A.7.1 TR 16A.7.3 TR 16A.7.6 TR 16A.7.7 TR 29.1.1 TR 29.1.1(a) TR 29.1.1(b) TR 29.1.1(c) TR 29.2.1 TR 29.2.2 TR 29.3.1 TR 30.2.1 TR 31.2.5 TR 31.2.7(a) TR 31.2.1 TR 31.3.3 TR 33.1.1 TR 33.1.3 NT Instruction Note 3 of 2019/2020 [Annexure A - FIPDM] - par 5.5.1 (vi) and (x) NT Instruction Note 3 of 2021/22 par 4.1 and 4.2 NT Instruction Note 4 of 2015/16 par. 3.4 NT Instruction No 5 of 2020/21 par 4.8 NT Instruction No 5 of 2020/21 par 4.9 NT Instruction No 5 of 2020/21 par 5.3 Second amendment NT Instruction No 5 of 2020/21 par 1 and Erratum NT Instruction note No 5 of 2020/2 Treasury Instruction note 11 of 2020/21 par. 3.1 Treasury Instruction note 11 of 2020/21 par. 3.4 (b) and 3.9 Second amendment NT Instruction No 5 of 2020/21 par 1 and Erratum NT Instruction note No 5 of 2020/2 Treasury Instruction note 11 of 2020/21 par. 3.1 Treasury Instruction note 11 of 2020/21 par. 3.4 (b) and 3.
Prevention and combating of corrupt activities Act 12 of 2004	PRECCA 34(1)

GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
REGISTERED NAME OF THE PUBLIC ENTITY	Trans-Caledon Tunnel Authority
REGISTERED OFFICE	Byls Bridge Office Park, Building 9 Corner of Olievenhoutbosch & Jean Avenue Doringkloof Centurion
POSTAL ADDRESS	PO Box 10335 Centurion 0046
CONTACT TELEPHONE NUMBER	012 683 1200
EMAIL ADDRESS	info@tcta.co.za
WEBSITE ADDRESS	www.tcta.co.za
OVERSEEING DEPARTMENT	Department of Water and Sanitation
AUDITOR	Auditor-General of South Africa 4 Daventry Street Lynnwood Bridge Office Park Lynnwood Manor Pretoria 0001 PO Box 446 Pretoria 0001
PRIMARY BANKER	Standard Bank of South Africa Ltd 12 Church Square Pretoria 0002
SECRETARY	Wilma De Witt
BOARD OF DIRECTORS	EXECUTIVE DIRECTOR Mr. DKP Sechemane (Chief Executive Officer) NON-EXECUTIVE DIRECTORS The Board of Directors was appointed on 01 January 2023: Ms Precious Nompumelelo Sibiya (Chairman) Mr Gerald Themba Dumas (Deputy Chairman) Mr Neo Mooketsi Tladinyane Ms Vidhulekha Nardev Vedalankar Mr Gregory Nigel Joseph White Ms Mmanare Evelyn Mamabolo Mr Patrick Roy Mnisi Ms Zelda Ncedekile Tshabalala Mr Pule Johannes Mofokeng The Board of Directors were appointed on 01 May 2019, tenure ended 31 December 2022: Mr Gerald Dumas (Chairperson) Ms Maemilli Julia Ramataboe (Deputy Chairperson) Mr Simphiwe Nicholas Khondlo Mr Satish Roopa Mr Tinyiko Norman Baloyi Ms Mollale Mavis Maponya Mr Gregory Nigel Joseph White Ms Lindelwa Nonjabulo Dlamini

STATEMENT OF FINANCIAL POSITION as at 31 March 2023

	Note(s)	2023 R mil	2022 R mil Restated	2023 R mil Restated
ASSETS				
Non-current assets				
Property, plant and equipment	8	23	2	3
Right-of-use assets	9	21	-	3
Tariff receivable	10.2	8 339	9 043	11 643
AMD receivable	10.3	1 570	1 609	1 556
Financial market investments	10.4	23	46	57
Total non-current assets		**9 976**	**10 700**	**13 262**
Current assets				
Tariff receivable	10.2	542	502	1 011
AMD receivable	10.3	311	261	299
Trade and other receivables	10.5	75	35	49
Prepayments	11	46	43	32
Cash and cash equivalents	12	9 359	8 849	9 234
Total current assets		**10 333**	**9 690**	**10 625**
TOTAL ASSETS		**20 309**	**20 390**	**23 887**

STATEMENT OF FINANCIAL POSITION as at 31 March 2023

	Note(s)	2023 R mil	2022 R mil Restated	2023 R mil Restated
EQUITY AND LIABILITIES				
Reserves				
Retained income		4 961	3 890	2 572
TOTAL EQUITY		**4 961**	**3 890**	**2 572**
LIABILITIES				
Non-current liabilities				
Borrowings	10.6	12 048	12 665	9 901
Lease liabilities	13	18	-	-
Total non-current liabilities		**12 066**	**12 665**	**9 901**
Current liabilities				
Borrowings	10.6	1 335	2 535	10 185
Refund liability	10.7	174	179	-
Contract liabilities	10.8	593	408	432
Trade and other payables	10.9	1 140	679	780
Lease liability	13	3	-	4
Short-term employee benefits	14	37	34	13
Total current liabilities		**3 282**	**3 835**	**11 414**
TOTAL LIABILITIES		**15 348**	**16 500**	**21 315**
TOTAL EQUITY AND LIABILITIES		**20 309**	**20 390**	**23 887**

STATEMENT OF COMPREHENSIVE INCOME for the period ended 31 March 2023

	Note(s)	2023 R mil	2022 R mil Restated
Construction revenue	15	138	262
Construction costs	16	(138)	(262)
Revenue from services rendered	15	267	252
Cost of services rendered	16	(267)	(252)
Operating income	15	316	264
Operating expenses	16	(316)	(264)
Legal fees and litigation costs		(4)	(13)
Depreciation	8 & 9	(6)	(6)
Employee costs		(248)	(211)
Directors' emoluments and related costs	21.1	(7)	(7)
Net impairment losses on financial assets		(9)	6
Other operating expenses		(43)	(33)
Operating profit		-	-
Net finance income		1 072	1 323
Finance income	17.1	2 398	2 764
Finance costs	17.2	(1 326)	(1 441)
Surplus for the year		**1 072**	**1 323**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1 072**	**1 323**

STATEMENT OF CHANGES IN EQUITY for the period ended 31 March 2023

	Retained income R mil	Total equity R mil
OPENING BALANCE AS PREVIOUSLY REPORTED	**2 876**	**2 876**
Prior year adjustments	(304)	(304)
Balance at 31 March 2021 as restated	**2 572**	**2 572**
Surplus for the year	1 369	1 369
Other comprehensive income	(46)	(46)
Total comprehensive income for the year	**1 323**	**1 323**
OPENING BALANCE AS PREVIOUSLY REPORTED	3 895	3 895
Prior year adjustments	(6)	(6)
Balance at 31 March 2022 as restated	**3 889**	**3 889**
Surplus for the year	1 072	1 072
Other comprehensive income	-	-
Total comprehensive income for the year	**1 072**	**1 072**
BALANCE AT 31 MARCH 2023	**4 961**	**4 961**

STATEMENT OF CASH FLOWS for the period ended 31 March 2023

	Note(s)	2023 R mil	2022 R mil Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		10 817	11 316
Cash paid to suppliers and employees		(7 744)	(5 414)
Cash generated from operating activities	A	3 073	5 902
Other finance costs		(80)	(178)
Interest received	B	581	307
Interest paid	C	(1 199)	(1 511)
Net cash from operating activities		**2 375**	**4 520**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	(26)	(1)
Proceeds on the sale of financial assets		14	17
Net cash from investing activities		**(12)**	**16**
CASH FLOWS FROM FINANCING ACTIVITIES	D & E		
Proceeds from borrowings		200	8 040
Repayment of borrowings		(2 052)	(12 957)
Payment on lease liabilities		(1)	(4)
Net cash from financing activities		**(1 853)**	**(4 921)**
Total cash and cash equivalents movement for the year		**510**	**(385)**
Cash and cash equivalents at the beginning of the year		8 849	9 234
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**9 359**	**8 849**

NOTES TO THE FINANCIAL STATEMENTS

1 General information

The Trans-Caledon Tunnel Authority (TCTA) is a specialised liability management body, established in terms of Government Notice No 2631 in Government Gazette No 10545, dated 12 December 1986. The Notice was replaced by Government Notice No 277 in Government Gazette No 21017, dated 24 March 2000. The Schedule 2 public entity is domiciled in South Africa. The address of the registered office is Byls Bridge Office Park, Building 9,Corner of Olievenhoutbosch & Jean Ave, Doringkloof, Centurion..

2 Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below. These accounting policies have been consistently applied to all years presented.

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). In terms of IAS 8 section 10, where IFRS do not specifically apply to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy where that policy results in reliable financial statements and information which users can use for their economic decision-making needs. These financial statements are a faithful representation of the financial position, financial performance and cash flows of the entity; they reflect the economic substance of transactions, other events and conditions and not merely the legal form, it is neutral and free from bias and it is prudent, complete in all material aspects.

The Accounting Standards Board (ASB), as mandated by the PFMA to set the reporting standards for the preparation of annual financial statements of government institutions, has issued Directive 12 which requires that qualifying entities prepare their annual financial statements in accordance with the Generally Recognised Accounting Practices (GRAP). The Directive has set out the criteria that institutions are to meet in order to qualify for the application of GRAP as the reporting framework. TCTA has conducted the self-assessment in accordance with the criteria in the Directive which indicates, on initial assessment that TCTA qualifies to apply the standards of GRAP in the preparation of the annual financial statements. TCTA applied for and has been granted excemption in terms of section 92 of the PFMA from applying GRAP as reporting framework. TCTA is allowed the continued use of the International Financial Reporting Framework (IFRS), as reporting framework. This exemption is granted for the financial years ending 2019 to 2023.

2.2 Basis of preparation

The financial statements have been prepared on the accrual and historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The preparation of financial statements in conformity with IFRS, requires the use of certain critical accounting estimates and judgements. It also requires management to exercise its judgement in the process of applying TCTA's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4. TCTA presents financial information on an individual project basis on the statement of financial position, statement of comprehensive income (note 6) and the statement of cash flows (Annexure A) of TCTA, which will be useful to the users of these financial statements.

Financial statements are presented in Rands and rounded to the nearest million. Balances less than R500 000 are presented as zero.

These accounting policies are consistent with the previous period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 Summary of significant accounting policies

3.1 Property, plant and equipment

Recognition and measurement

On initial recognition property, plant and equipment is measured at cost. An item can only be recognised as property, plant and equipment if it is probable that:

- future economic benefits associated with the item will flow to TCTA;
- the cost of the item can be reliably measured; and
- the item is expected to be used during more than one accounting period.

Subsequent costs

The costs of day-to-day servicing of assets are not recognised as property, plant and equipment, but are expensed as repairs and maintenance in the year incurred.

Costs of replacing or upgrading components of an asset can be capitalised, provided that the recognition criteria have been met. The costs of replacement/upgrading are capitalised to the carrying amount of the component of property, plant and equipment when that cost is incurred, while the carrying amounts of components replaced, are derecognised. The cost of improvements is also capitalised when it meets the recognition criteria.

TCTA applies the cost model for all classes of assets by recognising it at cost, adjusted for accumulated depreciation and accumulated impairment losses. (Refer to note 8).

Useful life and depreciation method

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

Class of asset	Depreciation method	Average useful life
Furniture and fixtures	Straight line	4-6 years
Computer equipment	Straight line	2-5 years
Networking equipment	Straight line	5-8 years
Office equipment	Straight line	2-5 years
Motor vehicles	Straight line	4-6 years
Video conferencing	Straight line	5-8 years
Leasehold improvements	Straight line	5-10 years

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

Review of useful lives and residual values is done yearly and adjustment only made and disclosed for adjustments that are considered material.

A reassessment of useful lives was performed on all categories of TCTA's assets in line with IFRS and there was no significant changes in expectations from previous estimates made. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period in terms of the property, plant and equipment procedures, with the effect of any changes in estimate accounted for on a prospective basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Leasehold improvements

These are stated at cost less accumulated depreciation and accumulated impairment. Depreciation is calculated on a straight-line basis over the shorter of the remaining period of the lease and the useful life of the asset. The useful life of the asset will be assessed at least on an annual basis and will depend on an extension of the current lease agreement.

Disposals of property, plant and equipment and derecognition of property, plant and equipment

Gains and losses on disposals are determined by comparing proceeds with the carrying amount at the date of sale.

These are included in surplus/deficit when the asset is derecognised. An item of property, plant and equipment initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Impairment of non-financial assets

The impairment of assets is applied to all property, plant and equipment and right of use assets. At each reporting date, TCTA reviews the carrying amounts of its assets to determine whether there is any indication that those assets may be impaired. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The impairment losses are recognised in surplus or deficit. A reversal of an impairment deficit for an asset is recognised immediately in surplus or deficit. This occurs if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment deficit was recognised.

The entity assesses at each end of the reporting period whether there is any indication that an asset, including a right-of-use asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset. Irrespective of whether there is any indication of impairment, the entity also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

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

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

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

An impairment deficit of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment deficit of a revalued asset is treated as a revaluation decrease.

3.2 Right-of-use asset

Recognition

A right-of-use asset is defined as an asset that represents a lessee's right to use an underlying asset for the lease term. (Refer to note 13).

NOTES TO THE FINANCIAL STATEMENTS (continued)

The right of use asset is recognised at the commencement date and measured t cost, consisting of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee.

All lease payments of significant value with a lease period of more than twelve months are capitalised as a right-of-use asset. Non-lease components, for example, maintenance costs, are separated from the lease payments and expensed as they are incurred. Each lease is accounted for separately.

Measurement

Right-of-use assets are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses and adjusted for remeasurement of the lease liability.

Depreciation

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the leased asset. Useful lives of the leased assets are determined using the same criteria as the property, plant and equipment.

Lease modifications

Lease modifications are accounted for as a separate lease if both the modification increases the scope of the lease by adding the right to use one or more underlying assets; the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that standalone price to reflect the circumstances of the particular contract.

Impairment

The impairment of the right-of-use assets is determined in a similar way as that of property, plant and equipment.

3.3 Financial assets

Classification

TCTA recognises a financial asset in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. Financial assets are classified based on TCTA's underlying business model. TCTA considers if it holds the financial assets to collect contractual cash flows or to sell it prior to maturity to realise fair value changes. TCTA holds its financial assets to maturity and thus elected to collect the cash flows from holding the asset. TCTA considers the characteristics of the contractual cash flows of the financial assets to determine whether the conditions for amortised cost have been met as detailed below. Assets are initially measured at fair value plus, in the case of a financial assets not at fair value through surplus or deficit, particular transaction costs. Assets are subsequently measured at amortised cost.

TCTA measures financial assets at amortised cost when the following conditions for measurement at amortised cost have been met:

- The assets are held within TCTA's business model where the objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial assets result in cash flows on specific dates that are solely payments of principal and interest on the principal amount outstanding TCTA recognises the following financial assets. Refer to note 10.1 for more information.
- Tariff receivable.
- AMD receivable.

NOTES TO THE FINANCIAL STATEMENTS (continued)

- Financial market investments.
- Cash and cash equivalents.
- Trade and other receivables.

3.3.1 Tariff receivable

The tariff receivable is a non-derivative financial asset with determinable receipts based either on costs to be reimbursed or a tariff determined to enable TCTA to repay the project debt over approximately a twenty-year period. This category consists of the right to receive cash from the Department of Water and Sanitation (DWS) with respect to construction work completed on DWS projects or services rendered by TCTA in managing debt on each project. The tariff receivable arises as a result of TCTA incurring costs in terms of the directive from the Minister of Water and Sanitation in each project.

The tariff receivable arises as the contra to the construction revenue earned in each project, and is measured at amortised cost using the effective interest method.

TCTA revises its estimates of costs and revenue annually and adjusts the carrying amount of the tariff receivable to reflect actual and revised estimated cash flows. TCTA recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's effective interest rate The adjustment is recognised in the Statement of Comprehensive Income. The critical accounting estimates and judgements from management are included in note 4.

3.3.2 AMD receivable

The AMD receivable constitute TCTA's right to receive cash from the Department of Water and Sanitation (DWS) with respect to construction work completed on AMD project as well as services rendered to operate and maintain the project. These costs have two sources of funding as two thirds of the costs are socially funded from the fiscus and one third is socially funded.

The AMD receivable arises as the contra to the construction revenue earned, revenue from services rendered and other operating income. The AMD receivable is measured at amortised cost using the effective interest method.

3.3.3 Financial market investments

Financial market investment relates to the Landbank investment which is classified as long-term due to the uncertainty as to when the investment will mature.

3.3.4 Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise call deposits, cash at banks and on hand. For the purpose of the aggregated statement of cash flows, cash and cash equivalents consist of bank balances, call deposits and cash on hand and is measured at amortised cost.

3.3.5 Trade and other receivables

Trade and receivables are measured at amortised cost.

3.4 Impairment of financial assets

TCTA recognises an ECL allowance on financial market investments to reflect changes in credit risk since initial recognition of the respective financial market investments. The loss allowance is measured at an amount equal to lifetime ECL, when there has been a significant increase in credit risk since initial recognition. If the credit risk on financial market investments has not increased significantly since initial recognition, then the loss allowance is measured at 12-month ECL. Refer to note 7.2.2 for further details.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3.5 Derecognition of financial assets

TCTA derecognises financial assets when, and only when, the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If TCTA neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, TCTA recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If TCTA retains substantially all the risks and rewards of ownership of a transferred financial asset, TCTA continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. A transfer occurs when the entity transfers the contractual rights to receive the cash flows of the financial asset or assumes a contractual obligation to pay cash flows to one or more recipients in terms of an arrangement that meets the requirements of IFRS 9 paragraph 3.2.5.

Write-off policy

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, when the counterparty has been placed under liquidation or, the failure of a debtor to engage in a repayment plan with the TCTA. Receivables written off may still be subject to enforcement activities under the entity's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

3.6 Effective interest method

The effective interest method is the method used to calculate the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3.7 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through surplus or deficit (fair value through surplus or deficit)' or 'other financial liabilities' at amortised cost.

TCTA has the following categories of financial liabilities:

- Borrowings;
- Trade and other payables;
- Refund liability; and
- Contract liabilities.

3.7.1 Borrowings

Borrowings are recognised when TCTA becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any. They are subsequently measured at amortised cost using the effective interest method.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs.

3.7.2 Trade and other payables

Payables are classified as "other liabilities" and are stated at amortised cost, using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3.7.3 Refund liability

The refund liability represents the amount of consideration that TCTA does not expect to be entitled to because it will be refunded to customers. The refund liability is remeasured at each reporting date to reflect changes in the estimate of returns, with a corresponding adjustment to revenue.

3.7.4 Contract liabilities

Contract liabilities relating to working capital advances represent balances which are due to DWS as a result of payments made to TCTA to enable TCTA to construct infrastructure on behalf of DWS for those projects which are completely socially funded and for those which have a combination of commercial and social funding. These will also arise if a particular payment received from DWS for costs incurred to date, exceeds the revenue.

3.8 Derecognition of financial liabilities

TCTA derecognises financial liabilities when, and only when, TCTA's obligations are discharged, cancelled or they expire. The difference between the carrying amount of a financial liability extinguished and the consideration paid, is recognised in profit or loss.

3.9 Offsetting

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position, only where there is a current legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

There were no items offset in the current financial year.

3.10 Leasing arrangements as lessee

TCTA is a party to lease contracts for its office buildings.

TCTA recognizes assets and liabilities for all leases excluding exceptions listed in the standard. TCTA elected to apply exemptions for short-term leases and for leases for which the underlying asset is of low value.

Based on the accounting policy applied the TCTA recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The lease liability is initially measured at the present value of the lease payments that are not paid at the inception date. These include:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments are discounted using TCTA's incremental borrowing rate determined as a rate that TCTA would pay if it were to borrow to finance the lease, obtained as a quote from financial institutions. The liability subsequently measured at amortised cost using the incremental borrowing rate.

The lease payments exclude variable elements which are dependent on external factors such as e.g. sale volume in the point of sale leased. Variable lease payments not included in the initial measurement of the lease liability are recognized directly in the profit and loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The lease term determined by TCTA comprises:

- non-cancellable period of lease contracts;
- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

After the commencement date TCTA measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect lease payments made; and
- re-measuring the carrying amount to reflect any reassessment or lease modifications.

TCTA has presented lease liabilities separately from other liabilities in the statement of financial position.

TCTA has presented interest expense on the lease liability separately from the depreciation charge for the right of use asset. Interest expense on the lease liability is a component of finance costs, which are separately presented in the statement of comprehensive income.

TCTA has classified:

- Cash payments for the principal portion of lease payments as financing activities;
- Cash payments for the interest portion of lease payments as operating activities; and
- Short-term lease payments and payments for leases of low-value assets as operating activities.

3.11 Revenue recognition

A performance obligation is a promise to provide a distinct good or service or a series of distinct goods or services. TCTA is charged with financing and implementing bulk raw water infrastructure projects. These infrastructure projects are accounted for in terms of IFRS 15: Revenue from Contracts with Customers and deal with the construction of a single asset such as a dam or pipeline. In some instances, they deal with several assets that are closely interrelated or interdependent in terms of their design, technology and function or ultimate purpose or use. TCTA applies IFRS 15: Revenue from Contracts with Customers separately for each construction contract as required in the directive from the Minister of Water and Sanitation. TCTA's performance obligations per contract can be summarised as follows:

- provide project financing expertise in order to secure funding for the project (only applicable to off-budget projects); and
- implementing the construction of the assets to be delivered to DWS.

TCTA construction contracts relate to infrastructure projects that the Minister of Water and Sanitation directs TCTA to implement on behalf of DWS. These infrastructure projects are accounted for in terms of IFRS 15 and deal with the construction of a single asset such as a dam or pipeline, and in some instances several assets that are closely interrelated or interdependent in terms of their design, technology and function or ultimate purpose or use. TCTA applies IFRS 15 Revenue from Contracts with Customers separately for each construction contract as required in the directive from the Minister of Water and Sanitation.

NOTES TO THE FINANCIAL STATEMENTS (continued)

When the performance obligation of a construction contract is satisfied over time, TCTA recognises contract revenue and contract costs associated with the construction contract as revenue and expenses respectively by reference to the input method in IFRS 15.

Construction costs

Contract costs comprise:

a) costs that relate directly to the specific contract;
b) costs that are attributable to contract activity, in general, and can be allocated to the contract; and
c) such other costs as are specifically chargeable to the customer under the terms of the contract.

Costs that are included as part of contract activity in general can be allocated to specific projects and include:

a) insurance;
b) costs of design and technical assistance that are not directly related to a specific project; and
c) construction overheads.

Such costs are allocated using appropriate methods that best reflect project utilisation and are applied consistently to all costs having similar characteristics. This allocation is based on all costs being absorbed by the projects, in a ratio that reflects a normal level of construction activity in each project.

Costs that are specifically chargeable to DWS under the terms of each project contract are included in the construction costs. These costs may include general administrative costs during construction and development costs for which reimbursement is specified in terms of the Implementation Agreement or any other relevant contract relating to each project.

Construction revenue

Construction revenue comprises:

a) the initial amount of revenue agreed in the contract; and
b) variations in contract work, and claims:
   (i) to the extent that is probable that they will result in revenue; and
   (ii) they are capable of being reliably measured.

The input method of recognizing revenue is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract cost. TCTA will recognise revenue using the input methods as it closely reflects the amounts due as revenue as it recovers all costs incurred at cost. This is relevant for capital expenditure costs and costs that relate to project management and project finance, contribute to TCTA's progress in satisfaction of its performance obligations.

Revenue recognition happens on a yearly basis as TCTA satisfies the performance obligations set out per project. The timing of recognition typically differs to the payment relating to the revenue recognised. Payment terms are set out in the implementation agreements. The timing of payment will occur when certain conditions per the implementation agreements have been satisfied by TCTA, such as substantial completion of a project. The repayment terms are normally over a period of 20 years. In instances where payments are recovered in advance, TCTA recognises a contract liability. Refer to contract liability accounting policy above).

NOTES TO THE FINANCIAL STATEMENTS (continued)

3.13 Services rendered

Cost of services rendered

Cost of services rendered comprises of costs incurred in the fulfilling of performance obligations towards DWS in regards to the debt management of infrastructure assets financial liabilities as well as the operations and maintenance costs of the LHWP Delivery Tunnel North as well the AMD treatment plants. Debt management costs are recognised when the applicable service costs are incurred, these costs are mainly staff related costs of the Project Finance and Treasury division. The operations and maintenance costs are recognised when the services relating to the operations and maintenance is provided by the service provider and the expenditure is incurred.

Revenue from services rendered

This comprises of revenue earned for the debt management and operations and maintenance services provided to DWS. The revenue is recognised when the cost is incurred. TCTA operates on a cost recovery basis and charges no margin on the costs incurred.

Costs and revenue from services are recognised in the Statement of Comprehensive Income in the period they are incurred.

3.14 Operating expenses

Operating expenses comprise the TCTA running costs. Project specific overhead costs are allocated to the appropriate project. Non-specific overheads are distributed among projects based on the estimated time spent by forward facing divisions on each project.

Operating income

The revenue is recognised when the operating cost are incurred. TCTA operates on a cost recovery basis and charges no margin on the costs incurred.

Costs and revenue from other operating activities are recognised in the Statement of Comprehensive Income in the period they are incurred.

3.15 Finance costs

Finance costs are expensed in the period in which they occur. Finance costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds and leasing activities.

3.16 Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Leave benefits

TCTA measures the expected cost of accumulating paid annual leave as the additional amount that the TCTA expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. In terms of TCTA's policy, employees are entitled to accumulate annual leave not taken to a maximum of 40 working days. Accumulated annual leave exceeding the maximum of 40 working days is forfeited on six months after the employee's leave cycle.

Incentives

Performance rewards and incentives refer to the variable portion of pay and are an element of the overall TCTA Total Rewards Strategy. The Board approved TCTA Short-term Rewards and Incentive (STRI) Policy sets the framework, principles, and methodology for the payment of performance rewards and incentives. These are payable annually (financial year), based on the performance management process outcome at organizational, divisional and individual levels,

NOTES TO THE FINANCIAL STATEMENTS (continued)

and under the discretion of the Board. The mentioned policy also prescribes how the provision of funds is to be determined.

3.17 Cost related payments

The Lesotho Highlands Water Project (LHWP) was configured to augment the water supply to South Africa and to generate hydro-electrical power for Lesotho. In terms of the provisions of the Treaty between the Government of the Republic of South Africa (RSA) and the Government of the Kingdom of Lesotho (GOL), the RSA is responsible for all costs relating to the water transfer component of the project and the GOL is responsible for the total cost of the components relating to the generation of hydro-electrical power.

TCTA's Notice of Establishment of March 2000 places the obligation on TCTA as part of its non-Treaty functions to fulfil all the RSA's financial obligations in terms of or resulting from the Treaty.

The RSA's financial obligations in terms of the Treaty on the water transfer part located within Lesotho include making cost-related payments to the LHDA in terms of Article 10, Royalty Payments to GOL in terms of Article 12 (refer to note 2.3.11) and contributions to the operating costs of the Lesotho Highlands Water Commission (LHWC) in terms of Article 9.

The cost-related payments include all costs wholly and reasonably incurred by the LHDA for the implementation and operation and maintenance of the water transfer component of the project. The cost-related payments are payable when the costs become due for payment by the LHDA, in the case of borrowings raised by the LHDA, the payments will become due when the loans become redeemable. The RSA has elected to repay loans raised by the LHDA directly to the lenders. Article 10(5) further provides that cost related payments to the LHDA may be made on cash flow forecasts presented by the LHDA to allow the LHDA to meet its payment obligations. TCTA and LHDA entered into a Memorandum of Understanding effective 1 April 2005 that provides an operating framework for making funds available to the LHDA for the payment of water transfer costs incurred by the LHDA. The framework requires the LHDA to submit cash-flow forecasts on a monthly/weekly basis to TCTA for payment. This arrangement has the effect that the borrowings for the project are centralised within the TCTA and ensures better management of the RSA's contingent liabilities associated with Government guarantees.

The LHWC is a bi-national commission established in terms of the Treaty and is responsible and accountable to the two Governments for the successful implementation of the LHWP. The LHWC comprises of two delegations representing the respective Governments and is administered by a Secretariat. The LHWC located in Maseru, has approval, monitoring and advisory powers over the activities of the LHDA and TCTA. Decision making by the LHWC is on a consensus basis and serves as the channel for government inputs on the LHWP. The running costs of the LHWC are shared by the governments of the RSA and the GOL. Each party is liable for the costs of its delegation and all other costs are met by the parties on an equal basis.

TCTA makes monthly funding contributions to the LHWC for the RSA share of the operating costs.

3.18 Related party transactions

TCTA has applied the government-related entities exemption in terms of IAS 24: Related Party Disclosures and has only disclosed significant transactions with entities controlled by the Government of South Africa in note 24 and Management considered the closeness of the related party relationship in determining the information to be disclosed.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Other factors relevant in determining the significance of transactions which should be disclosed include:

- significant in amount;
- carried out on non-market terms;
- outside normal day-to-day business operations;
- disclosed to regulatory or supervisory authorities; or
- reported to the Executive Committee (ExCo) and the Board of Directors.

3.19 Contingent liabilities

Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A provision is recognised in the accounting records if the contingency is probable and the amount of the liability can be reasonably estimated.

Contingent assets and contingent liabilities are not recognized in the annual financial statements, however disclosure is provided in the notes.

3.20 Contingent assets

Contingent assets are possible assets whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events that are not wholly within the control of TCTA. TCTA does not recognise contingent assets but disclose contingent assets when it is more likely than not that an inflow of benefits will occur. When this inflow of benefits is almost certain an asset is recognised in the Statement of Financial Position, because that asset is no longer considered to be contingent.

Contingent assets and liabilities are disclosed in note 18.

3.21 Fruitless and wasteful and irregular expenditure

Fruitless and wasteful expenditure is defined as expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Irregular expenditure means expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including the PFMA, or any regulations made in terms of that Act.

Both fruitless and wasteful expenditure and irregular expenditure are recognised as expenditure in the aggregated statement of comprehensive income.

3.22 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The Board of TCTA has appointed ExCo which assesses the financial performance and position of TCTA, and makes strategic decisions. ExCo, which has been identified as being the chief operating decision maker, consists of the chief executive officer, the chief financial officer and the rest of executive management.

4 Critical accounting estimates and judgements

In the process of applying TCTA's accounting policies, management makes various estimates and judgements based on past experience, expectations of the future and other information. The key sources of estimation uncertainty and the critical judgements that can significantly affect the amounts recognised in the financial statements are disclosed below:

NOTES TO THE FINANCIAL STATEMENTS (continued)

Estimates and judgements

The following key judgements and other key sources of estimation uncertainty have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, as presented in these financial statements, within the next financial year. TCTA based its judgements and estimates on parameters available when the financial statements were prepared. Any changes to existing conditions, such as market changes or circumstances beyond TCTA's control, are reflected in the judgements when they occur.

4.1 Accounting estimates

4.1.1 Provision for expected credit loss on financial market investments

The loss allowances for financial assets are based on judgements about risk of default and expected loss rates. TCTA uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note .

4.1.2 Estimates of cash flows imputed in the tariff receivable asset

At the inception of each project, TCTA estimates the construction costs to be incurred and tariffs to be received over the debt repayment period.

The projected costs are based on the estimates of timing and cost as approved by the TCTA Board and the respective project off-takers in the project charters. At each reporting date, these estimates are revised to take into account changes in the timing of the contract, costs due to escalation and variation orders.

TCTA estimates the future receipt of tariffs from DWS using projected demand consumption as forecast by DWS, to arrive at a tariff that will repay all debt and operating costs when the long-term facilities expire. The estimated tariff will also include the forecasting of inflation where the project water supply agreement with DWS allows for inflationary increases in the tariff over the life of the project. Water demand consumption and inflation are revised on an annual basis using the best estimates available from DWS and reputable economic research agencies respectively. Refer to note 10.

4.1.3 Property, plant and equipment: estimation of useful lives

The useful life of an asset is an estimation of the time an asset can reasonably generate income and be of benefit to TCTA. Useful life does not refer to the time the asset will last. The useful life of identical assets varies by user, and that life depends on the asset's age, frequency of use, condition of the business environment, and the repairs done to the asset.

- the period over which an asset is expected to be available for use by TCTA; or
- the number of production or similar units expected to be obtained from the asset by TCTA.

Tangible assets have a useful life of more than one year. Factors involved in determining the useful life of a tangible asset will include inter alia:

- the age of the asset when purchased;
- how frequently the asset is used; and
- the environmental conditions for which TCTA purchased the asset.

Additional factors that affect an asset's useful life include the expected technological improvements and changes in laws and the economy.

Useful life may differ from division to division and may differ from asset to asset. If there are two similar machines, but the one machine runs at a higher

NOTES TO THE FINANCIAL STATEMENTS (continued)

capacity than the other, the useful life of the machine running at the higher capacity will probably be shorter than the other machine. If circumstances relating to the usage of an asset change, this may necessitate a change in the useful life of that asset.

In accordance with TCTA's approved Asset Management Procedure provide, a third party will do the annual reassessment of the useful lives of assets.

4.2 Significant judgements

4.2.1 Property, plant and equipment: estimation of useful lives

The useful life of an asset is defined in terms of the asset's expected utility to TCTA. The asset management policy of TCTA may specify the disposal of assets after a specified time or after consumption of a specified proportion of the future economic benefits embodied in the asset. Thus, the useful life of an asset may be shorter than its economic life and the estimation of the useful life of the asset is a matter of judgement based on the experience of TCTA with similar assets.

4.2.2 Impairment of non-financial assets

TCTA holds non-financial assets which are as a result of construction contracts, as well as those which are not as a result of construction contracts. Prepayments are as a result construction contracts are not considered for impairment. Property, plant and equipment will be considered as impaired when there are indicators that the carrying amount is higher than the amount to be recovered through use or the sale of the assets. Internal sources have been utilised to assess for impairment by noting those assets which are obsolescence or physically damaged. Management judgement on the condition of assets following asset verification exercises and it was concluded that no impairment indicators were present.

4.2.3 Provision for expected credit losses on trade and other receivables

Trade receivables comprise amounts due to TCTA from DWS on socially funded projects. These receivables are short-term in nature as DWS is compelled to provide TCTA with funding in order to fulfil our performance obligations. In applying the simplified approach the assumptions are based on historical loss rates and trends noted on the payment patterns of the department. Any potential future changes in the economic outlook of the DWS are factored in during the project planning phase where the availability of funds is secured.

4.2.4 Fair value measurement on financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As part of the disclosure requirements for fair value measurements, TCTA classifies fair value measurements using a 'fair value hierarchy' that reflects the significance of the inputs used in making the measurements. Fair value measurements are categorised into a three-level hierarchy, based on the type of inputs to the valuation techniques used, as follows:

- Level 1 inputs are quoted prices in active markets for items identical to the asset or liability being measured;
- Level 2 inputs are other observable inputs other than quoted market prices included in level 1 that are observable either directly or indirectly; and
- Level 3 inputs are unobservable inputs which management has developed to reflect the assumptions that market participants would use when determining an appropriate price for the asset or liability.

The categorisation of the fair value measurement into one of the three different levels is determined on the basis of the lowest level input that is significant to

NOTES TO THE FINANCIAL STATEMENTS (continued)

the fair value measurement in its entirety. The significance of an input is assessed against the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. Where the carrying value of financial assets and liabilities not carried at fair value do not approximate their respective fair values, this is disclosed in note.

4.2.5 Critical accounting judgements and key sources of uncertainty

TCTA is characterised by contract risk with significant judgements and estimates involved in the assessment of both current and future contractual performance In terms of IFRS 15: Revenue from contracts with customers (IFRS 15) revenue is recognised over time, measured at the fair value of the consideration received or receivable and includes variations and claims. The input method of recognising revenue is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract cost. TCTA will recognise revenue using the input method as a faithful depiction of transfer of goods and services as it closely reflects the amounts due as revenue as it recovers all costs incurred at cost. This is relevant for capital expenditure costs and costs that relate to project management and project finance, contribute to TCTA's progress in satisfaction of its performance obligations. The timing of the performance obligations is estimated to closely reflect the contract terms. Contract modifications and contractual claims to existing performance obligations are considered when measuring the revenue over time.

The status of expenditure on contracts is updated on a regular basis. In doing so, management is required to exercise judgement when recognising the revenue over time which involves assessing the progress made towards completing the specific performance obligation and their assessment of the valuation of contract variations and claims. Dependent on the level of judgement and estimate in each, the range on each contract can be individually significant. In addition, changes in these judgments, and the related estimates as contracts progress, can result in material adjustments to revenue, which can be both positive and negative.

For all its contracts, TCTA took in account:

a) Construction contracts were assessed against the revenue recognition criteria of IFRS 15 focusing on contract classification, allocation of income and cost of performance obligations.
b) Tested the contract status through examination externally generated evidence, such as approved variations and DWS correspondence.
c) Analysed , through inspection of contract documentation through the annual budgeting process, the estimates, for the total forecast revenue and costs to complete in order to perform a reasonability test of the estimates made by management of the progress made towards completion of the performance obligations. This included taking into account the historical accuracy of such estimates. The forecasted revenue and cost is critical in determining the effective interest rate with which the revenue earned but not yet due is discounted.

We assessed the adequacy of the disclosure made in the financial statements with reference to the disclosure requirements of IFRS 15.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 NEW STANDARDS AND INTERPRETATIONS

5.1 Standards and interpretations effective and adopted in the current year

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

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

IFRS 9 'Financial Instruments' (Fees in the '10 per cent' Test for Derecognition of Financial Liabilities)

Clarifies the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

The amendments state that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. In determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

5.2 Standards and Interpretations early adopted

Classification of Liabilities as Current or Non-current - Amendments to IAS 1

Amendments to IAS 1 Presentation of Financial Statements with regards to the Classification of liabilities as current and non-current were issued in January 2020. The amendments entail the following:

- What is meant by a right to defer settlement;
- That a right to defer settlement must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability does not impact its classification; and
- Disclosures.

It is classified as non-current even if management intends or expects the entity to settle the liability within twelve months after the reporting period, or even if the entity settles the liability between the end of the reporting period and the date the financial statements are authorised for issue. However, in either of these circumstances, the entity may need to disclose information about the timing of the settlement to enable users of its financial statement to understand the impact of the liability on the entity's financial position;

If the settlement of a liability classified as non-current occurs between the end

NOTES TO THE FINANCIAL STATEMENTS (continued)

of the reporting period and the date of the financial statements are authorised for issue, the event is disclosed as a non-adjusting even in accordance with IAS 10 Events after Reporting Period;

For the purpose of classifying a liability as current or non-current, settlement refers to a transfer to the counterparty that results in the liability's extinguishment. The transfer could be of:

- cash or other economic resources - for example, goods or services; or
- the entity's own equity instruments.

Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments do not affect its classification as current or non-current. If applying IAS 32 Financial Instruments: Presentation, the entity classifies the option as an equity instrument, recognising it separately from the liability as an equity component of a compound financial instrument.

The amendments were initially effective from accounting periods beginning on or after 1 January 2022. However, as a result of the COVID-19 pandemic, the IASB decided to give entities more time to implement any classification changes that may result from the above amendments. As such in July 2020 changed the effective date of the amendments and they are now effective from 1 January 2023. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

TCTA has elected to early adopt the amendments and liabilities will be classified as per the requirements.

5.3 Standards and interpretations not yet effective

The entity has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2023 or later periods:

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

TCTA has not elected to early adopt the amendments and the impact of the amendments will depend on TCTA's obligations upon the adoption of the amendments.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates.

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

NOTES TO THE FINANCIAL STATEMENTS (continued)

TCTA has not elected to early adopt the amendments and the impact of the amendments will depend on TCTA's obligation upon the adoption of the amendments.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

The amendments will not have an impact on TCTA as the entity is exempt from tax.

6. SEGMENTAL INFORMATION

6.1 Operating segments

Each segment is a project that meet the criteria to be classified as an identifiable component of TCTA's business, as follows:

a) projects may earn revenue and incur expenses;
b) each segment's operating results are regularly reviewed by the entity's Chief Operating Decision Maker (CODM) to determine the allocation of resources and assess its performance; and
c) discrete financial information for it is available.

The function of CODM is fulfilled by the Chief Executive Officer and ExCo members who review the financial results of TCTA on a quarterly basis.

Presently, the operating segments of TCTA are aligned to the project orientated model of the organisation.

6.2 Identification of operating segments

An important criterion for identifying operating segments is that the operating results are regularly reviewed by the entity's CODM to make decisions about resources to be allocated to the segment and assess its performance. TCTA considers monthly reporting to be 'regularly'.

TCTA provides various services to its customers such as liability management, treasury management services as well as project implementation. TCTA is required to report and account separately for each project and reports to the CODM (on a monthly basis), government (as determined by legislation) as well as external stakeholders (as determined in individual agreements) on the performance and financial position of each project as directed by the Minister of Water and Sanitation.

The mandate and directives are funded by government or TCTA arranges commercial funding and manages the debt repayment. In the second instance, TCTA earns revenue for the services it provides in respect of its liability management, project implementation and treasury management services. The revenue ensures that TCTA is able to repay the liabilities incurred.

In terms of IFRS 8, two or more operating segments may be aggregated into a single operating segment if aggregation is consistent with the core principle of the standard, have similar economic characteristics, and if the segments are similar in certain aspects. The aggregated financial statements are merely a sum total of TCTA's assets, liabilities, income and expenses. TCTA therefore

NOTES TO THE FINANCIAL STATEMENTS (continued)

includes a full statement of financial position and statement of comprehensive income in note 6.4 below as well as the segmental cash flows as an annexure (Annexure A) to these financial statements to fulfil its obligation of separate reporting.

6.3 Entity-wide disclosures

Description of the Segment	Current Work	Acronym
Vaal River System Treaty Functions as per Section 21 of the Notice of Establishment Delivery Tunnel North of the Lesotho Highlands Water Project Sections 24 (a), (b) and (c) • To fulfil the RSA financial obligations in terms of or resulting from the Treaty • To receive the water from LHDA and discharge into the Ash River • Additional functions pertaining to the release of the water	Royalty payments to the Government of Lesotho. Payments for : • The operation and maintenance of the water transfer component in Lesotho undertaken by Lesotho Highlands Development Authority for the construction of Phase II and • Lesotho Highlands Water Commission costs	VRS

Description of the Segment	Current Work	Acronym
Vaal River System Advice to institutions on various matters pertaining to the construction of infrastructure and the viability of the water sector. The Income Agreement, signed in 2001 between DWS and TCTA, established the principle of using water use charges on the Vaal River System to enable TCTA to meet its financial obligations incurred when carrying out a directive of the Minister, where no alternative source of income was provided (transfers or separate income streams).	Strategic Integrated Project – 3 & 18 Mzimvubu Water project	VRS

NOTES TO THE FINANCIAL STATEMENTS (continued)

Description of the Segment	Current Work	Acronym
Acid Mine Drainage Sections 24 (d)Other functions that may be assigned to the Authority in terms of Section 103 (2) of the National Water Act Combined borrowing programme for LHWP and AMD funded from the cash flow from the Vaal River system Acid Mine Drainage Project The project comprises **Short-term intervention** The installation of pumps to extract water from the Western, Central and Eastern Basins in the Witwatersrand gold fields, neutralisation and reduction in the concentration of metals before discharge into the river system.	Management of debt Operation and Maintenance Pre-implementation phase	AMD
Berg River Water Project The project comprises the Berg River Dam and supplementary scheme located in the reaches of the Berg River near Franschhoek, Western Cape.	Management of debt, Project close-out	BWP
Vaal River Eastern Sub-System Augmentation Project The project comprises of a scheme to convey water 121km from the Vaal Dam to the Secunda area.	Management of debt, Project close-out	VRESAP

Description of the Segment	Current Work	Acronym
Mooi Mgeni Transfer Scheme – 2 The project comprises of the Spring Grove Dam on the Mooi River, a fish barrier upstream of the dam and augmentation of the Water Transfer System from the Mooi to the Mpofana River.	Management of debt, Project close-out	MMTS-2
Komati Water System Augmentation Project This project forms part of the Vaal River Eastern Subsystem. The project comprises the installation of a system to convey water to Eskom's power stations in Mpumalanga.	Management of debt	KWSAP
Olifants River Water Resource Development Project Phase 2C: The project comprises a 40km pipeline from De Hoop Dam to Steelpoort	Implementation	ORWRDP

NOTES TO THE FINANCIAL STATEMENTS (continued)

Description of the Segment	Current Work	Acronym
Mokolo Crocodile Water Augmentation Project Phase 1: The project comprises of a scheme to convey water 43km from the Mokolo Dam to the Lephalale area Phase 2A: The project comprises of a scheme to transfer water 160 km from the Crocodile River, near Thabazimbi, to the Lephalale area	Management of debt Project close-out Pre-implementation	MCWAP
UMGENI The MMTS-2 directive was amended on 20 March 2014 to include the construction of a potable water pipeline for Umgeni Water as part of the water transfer project.	Project close-out	UMGENI
KRIEL The project comprises of a 3km pipeline from the KWSAP to Kriel Water treatment works and the upgrading of the works	Project management services	KRIEL
Mzimvubu River Water Project This project is in the Mzimvubu area in the Eastern Cape. The scope of work and the sources of funding are still to be determined.	Advisory stage	MRWP
Trans-Caledon Tunnel Authority - Corporate		TCTA-C

Description of the Segment	Current Work	Acronym
Berg River-Voëlvlei Augmentation Scheme The project comprises a diversion weir and pump station in the Berg river to transfer water into the Voëlvlei Dam to augment the Western Cape Water Supply system	Pre-implementation	BRVAS
uMkomazi Water Project uMWP-1 consists of: Bulk raw water – implementation by TCTA: 81m high dam and appurtenant works at Smithfield on the uMkhomazi River near Bulwer. Conveyance infrastructure (32km 3.5m diameter tunnel and 5km 2.6m diameter raw water pipeline) to the proposed Umgeni Water's Water Treatment Works (WTW) in the uMlaza River valley.	Pre-implementation	uMWP

NOTES TO THE FINANCIAL STATEMENTS (continued)

6.4 Operating segments: financial results

TCTA will report detailed statements of financial position as well as statements of comprehensive income, for each project.

6.4.1 Segmental Statement of Financial Position as at March 31, 2023

	Note(s)	VRS R mil	BWP R mil	VRESAP R mil	MCWAP-1 R mil	MMTS-2 R mil	ORWRDP R mil	KWSAP R mil	KRIEL R mil	TCTA-C R mil	MRWP R mil	MCWAP-2 R mil	BRVAS R mil	uMWP R mil	SECMENTAL TOTAL R mil	INTER-PROJECT ELIMINATION R mil	TCTA TOTAL R mil
ASSETS																	
Non-current assets																	
Property, plant and equipment	8	23	-	-	-	-	-	-	-	-	-	-	-	-	23	-	23
Right of use asset	9	21	-	-	-	-	-	-	-	-	-	-	-	-	21	-	21
Tariff receivable	10.2	4 680	146	2 617	320	-	-	576	-	-	-	-	-	-	8 339	-	8 339
AMD Receivable	10.3	1 570	-	-	-	-	-	-	-	-	-	-	-	-	1 570	-	1 570
Financial market investments	10.4	23	-	-	-	-	-	-	-	-	-	-	-	-	23	-	23
		6 317	**146**	**2 617**	**320**	**-**	**-**	**576**	**-**	**-**	**-**	**-**	**-**	**-**	**9 976**	**-**	**9 976**
Current assets																	
Tariff receivable	10.2	158	49	210	27	-	-	98	-	-	-	-	-	-	542	-	542
AMD Receivable	10.3	311	-	-	-	-	-	-	-	-	-	-	-	-	311	-	311
Loans and other receivables	10.5	102	-	-	-	8	38	-	6	-	10	-	7	10	181	(106)	75
Prepayments	11	44	-	-	-	1	1	-	-	-	-	-	-	-	46	-	46
Cash and cash equivalents	12	6 8 54	81	440	698	345	-	289	-	7	6	634	4	1	9 359	-	9 359
Total current assets		**7 469**	**130**	**650**	**725**	**354**	**39**	**387**	**6**	**7**	**16**	**634**	**11**	**11**	**10 439**	**(106)**	**10 333**
TOTAL ASSETS		**13 786**	**276**	**3 267**	**1 045**	**354**	**39**	**963**	**6**	**7**	**16**	**634**	**11**	**11**	**20 415**	**(106)**	**20 309**

NOTES TO THE FINANCIAL STATEMENTS (continued)

6.4.1 Segmental Statement of Financial Position as at March 31, 2023 (continued)

	Note(s)	VRS R mil	BWP R mil	VRESAP R mil	MCWAP-1 R mil	MMTS-2 R mil	ORWRDP R mil	KWSAP R mil	KRIEL R mil	TCTA-C R mil	MRWP R mil	MCWAP-2 R mil	BRVAS R mil	uMWP R mil	SECMENTAL TOTAL R mil	INTER-PROJECT ELIMINATION R mil	TCTA TOTAL R mil
EQUITY AND LIABILITIES																	
Equity																	
Retained income		3 984	65	530	172	155	1	12	-	4	-	31	7	1	4 962	-	4 962
LIABILITIES																	
Non-current liabilities																	
Borrowings	10.6	7 828	129	2 378	816	-	-	897	-	-	-	-	-	-	12 048	-	12 048
Lease liability	13	18	-	-	-	-	-	-	-	-	-	-	-	-	17	-	17
Total non-current liabilities		**7 846**	**129**	**2 378**	**816**	**-**	**-**	**897**	**-**	**-**	**-**	**-**	**-**	**-**	**12 065**	**-**	**12 065**
Current liabilities																	
Borrowings	10.6	854	77	319	43	-	-	42	-	-	-	-	-	-	1 335	-	1 335
Refund liability	10.7	-	-	-	-	174	-	-	-	-	-	-	-	-	174	-	174
Contract liabilities	10.8	-	-	-	-	-	-	-	4	-	-	589	-	-	593	-	593
Trade and other payables	10.9	1 062	5	40	14	25	38	12	2	3	16	14	4	11	1 246	(106)	1 140
Lease liability	13	3	-	-	-	-	-	-	-	-	-	-	-	-	3	-	3
Short-term employee benefits	14	37	-	-	-	-	-	-	-	-	-	-	-	-	37	-	37
Total current liabilities		**1 956**	**82**	**359**	**57**	**199**	**38**	**54**	**6**	**3**	**16**	**603**	**4**	**11**	**3 388**	**(106)**	**3 282**
TOTAL LIABILITIES		**9 802**	**211**	**2737**	**873**	**199**	**38**	**951**	**6**	**3**	**16**	**603**	**4**	**11**	**15 453**	**(106)**	**15 347**
TOTAL EQUITY AND LIABILITIES		**13 786**	**276**	**3 267**	**1 045**	**354**	**39**	**963**	**6**	**7**	**16**	**634**	**11**	**11**	**20 415**	**(106)**	**20 309**

6.4.2 Restated Segmental Statement of Financial Position as at March 31, 2022

	Note(s)	VRS R mil	BWP R mil	VRESAP R mil	MCWAP-1 R mil	MMTS-2 R mil	ORWRDP R mil	KWSAP R mil	UMGENI R mil	KRIEL R mil	TCTA-C R mil	MRWP R mil	MCWAP-2 R mil	BRVAS R mil	uMWP R mil	SECMENTAL TOTAL R mil	INTER-PROJECT ELIMINATION R mil	TCTA TOTAL R mil
ASSETS																		
Non-current assets																		
Property, plant and equipment	8	2	-	-	-	-	-	-	-	-	-	-	-	-	-	2	-	2
Right of use asset	9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tariff receivable	10.2	4 929	208	2 847	337	-	-	722	-	-	-	-	-	-	-	9 043	-	9 043
AMD Receivable	10.3	1 609	-	-	-	-	-	-	-	-	-	-	-	-	-	1 609	-	1 609
Financial market investments	10.4	46	-	-	-	-	-	-	-	-	-	-	-	-	-	46	-	46
Total non-current assets		**6 586**	**208**	**2 847**	**337**	**-**	**-**	**722**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10 700**	**-**	**10 700**
Current assets																		
Tariff receivable	10.2	-	71	291	33	-	-	107	-	-	-	-	-	-	-	502	-	502
AMD Receivable	10.3	261	-	-	-	-	-	-	-	-	-	-	-	-	-	261	-	261
Loans and other receivables	10.5	611	-	-	12	21	4	-	4	6	-	1	326	-	-	985	(950)	35
Prepayments	11	41	-	-	-	1	1	-	-	-	-	-	-	-	-	43	-	43
Cash and cash equivalents	12	5 652	77	208	999	959	47	260	-	-	5	-	610	20	12	8 849	-	8 849
Total current assets		**6 565**	**148**	**499**	**1 044**	**981**	**52**	**367**	**4**	**6**	**5**	**1**	**936**	**20**	**12**	**10 640**	**(950)**	**9 690**
TOTAL ASSETS		**13 151**	**356**	**3 346**	**1 381**	**981**	**52**	**1 089**	**4**	**6**	**5**	**1**	**936**	**20**	**12**	**21 340**	**(950)**	**20 390**

NOTES TO THE FINANCIAL STATEMENTS (continued)

6.4.2 Restated Segmental Statement of Financial Position as at March 31, 2022 (continued)

	Note(s)	VRS R mil	BWP R mil	VRESAP R mil	MCWAP-1 R mil	MMTS-2 R mil	ORWRDP R mil	KWSAP R mil	UMGENI R mil	KRIEL R mil	TCTA-C R mil	MRWP R mil	MCWAP-2 R mil	BRVAS R mil	uMWP R mil	SECMENTAL TOTAL R mil	INTER-PROJECT ELIMINATION R mil	TCTA TOTAL R mil
EQUITY AND LIABILITIES																		
Equity																		
Retained income/(loss)		3 026	69	493	145	151	-	14	3	-	3	-	7	7	-	3 890	-	3 890
LIABILITIES																		
Non-current liabilities																		
Borrowings	10.6	8 683	206	2 509	244	-	-	1 023	-	-	-	-	-	-	-	12 665	-	12 665
Lease liability	17	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-current liabilities		**8 683**	**206**	**2 509**	**244**	**-**	**-**	**1 023**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12 665**	**-**	**12 665**
Current liabilities																		
Borrowings	10.6	854	77	300	654	582	-	67	-	-	-	-	-	-	-	2 535	-	2 535
Refund liability	10.7	-	-	-	-	179	-	-	-	-	-	-	-	-	-	179	-	179
Contract liabilities	10.8	-	-	-	-	-	-	-	-	3	-	-	387	9	9	408	-	408
Trade and other payables	10.9	554	4	44	338	69	52	13	1	2	2	1	542	4	3	1 629	(950)	679
Lease liability	13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term employee benefits	14	34	-	-	-	-	-	-	-	-	-	-	-	-	-	34	-	34
Total current liabilities		**1 442**	**81**	**344**	**992**	**830**	**52**	**80**	**1**	**5**	**2**	**1**	**929**	**13**	**12**	**4 785**	**(950)**	**3 835**
TOTAL LIABILITIES		**10 125**	**287**	**2 853**	**1 236**	**830**	**52**	**1 103**	**1**	**5**	**2**	**1**	**929**	**13**	**12**	**17 450**	**(950)**	**16 500**
TOTAL EQUITY AND LIABILITIES		**13 151**	**356**	**3 346**	**1 382**	**981**	**52**	**1 089**	**4**	**5**	**5**	**1**	**936**	**20**	**12**	**21 340**	**(950)**	**20 390**

NOTES TO THE FINANCIAL STATEMENTS (continued)

6.4.3 Segmental Statement of Comprehensive Income as at March 31, 2023

	Note(s)	VRS R mil	BWP R mil	VRESAP R mil	MCWAP-1 R mil	MMTS-2 R mil	ORWRDP R mil	KWSAP R mil	UMGENI R mil	KRIEL R mil	TCTA-C R mil	MRWP R mil	MCWAP-2 R mil	BRVAS R mil	uMWP R mil	SECMENTAL TOTAL R mil	INTER-PROJECT ELIMINATION R mil	TCTA TOTAL R mil
Construction revenue	19	1	-	-	-	-	21	-	-	-	-	-	80	17	19	138	-	138
Construction costs	19	(1)	-	-	-	-	(21)	-	-	-	-	-	(80)	(17)	(19)	(138)	-	(138)
Revenue from services rendered	20	259	1	1	1	3	1	1	-	-	-	-	-	-	-	267	-	267
Cost of services rendered	20	(259)	(1)	(1)	(1)	(3)	(1)	(1)	-	-	-	-	-	-	-	(267)	-	(267)
Operating income		243	7	12	11	14	15	7	-	-	-	7	-	-	-	316	-	316
Operating expenses		(243)	(7)	(12)	(11)	(14)	(15)	(7)	-	-	-	(7)	-	-	-	(316)	-	(316)
Legal and litigation costs		2	-	(1)	-	-	(1)	-	-	-	-	-	-	-	-	(4)	-	(4)
Depreciation	8	(6)	-	-	-	-	-	-	-	-	-	-	-	-	-	(6)	-	(6)
Employee costs	27.2	(196)	(5)	(8)	(8)	(10)	(10)	(5)	-	-	-	(5)	-	-	-	(247)	-	(247)
Directors emoluments and related costs	23.2	(7)	-	-	-	-	-	-	-	-	-	-	-	-	-	(7)	-	(7)
Net impairment losses on financial assets	7.2.2	(9)	-	-	-	-	-	-	-	-	-	-	-	-	-	(9)	-	(9)
Other operating expenses	27	(23)	(2)	(3)	(3)	(4)	(4)	(2)	-	-	-	(2)	-	-	-	(43)	-	(43)
Operating profit		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net finance income		961	(5)	38	27	1	1	26	(4)	-	-	1	24	1	1	1 072	-	1 072
Finance income	23.1	1 780	18	310	110	37	5	119	(4)	-	-	1	35	1	1	2 413	(15)	2 398
Finance costs	23.2	(819)	(23)	(272)	(83)	(36)	(4)	(93)	-	-	-	-	(11)	-	-	(1 341)	15	(1 326)
Surplus for the year		**961**	**(5)**	**38**	**27**	**1**	**1**	**26**	**(4)**	**-**	**-**	**1**	**24**	**1**	**1**	**1 072**	**-**	**1 072**
Total comprehensive income for the year		**961**	**(5)**	**38**	**27**	**1**	**1**	**26**	**(4)**	**-**	**-**	**1**	**24**	**1**	**1**	**1 072**	**-**	**1 072**

NOTES TO THE FINANCIAL STATEMENTS (continued)

6.4.4 Restated Segmental Statement of Comprehensive Income as at March 31, 2022

	Note(s)	VRS R mil	BWP R mil	VRESAP R mil	MCWAP-1 R mil	MMTS-2 R mil	ORWRDP R mil	KWSAP R mil	KRIEL R mil	TCTA-C R mil	MRWP R mil	MCWAP-2 R mil	BRVAS R mil	uMWP R mil	SECMENTAL TOTAL R mil	INTER-PROJECT ELIMINATION R mil	TCTA TOTAL R mil
Construction revenue	19	-	-	-	-	(2)	43	-	-	-	-	181	26	14	262	-	262
Construction costs	19	-	-	-	-	2	(43)	-	-	-	-	(181)	(26)	(14)	(262)	-	(262)
Revenue from services rendered	20	244	1	1	1	3	1	1	-	-	-	-	-	-	252	-	252
Cost of services rendered	20	(244)	(1)	(1)	(1)	(3)	(1)	(1)	-	-	-	-	-	-	(252)	-	(252)
Operating income		209	5	7	8	10	13	5	-	-	5	-	-	-	262	-	262
Operating expenses		(209)	(5)	(7)	(8)	(10)	(13)	(5)	-	-	(5)	-	-	-	(262)	-	(262)
Legal and litigation costs		(9)	-	-	-	-	(3)	-	-	-	-	-	-	-	(12)	-	(12)
Depreciation	8	(6)	-	-	-	-	-	-	-	-	-	-	-	-	(6)	-	(6)
Employee costs	27.2	(174)	(4)	(5)	(6)	(7)	(7)	(4)	-	-	(4)	-	-	-	(211)	-	(211)
Directors emoluments and related costs	23.2	(7)	-	-	-	-	-	-	-	-	-	-	-	-	(7)	-	(7)
Net impairment losses on financial assets	7.2.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other operating expenses	27	(13)	(1)	(2)	(2)	(3)	(3)	(1)	-	-	(1)	-	-	-	(26)	-	(26)
Operating profit		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net finance income		1 124	(8)	(48)	113	114	-	13	-	1	-	7	7	-	1 323	-	1 323
Finance income	23.1	1 970	21	225	215	205	3	113	-	1	-	34	7	1	2 795	(31)	2 764
Finance costs	23.2	(846)	(29)	(273)	(102)	(91)	(3)	(100)	-	-	-	(27)	-	(1)	(1 472)	31	(1 441)
Surplus/(loss) for the year		**1 124**	**(8)**	**(48)**	**113**	**114**	**-**	**13**	**-**	**1**	**-**	**7**	**7**	**-**	**1 323**	**-**	**1 323**
Total comprehensive income for the year		**1 124**	**(8)**	**(48)**	**113**	**114**	**-**	**13**	**-**	**1**	**-**	**7**	**7**	**-**	**1 323**	**-**	**1 323**

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 FINANCIAL INSTRUMENT RISK MANAGEMENT

7.1 Capital management

TCTA manages its capital to ensure that projects will be able to continue as a going concern while optimising the debt for each project.

The capital structure of TCTA consists of short, medium and long-term debt (borrowings as detailed in note 10.6) and equity (comprising accumulated surpluses or deficits).

TCTA is not subject to any externally imposed capital requirements except for adherence to the debt ceiling as approved by DWS with concurrence from the Minister of Finance. TCTA's Finance Committee reviews each project's capital structure on a quarterly basis. As part of this review, the Committee considers the cost of capital and the risks associated with each class of debt.

TCTA's borrowing limits per project is reviewed on an annual basis by the Minister of Water and Sanitation, with the concurrence of the Minister of Finance. The borrowing limits are based on TCTA's borrowing requirements in order to fulfil the Republic of South Africa's financial obligations in terms of, or resulting from, the Treaty and other directives received from the Minister (Refer to note 7.2.1).

Optimal capital structure:

In principle, TCTA prefers to maintain a capital structure of a minimum of 70% fixed rate debt to 30% floating rate debt ratio after construction of the infrastructure. The debt equity ratio is 2.5:1 (2022: 3.6:1). This ensures that there is less volatility on the debt curve and furthermore, there is a high predictability of cash flows, thus minimising the associated interest rate risk to each project.

7.2 Financial risk management objectives

The Board has overall responsibility for the establishment and oversight of risk management within the organisation and approves all risk management policies. Risk management in TCTA is carried out through a central risk management function. The user departments identify, assess and monitor the management of financial risks. The Finance Committee provides oversight on the management of financial risks and provides guidance on key finance activities of the TCTA business. TCTA's treasury activities comprise of raising finance and managing investments (e.g. liquidity and treasury investment portfolios). TCTA's treasury operates within the financial markets, as such, is subject to associated risks, which could have financial implications on the organisation. In line with the approved Risk Management Framework and Treasury Risk Management policy, the Treasury Department monitors treasury risks on a daily, weekly and monthly basis, in order to ensure that controls in place are working effectively, to mitigate any possible financial losses to the organisation.

TCTA's market activities expose it to market risk (including interest rate risk, etc.) credit risk and liquidity risk (Refer notes 7.2.1–7.2.3).

TCTA seeks to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures where possible and appropriate within Board approved policies.

The various types of financial and treasury risks pertaining to each of the projects are identified, assessed, managed and monitored in a prudent manner, within a Board approved Treasury Risk Management policy.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The liability is managed in a very prudent and conservative manner, which is further underscored by the adoption of the following portfolio approaches and objectives:

- **Asset and liability matching:** TCTA strives to minimise both refinancing and repricing risks associated with maturing debt by matching the maturity dates of debt issued with free cash generated by the project.

TCTA has taken a more proactive approach to short-term cash management. The cash flow requirements for the next 12 months are assessed, and where required, the required funding is procured.

The set guiding principles and objectives have been applied consistently over the years.

7.2.1 Liquidity stress test scenarios as at Friday, 31 March 2023

TCTA has performed a liquidity stress test in order to assess its ability to meet its debt obligations in the next 12 months and beyond. The assessment considers two scenarios:

Scenario 1

- This scenario which assumes the estimated time from the 31 March 2023 until the date that the cash resources are fully depleted assuming no cash is recovered through the tariff receivable and no additional funding is obtained.
- The table below represents stress tests to determine the number of days each project's cash resources would last, assuming TCTA does not receive any payments from DWS. The calculation takes the opening cash balance and deducts all the cash outflow forecast over the period.

Estimated number of days as at 31 March 2023 exhaustion of cash resources assuming no tariffs are received in the foreseeable future

Project	Current cash balances R mill	Days till cash is depleted	Anticipated depletion date [1]	Undrawn liquidity facilities [2] R mil
VRS	6 854	>365	After April 2024	1 500
BWP	81	>365	After April 2024	700
VRESAP	440	>365	After April 2024	500
MCWAP-1	698	>365	After April 2024	200
MMTS-2	345	>365	After April 2024	622
KWSAP	289	>365	After April 2024	750
ORWRDP	-	12	14 April 2023	-
MCWAP-2	634	228	14 November 2023	-
BRVAS	4	12	14 April 2023	-
MRWP	6	>365	After April 2024	-
uMWP	1	12	14 April 2023	-

[1] Expected date at which the cash resources will be depleted

[2] TCTA has available facilities that enables each project to drawdown if required, except ORWRDP which is funded from the fiscus.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Scenario 2

This scenario considers the estimated time from the 31 March 2023 until the date that the cash resources are fully depleted assuming that cash is received through the tariff receivable but no additional funding is obtained.

The table below represents the number of days each project's cash resources would last assuming TCTA receives timely payments (in respect of the tariff receivable) from DWS.

Estimated number of days as at 31 March 2023 exhaustion of cash resources assuming the forecast tariff receivable is received

Project	Current cash balances R mill	Days till cash is depleted	Anticipated depletion date [1]	Undrawn liquidity facilities [2] R mil
VRS	6 854	>365	After April 2024	-
BWP	81	>365	After April 2024	-
VRESAP	440	>365	After April 2024	-
MCWAP-1	698	>365	After April 2024	-
MMTS-2	345	>365	After April 2024	-
ORWRDP	-	12	14 April 2023	-
KWSAP	289	>365	After April 2024	-
MRWP	6	>365	After April 2024	-
MCWAP-2	634	228	14 November 2023	-
BRVAS	4	12	14 April 2023	-
uMWP	1	12	14 April 2023	-

[1] Expected date at which the cash resources will be depleted

[2] TCTA has available facilities that enables each project to drawdown if required, except for those projects which are funded from the fiscus.

Notes

1. The liquidity of all the projects under this scenario is robust, subject to DWS making payments to TCTA on time.

TCTA and DWS are presently investigating mechanisms for ring-fencing of the receipt of tariff revenue by DWS from consumers to only be used to repay the tariff that is due to TCTA. This will ensure timely payment of tariffs by DWS to TCTA.

NOTES TO THE FINANCIAL STATEMENTS (continued)

VRS

A Financing facilities

Funding sources and utilisation at 31 March:

	2023 R mil	2022 R mil
Total borrowing authority		
Global limit [(1)]	16 969	19 076
Utilisation	(8 682)	(9 537)
Available	**8 287**	**9 539**

The table above includes the total utilisation of all facilities, including both local and foreign loans, against the borrowing limit.

[(1)] The global limit are as set by National Treasury and governs the total limit of gross liabilities of the project. The individual limit is set internally from time to time when markets are suitable to move from one instrument to the other.

Total utilisation of capital market and commercial paper facilities

The following tables reflect the commercial paper and excludes local and foreign loans as the latter do not have authorised limits.

Each year the Finance Committee reviews and approves facility utilisation for the financial year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2023 **Approved facilities**	**Facility amount R mil**	**Issued R mil**	**Available R mil**	**Outstanding debt (3) R mil**
Total issued to date				
Commercial Paper Programme (including Term Paper)	4 000	-	4 000	-

2023 **Utilisation of approved facilities**	**Facility amount R mil**	**Disbursed (3) R mil**	**Available (3) R mil**	**Outstanding debt R mil**
Investec	1 000	1 000	-	885
Investec (2)	500	-	500	-
Investec	1 650	1 650	-	1 457
Standard Bank of SA	3 000	3 000	-	2 100
Standard Bank of SA (2)	1 000	-	1 000	-
Standard Bank of SA	1 500	1 500	-	1 100
Firstrand Bank Ltd	3 800	2 390	1 410	2 390
Nedbank Ltd	2 000	-	2 000	-
DBSA	3 000	-	3 000	-
DBSA	1 250	-	1 250	-
IDC	1 250	-	1 250	-
Absa	1 000	1 000	-	750
	20 950	**10 540**	**10 410**	**8 682**

NOTES TO THE FINANCIAL STATEMENTS (continued)

2022 **Approved facilities**	Facility amount R mil	Issued R mil	Available R mil	Outstanding debt [3] R mil
Total issued to date				
Commercial Paper Programme (including Term Paper)	4 000	-	4 000	-

2022 **Utilisation of approved facilities**	Facility amount R mil	Disbursed [3] R mil	Available [3] R mil	Outstanding debt R mil
Investec	1 000	1 000	-	951
Investec [2]	500	-	500	-
Investec	1 650	1 650	-	1 567
Standard Bank of SA	3 000	3 000	-	2 300
Standard Bank of SA [2]	1 000	-	1 000	-
Standard Bank of SA	1 500	1 500	-	1 329
Firstrand Bank Ltd	3 800	2 390	1 410	2 390
Nedbank Ltd	2 000	-	2 000	-
DBSA	3 000	-	3 000	-
DBSA	2 500	-	2 500	-
Absa	1 000	1 000	-	1 000
	20 950	**10 540**	**10 410**	**9 537**

(1) The borrowing limits for bonds is as approved from time to time by the Board as recommended by the Finance Committee. The borrowing limits for the bonds are governed by the total acceptable issuance limit of R21 billion.
(2) This is a revolving credit facility.
(3) This excludes loan commitments reflected in the table below.

The limits for commercial paper and the individual bonds are the authorised limits for utilisation of the individual bonds and commercial paper. The aggregate utilisation of the commercial paper and bonds is capped by the total borrowing authority limit.

B Liquidity and interest risk tables

The liquidity and interest risk tables are included for each project and includes the contractual maturity analysis reports for non-derivative financial assets and liabilities as well as the liquidity analysis for derivatives.

Contractual maturity analysis report for non-derivative financial assets/(liabilities)

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities.

The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in Note 10.1 and 10.6.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 March, VRS had contractual maturities as summarised below:

2023	Non-current financial assets/(liabilities)					
Non-derivative financial assets/ (liabilities)	**Weighted average effective interest rate %**	**Total undiscounted current financial assets/(liabilities) R mil**	**1-5 years R mil**	**>5 years R mil**	**Total undiscounted non-current financial assets/(liabilities)**	**Total undiscounted financial assets/ (liabilities)**
Financial assets						
Tariff receivable	5.6	5 132	-	30 032	30 032	35 164
AMD Receivable	8.44	181	987	592	1 579	1 760
Loans and receivables	Not applicable	102	-	-	-	102
Financial market investments	10.75	-	-	59	59	59
Cash and cash equivalents [1]	8.17	6 854	-	-	-	6 854
Financial asset maturities		12 269	987	30 683	31 670	43 939
Financial liabilities						
Borrowings [1]	9.51	(1 712)	(7 422)	(3 841)	(11 263)	(12 975)
Lease liability	12	-	-	-	-	-
Trade and other payables (excluding interest payable) [2]	Not applicable	(998)	-	-	-	(998)
Financial liabilities maturities		(2 710)	(7 422)	(3 841)	(11 263)	(13 973)
Net financial asset/(liabilities)		**9 559**	**(6 435)**	**26 842**	**20 407**	**29 966**

NOTES TO THE FINANCIAL STATEMENTS (continued)

2022			Non-current financial assets/(liabilities)			
Non-derivative financial assets/ (liabilities)	Weighted average effective interest rate %	Total undiscounted current financial assets/(liabilities) R mil	1-5 years R mil	>5 years R mil	Total undiscounted non-current financial assets/(liabilities)	Total undiscounted financial assets/ (liabilities)
Financial assets						
Tariff receivable	24.67	5 118	8 204	18 938	27 142	32 260
AMD Receivable	6.47	161	806	645	1 451	1 612
Loans and receivables	Not applicable	622	-	-	-	622
Variable term investments	7	-	-	73	73	73
Cash and cash equivalents (1)	4.44	5 652	-	-	-	5 652
Financial asset maturities		11 553	9 010	19 656	28 666	40 219
Financial liabilities						
Variable rate loans: local (1)	6.71	(1 547)	(8 160)	(4 618)	(12 778)	(14 325)
Trade and other payables (excluding interest payable) (2)	Not applicable	(506)	-	-	-	(506)
Financial liabilities maturities		(2 053)	(8 160)	(4 618)	(12 778)	(14 831)
Net financial asset/(liabilities)		**9 500**	**850**	**15 038**	**15 888**	**25 388**

(1) The amounts included above for variable interest rate instruments for both non-derivative assets and liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period. The variable interest rate investments are on demand.
(2) Accrued interest has been included with the applicable instruments in the table above

Liquidity analysis for derivative financial instruments

There were no FEC's as at 31 March 2022 (2021:no FEC's)

The above contractual maturities reflect the net cash outflows and inflows and are therefore different from the carrying values of the liabilities at reporting date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

BWP

A Financing facilities

Funding sources and utilisation at 31 March:

	2023 R mil	2022 R mil
Total borrowing authority		
Global limit [(1)]	333	411
Utilisation	(206)	(283)
Available	**127**	**128**

The table above includes the total utilisation of all facilities, including both local and foreign loans, against the borrowing limit.

[(1)] The Global limit is as set by National Treasury and governs the total limit of gross liabilities of the project. The individual limit is set internally from time to time when markets are suitable to move from one instrument to the other.

Total utilisation of capital market and commercial paper facilities

The following tables reflect the commercial paper and excludes local and foreign loans as the latter do not have authorised limits.

Each year the Finance Committee reviews and approves facility utilisation for the financial year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2023

Approved facilities	**Facility amount R mil**	**Issued R mil**	**Available [3][4] R mil**	**Outstanding debt [3] R mil**
Total issued to date				
Commercial Paper Programme	450	-	450	-
DBSA [1]	500	400	-	120
European Investment Bank [1][2][3]	800	890	-	86
Absa	300	-	300	-
			750	**206**

2022

Approved facilities	**Facility amount R mil**	**Issued R mil**	**Available [3][4] R mil**	**Outstanding debt [3] R mil**
Total issued to date				
Commercial Paper Programme	450	-	450	-
DBSA [1]	500	400	-	140
European Investment Bank [1][2][3]	800	890	-	143
Absa	300	-	300	-
			750	**283**

(1) The facilities are not available for further drawdowns.
(2) This is a Euro denominated facility drawn in Rands and repaid in Rands.
(3) All amounts are in ZAR unless otherwise stated.
(4) Where the available amount is zero, the drawdown period has expired.

NOTES TO THE FINANCIAL STATEMENTS (continued)

B Liquidity and interest risk tables

The liquidity and interest risk tables are included for each project and include the contractual maturity analysis reports for non-derivative financial assets and liabilities. There is no liquidity analysis for derivatives as there were no derivative instruments in BWP.

Contractual maturity analysis report for non-derivative financial assets/(liabilities)

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in Note 10.1 and 10.6.

As at 31 March, BWP had contractual maturities as summarised below:

2023			Non-current financial assets/(liabilities)			
Non-derivative financial assets/ (liabilities)	Weighted average effective interest rate %	Total undiscounted current financial assets/(liabilities) R mil	1-5 years R mil	>5 years R mil	Total undiscounted non-current financial assets/(liabilities)	Total undiscounted financial assets/ (liabilities)
Financial assets						
Tariff receivable	8.95	67	181	-	181	248
Cash and cash equivalents [(1)]	7.94	81	-	-	-	81
Financial asset maturities		148	181	-	181	329
Financial liabilities						
Fixed rate loans: Local	8.5	(93)	(133)	(21)	(154)	(247)
Trade and other payables (excluding interest payable) [(2)]	Not applicable	(5)	-	-	-	(5)
Financial liabilities maturities		(98)	(133)	(21)	(154)	(252)
Net financial asset/(liabilities)		**50**	**48**	**(21)**	**27**	**77**

NOTES TO THE FINANCIAL STATEMENTS (continued)

2022			Non-current financial assets/(liabilities)			
Non-derivative financial assets/ (liabilities)	Weighted average effective interest rate %	Total undiscounted current financial assets/(liabilities) R mil	1-5 years R mil	>5 years R mil	Total undiscounted non-current financial assets/(liabilities)	Total undiscounted financial assets/ (liabilities)
Financial assets						
Tariff receivable	4.18	110	310	22	332	442
Cash and cash equivalents [(1)]	3.64	68	-	-	-	68
Financial asset maturities		178	310	22	332	510
Financial liabilities						
Fixed rate loans: Local	8.39	(106)	(278)	(69)	(347)	(453)
Variable rate loans: Local [(1)]	5.65	(1)	(7)	(26)	(33)	(34)
Trade and other payables (excluding interest payable) [(2)]	Not applicable	(3)	-	-	-	(3)
Financial liabilities maturities		(110)	(285)	(95)	(380)	(490)
Net financial asset/(liabilities)		**68**	**25**	**(73)**	**(48)**	**20**

[(1)] The amounts included above for variable interest rate instruments for both non-derivative assets and liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period. The variable interest rate investments are on demand.

[(2)] Loan repayments are made periodically as per the respective agreements.

[(3)] Accrued interest has been included with the applicable instruments in the table.

NOTES TO THE FINANCIAL STATEMENTS (continued)

VRESAP

A Financing facilities

Funding sources and utilisation at 31 March:

	2023 R mil	2022 R mil
Total borrowing authority		
Borrowing limit	3 097	3 307
Utilisation	(2 697)	(2 809)
Available	**400**	**498**

2023 **Approved facilities**	Facility amount R mil	Issued R mil	Available R mil	Outstanding debt R mil
Total issued to date				
Commercial Paper Programme	500	-	500	-
European Investment Bank [(1)(2)]	906	412	-	346
Standard Bank of SA	1 350	1 350	-	897
Absa	1 000	980	20	980
Main Street 196 Pty Ltd – a SPV of Investec	155	155	-	79
Nedbank	350	350	-	195
RMB	200	200	-	200
DBSA	200	-	200	-
			720	**2 697**

NOTES TO THE FINANCIAL STATEMENTS (continued)

2022 **Approved facilities**	Facility amount R mil	Issued R mil	Available R mil	Outstanding debt R mil
Total issued to date				
Commercial Paper Programme (including Term Paper)	500	50	450	50
European Investment Bank [1][2]	906	412	-	412
Standard Bank of SA	1 350	1 350	-	1 021
Absa	1 000	1 002	-	1 002
Main Street 196 Pty Ltd - a SPV of Investec	155	155	-	91
Nedbank	350	350	-	233
			450	**2 809**

(1) This is a Euro denominated facility drawn in Rands and repaid in Rands.
(2) All amounts are in ZAR unless otherwise stated.

B Liquidity and interest risk tables

The liquidity and interest risk tables are included for each project and includes the contractual maturity analysis reports for non-derivative financial assets and liabilities.

Contractual maturity analysis report for non-derivative financial assets/(liabilities)

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in Note 10.1 and 10.6.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 March, VRESAP had contractual maturities as summarised below:

2023			Non-current financial assets/(liabilities)			
Non-derivative financial assets/ (liabilities)	**Weighted average effective interest rate %**	**Total undiscounted current financial assets/(liabilities) R mil**	**1-5 years R mil**	**>5 years R mil**	**Total undiscounted non-current financial assets/(liabilities)**	**Total undiscounted financial assets/ (liabilities)**
Financial assets						
Tariff receivable	13.87	551	3 831	375	4 206	4 757
Cash and cash equivalents [(1)]	8.09	440	-	-	-	440
Financial asset maturities		991	3 831	375	4 206	5 197
Financial liabilities						
Fixed rate loans: Local	10.06	(385)	(1 645)	-	(1 645)	(2 030)
Variable rate loans: Local [(1)]	9.5	(171)	(1 381)	(169)	(1 550)	(1 721)
Trade and other payables (excluding interest payable) [(2)] [(3)]	Not applicable	(12)	-	-	-	(12)
Financial liabilities maturities		(568)	(3 026)	(169)	(3 195)	(3 763)
Net financial asset/(liabilities)		**423**	**805**	**206**	**1 011**	**1 434**

NOTES TO THE FINANCIAL STATEMENTS (continued)

2022 **Non-derivative financial assets/ (liabilities)**	Weighted average effective interest rate %	Total undiscounted current financial assets/(liabilities) R mil	Non-current financial assets/(liabilities) 1-5 years R mil	>5 years R mil	Total undiscounted non-current financial assets/(liabilities)	Total undiscounted financial assets/ (liabilities)
Financial assets						
Tariff receivable	7.31	600	3 241	392	3 633	4 233
Cash and cash equivalents [1]	4.4	208	-	-	-	208
Financial asset maturities		808	3 241	392	3 633	4 441
Financial liabilities						
Term paper	5.89	(52)	-	-	-	(52)
Fixed rate loans: Local	10.07	(391)	(1 506)	(524)	(2 030)	(2 421)
Variable rate loans: Local [1]	8.16	(91)	(430)	(1 031)	(1 461)	(1 552)
Trade and other payables (excluding interest payable) [2] [3]	Not applicable	(18)	-	-	-	(18)
Financial liabilities maturities		(552)	(1 936)	(1 555)	(3 491)	(4 043)
Net financial asset/(liabilities)		**256**	**1 305**	**(1 163)**	**142**	**398**

(1) The amounts included above for variable interest rate instruments for both non-derivative assets and liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period. The variable interest rate investments are on demand.
(2) Loan repayments are made periodically as per the respective agreements.
(3) Accrued interest has been included with the applicable instruments in the table.

NOTES TO THE FINANCIAL STATEMENTS (continued)

MCWAP-1

A Financing facilities

Funding sources and utilisation at 31 March:

	2023 R mil	2022 R mil
Total borrowing authority		
Borrowing limit	7 754	4 690
Utilisation	(859)	(898)
Available	**6 895**	**3 792**

2023 **Approved facilities**	Facility amount R mil	Issued R mil	Available [2] R mil	Outstanding debt R mil
Total issued to date				
Investec	700	498	-	244
Investec [1]	200	-	200	-
Nedbank	600	225	-	-
Rand Merchant Bank iNdwa	700	700	-	615
	2 200	**1 423**	**200**	**859**

NOTES TO THE FINANCIAL STATEMENTS (continued)

2022 Approved facilities	Facility amount R mil	Issued R mil	Available [(2)] R mil	Outstanding debt R mil
Total issued to date				
Investec	700	498	-	259
Investec [(1)]	200	-	200	-
Nedbank	600	225	-	-
Rand Merchant Bank iNdwa	700	700	-	639
	2 200	**1 423**	**200**	**898**

(1) This is a revolving credit facility.
(2) Where the available amount is zero, the drawdown period has expired.

B Liquidity and interest risk tables

The liquidity and interest risk tables are included for each project and includes the contractual maturity analysis reports for non-derivative financial assets and liabilities.

Contractual maturity analysis report for non-derivative financial assets/(liabilities)

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in Note 10.1 and 10.6.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2023 Non-derivative financial assets/ (liabilities)	Weighted average effective interest rate %	Total undiscounted current financial assets/(liabilities) R mil	Non-current financial assets/(liabilities) 1-5 years R mil	>5 years R mil	Total undiscounted non-current financial assets/(liabilities)	Total undiscounted financial assets/ (liabilities)
Financial assets						
Tariff receivable	16.12	83	499	11	510	593
Cash and cash equivalents [(1)]	8.03	698	-	-	-	698
Financial asset maturities		781	499	11	510	1 291
Financial liabilities						
Fixed rate loans: Local	10.11	(41)	(158)	(191)	(349)	(390)
Variable rate loans: Local [(1)]	9.37	(85)	(368)	(623)	(991)	(1 076)
Trade and other payables (excluding interest payable) [(2) (3)]	Not applicable	(4)	-	-	-	(4)
Financial liabilities maturities		(130)	(526)	(814)	(1 340)	(1 470)
Net financial asset/(liabilities)		**651**	**(27)**	**(803)**	**(830)**	**(179)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

2022			Non-current financial assets/(liabilities)			
Non-derivative financial assets/ (liabilities)	**Weighted average effective interest rate %**	**Total undiscounted current financial assets/(liabilities) R mil**	**1-5 years R mil**	**>5 years R mil**	**Total undiscounted non-current financial assets/(liabilities)**	**Total undiscounted financial assets/ (liabilities)**
Financial assets						
Tariff receivable	17.47	295	393	460	853	1 148
Trade and other receivables	Not applicable	12	-	-	-	12
Cash and cash equivalents [1]	4.4	999	-	-	-	999
Financial asset maturities		1 306	393	460	853	2 159
Financial liabilities						
Fixed rate loans: Local	9.49	(724)	(160)	(229)	(389)	(1 113)
Trade and other payables (excluding interest payable) [2] [3]	Not applicable	(15)	-	-	-	(15)
Financial liabilities maturities		(739)	(160)	(229)	(389)	(1 128)
Net financial asset/(liabilities)		**567**	**233**	**231**	**464**	**1 031**

[1] The amounts included above for variable interest rate instruments for both non-derivative assets and liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period. The variable interest rate investments are on demand.

[2] Loan repayments are made periodically as per the respective agreements.

[3] Accrued interest has been included with the applicable instruments in the table

NOTES TO THE FINANCIAL STATEMENTS (continued)

MMTS-2

A Financing facilities

Funding sources and utilisation at 31 March:

	2023 R mil	2022 R mil
Total borrowing authority		
Borrowing limit	1 178	1 273
Utilisation	-	(582)
Available	**1 178**	**691**

2023 **Approved facilities**	Facility amount R mil	Issued R mil	Available [(2)(4)] R mil	Outstanding debt [(3)] R mil
Total issued to date				
Commercial Paper Programme	**400**	**-**	**400**	**-**

NOTES TO THE FINANCIAL STATEMENTS (continued)

2022 **Approved facilities**	**Facility amount R mil**	**Issued R mil**	**Available (2)(4) R mil**	**Outstanding debt (3) R mil**
Total issued to date				
Commercial Paper Programme	400	0	400	-
DBSA*	222	0	222	-
European Investment Bank (1)(2)	€ 80	€ 54	€ 0	201
AFD (1)(2)	€ 70	€ 45	€ 0	216
KfW (1)(2)	€ 45	€ 29	€ 0	165
				582

(1) This is a Euro denominated facility drawn in Rands and repaid in Rands.
(2) All amounts are in ZAR unless otherwise stated.
(3) Before the funding strategy is implemented, the borrowing limit is monitored to ensure it is not exceeded.
(4) Where the available amount is zero, the drawdown period has expired.

* The facility reduced from R250 million to R230 million in April 2020 and to R222 million in April 2021. This is in terms of the Finance Agreement and will reduce annually.

B Liquidity and interest risk tables

The liquidity and interest risk tables are included for each project and includes the contractual maturity analysis reports for non-derivative financial assets and liabilities. There is no liquidity analysis for derivatives as there were no derivative instruments in MMTS-2.

Contractual maturity analysis report for non-derivative financial assets/(liabilities)

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in Note 10.1 and 10.6.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 March, MMTS-2 had contractual maturities as summarised below:

2023	Non-current financial assets/(liabilities)					
Non-derivative financial assets/ (liabilities)	**Weighted average effective interest rate %**	**Total undiscounted current financial assets/(liabilities) R mil**	**1-5 years R mil**	**>5 years R mil**	**Total undiscounted non-current financial assets/(liabilities)**	**Total undiscounted financial assets/ (liabilities)**
Financial assets						
Loans and receivables	Not applicable	8	-	-	-	8
Cash and cash equivalents [1]	7.64	345	-	-	-	345
Financial asset maturities		353	-	-	-	353
Financial liabilities						
Trade and other payables (excluding interest payable) [2]	Not applicable	(28)	-	-	-	(28)
Financial liabilities maturities		(28)	-	-	-	(28)
Net financial asset/(liabilities)		**325**	**-**	**-**	**-**	**325**

NOTES TO THE FINANCIAL STATEMENTS (continued)

2022			Non-current financial assets/(liabilities)			
Non-derivative financial assets/ (liabilities)	**Weighted average effective interest rate %**	**Total undiscounted current financial assets/(liabilities) R mil**	**1-5 years R mil**	**>5 years R mil**	**Total undiscounted non-current financial assets/(liabilities)**	**Total undiscounted financial assets/ (liabilities)**
Financial assets						
Trade and other receivables	Not applicable	21	-	-	-	21
Cash and cash equivalents [(1)]	4.15	959	-	-	-	959
Financial asset maturities		980	-	-	-	980
Financial liabilities						
Fixed rate loans: Local	8.93	(211)	-	-	-	(211)
Variable rate loans: Local [(1)]	7.09	(407)	-	-	-	(407)
Trade and other payables (excluding interest payable) [(2) (3)]	Not applicable	(36)	-	-	-	(36)
Financial liabilities maturities		(654)	-	-	-	(654)
Net financial asset/(liabilities)		**326**	**-**	**-**	**-**	**326**

[(1)] The amounts included above for variable interest rate instruments for both non-derivative assets and liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period. The variable interest rate investments are on demand.
[(2)] Loan repayments are made periodically as per the respective agreements.
[(3)] Accrued interest has been included with the applicable instruments in the table.

NOTES TO THE FINANCIAL STATEMENTS (continued)

ORWRDP

A Liquidity and interest risk tables

The liquidity and interest risk tables are included for each project and include the contractual maturity analysis reports for non-derivative financial assets and liabilities. There is no liquidity analysis for derivatives as there were no derivative instruments in ORWRDP.

Contractual maturity analysis report for non-derivative financial assets/(liabilities)

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in Note 10.1 and 10.6.

As at 31 March, ORWRDP had contractual maturities as summarised below:

2023			Non-current financial assets/(liabilities)			
Non-derivative financial assets/ (liabilities)	Weighted average effective interest rate %	Total undiscounted current financial assets/ (liabilities) R mil	1-5 years R mil	>5 years R mil	Total undiscounted non-current financial assets/(liabilities)	Total undiscounted financial assets/ (liabilities)
Financial assets						
Trade and other receivables	Not applicable	39	-	-	-	39
Financial asset maturities		39	-	-	-	39
Financial liabilities						
Trade and other payables (excluding interest payable)	Not applicable	(39)	-	-	-	(39)
Financial liabilities maturities		(39)	-	-	-	(39)
Net financial asset/(liabilities)		**-**	**-**	**-**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (continued)

2022 Non-derivative financial assets/ (liabilities)	Weighted average effective interest rate %	Total undiscounted current financial assets/(liabilities) R mil	Non-current financial assets/(liabilities) 1-5 years R mil	>5 years R mil	Total undiscounted non-current financial assets/(liabilities)	Total undiscounted financial assets/ (liabilities)
Financial assets						
Trade and other receivables	Not applicable	4	-	-	-	4
Cash and cash equivalents [1]	4.06	47	-	-	-	47
Financial asset maturities		51	-	-	-	51
Financial liabilities						
Trade and other payables (excluding interest payable)	Not applicable	(56)	-	-	-	(56)
Financial liabilities maturities		(56)	-	-	-	(56)
Net financial asset/(liabilities)		**(5)**	**-**	**-**	**-**	**(5)**

[1] The amounts included above for variable interest rate instruments for both non-derivative assets and liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period. The variable interest rate investments are on demand.

NOTES TO THE FINANCIAL STATEMENTS (continued)

KWSAP

A Financing facilities

Funding sources and utilisation at 31 March:

	2023 R mil	2022 R mil
Total borrowing authority		
Borrowing limit	1 139	1 185
Utilisation	(939)	(1 090)
Available	**200**	**95**

2023 **Approved facilities**	Facility amount R mil	Issued R mil	Available [2] R mil	Outstanding debt R mil
Total issued to date				
Commercial Paper Programme	500	-	500	-
Nedbank	400	369	-	229
Rand Merchant Bank iNdwa [1]	600	600	-	710
Absa	250	-	250	-
	1 750	**969**	**750**	**939**

NOTES TO THE FINANCIAL STATEMENTS (continued)

2022 **Approved facilities**	**Facility amount R mil**	**Issued R mil**	**Available [2] R mil**	**Outstanding debt R mil**
Total issued to date				
Commercial Paper Programme	500	-	500	-
Nedbank	400	369	-	252
Rand Merchant Bank iNdwa [1]	600	600	-	838
Absa	250	-	250	-
	1 750	**969**	**750**	**1 090**

[1] The outstanding debt is higher than the facility amount as interest was capitalised for four years.
[2] Where the availability amount is zero, the drawdown period has lapsed.

B Liquidity and interest risk tables

The liquidity and interest risk tables are included for each project and includes the contractual maturity analysis reports for non-derivative financial assets and liabilities. There is no liquidity analysis for derivatives as there were no derivative instruments in KWSAP.

Contractual maturity analysis report for non-derivative financial assets/(liabilities)

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in Note 10.1 and 10.6.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 March, KWSAP had contractual maturities as summarised below:

2023			Non-current financial assets/(liabilities)			
Non-derivative financial assets/ (liabilities)	Weighted average effective interest rate %	Total undiscounted current financial assets/(liabilities) R mil	1-5 years R mil	>5 years R mil	Total undiscounted non-current financial assets/(liabilities)	Total undiscounted financial assets/ (liabilities)
Financial assets						
Trade and other receivables	13.92	191	638	307	945	1 136
Cash and cash equivalents [1]	8.06	289	-	-	-	289
Financial asset maturities		480	638	307	945	1 425
Financial liabilities						
Fixed rate loans: Local	9.67	(45)	(156)	(138)	(294)	(339)
Variable rate loans: Local [1]	9.91	(91)	(409)	(788)	(1 197)	(1 288)
Trade and other payables (excluding interest payable) [2] [3]	Not applicable	(11)	-	-	-	(11)
Financial liabilities maturities		(147)	(565)	(926)	(1 491)	(1 638)
Net financial asset/(liabilities)		**333**	**73**	**(619)**	**(546)**	**(213)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

2022			Non-current financial assets/(liabilities)			
Non-derivative financial assets/ (liabilities)	**Weighted average effective interest rate %**	**Total undiscounted current financial assets/(liabilities) R mil**	**1-5 years R mil**	**>5 years R mil**	**Total undiscounted non-current financial assets/(liabilities)**	**Total undiscounted financial assets/ (liabilities)**
Financial assets						
Tariff receivable	11.96	262	720	760	1 480	1 742
Cash and cash equivalents [(1)]	4.42	260	-	-	-	260
Financial asset maturities		522	720	760	1 480	2 002
Financial liabilities						
Fixed rate loans: Local	9.58	(106)	(485)	(816)	(1 301)	(1 407)
Variable rate loans: Local [(1)]	6,32	(44)	(245)	(76)	(321)	(365)
Trade and other payables (excluding interest payable) [(2) (3)]	Not applicable	(12)	-	-	-	(12)
Financial liabilities maturities		(162)	(730)	(892)	(1 622)	(1 784)
Net financial asset/(liabilities)		**360**	**(10)**	**(132)**	**(142)**	**218**

[(1)] The amounts included above for variable interest rate instruments for both non-derivative assets and liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period. The variable interest rate investments are on demand.
[(2)] Loan repayments are made periodically as per the respective agreements.
[(3)] Accrued interest has been included with the applicable instruments in the table.

NOTES TO THE FINANCIAL STATEMENTS (continued)

MCWAP-2

A Liquidity and interest risk tables

The liquidity and interest risk tables are included for each project and includes the contractual maturity analysis reports for non-derivative financial assets and liabilities. There is no liquidity analysis for derivatives as there were no derivative instruments in MCWAP-2.

Contractual maturity analysis report for non-derivative financial assets/(liabilities)

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities .The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in Note 10.1 and 10.6.

As at 31 March, MCWAP-2 had contractual maturities as summarised below:

2023	Non-current financial assets/(liabilities)					
Non-derivative financial assets/ (liabilities)	**Weighted average effective interest rate %**	**Total undiscounted current financial assets/(liabilities) R mil**	**1-5 years R mil**	**>5 years R mil**	**Total undiscounted non-current financial assets/(liabilities)**	**Total undiscounted financial assets/ (liabilities)**
Financial assets						
Cash and cash equivalents [1]	7.56	634	-	-	-	634
Financial asset maturities		634	-	-	-	634
Financial liabilities						
Trade and other payables (excluding interest payable)	Not applicable	(14)	-	-	-	(14)
Financial liabilities maturities		(14)	-	-	-	(14)
Net financial asset/(liabilities)		**620**	**-**	**-**	**-**	**620**

NOTES TO THE FINANCIAL STATEMENTS (continued)

2022			Non-current financial assets/(liabilities)			
Non-derivative financial assets/ (liabilities)	**Weighted average effective interest rate %**	**Total undiscounted current financial assets/(liabilities) R mil**	**1-5 years R mil**	**>5 years R mil**	**Total undiscounted non-current financial assets/(liabilities)**	**Total undiscounted financial assets/ (liabilities)**
Financial assets						
Trade and other receivables	Not applicable	326	-	-	-	326
Cash and cash equivalents [1]	4.04	610	-	-	-	610
Financial asset maturities		936	-	-	-	936
Financial liabilities						
Trade and other payables (excluding interest payable)	Not applicable	(542)	-	-	-	(542)
Financial liabilities maturities		(542)	-	-	-	(542)
Net financial asset/(liabilities)		**394**	**-**	**-**	**-**	**394**

[1] The amounts included above for variable interest rate instruments for both non-derivative assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period. The variable interest rate investments are on demand.

NOTES TO THE FINANCIAL STATEMENTS (continued)

UMGENI

A Liquidity and interest risk tables

The liquidity and interest risk tables are included for each project and includes the contractual maturity analysis reports for non-derivative financial assets and liabilities.

Contractual maturity analysis report for non-derivative financial assets/(liabilities)

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in Note 10.1 and 10.6.

As at 31 March, UMGENI had contractual maturities as summarised below:

2022	Non-current financial assets/(liabilities)					
Non-derivative financial assets/ (liabilities)	**Weighted average effective interest rate %**	**Total undiscounted current financial assets/(liabilities) R mil**	**1-5 years R mil**	**>5 years R mil**	**Total undiscounted non-current financial assets/(liabilities)**	**Total undiscounted financial assets/ (liabilities)**
Financial assets						
Trade and other receivables	Not applicable	4	-	-	-	4
Financial asset maturities		4	-	-	-	4
Financial liabilities						
Trade and other payables (excluding interest payable)	Not applicable	(1)	-	-	-	(1)
Financial liabilities maturities		(1)	-	-	-	(1)
Net financial asset/(liabilities)		**3**	**-**	**-**	**-**	**3**

NOTES TO THE FINANCIAL STATEMENTS (continued)

MRWP

A Liquidity and interest risk tables

The liquidity and interest risk tables are included for each project and includes the contractual maturity analysis reports for non-derivative financial assets and liabilities. There is no liquidity analysis for derivatives as there were no derivative instruments in MRWP.

Contractual maturity analysis report for non-derivative financial assets/(liabilities)

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in Note 10.1 and 10.6.

As at 31 March, MRWP had contractual maturities as summarised below:

2023			Non-current financial assets/(liabilities)			
Non-derivative financial assets/ (liabilities)	Weighted average effective interest rate %	Total undiscounted current financial assets/(liabilities) R mil	1-5 years R mil	>5 years R mil	Total undiscounted non-current financial assets/(liabilities)	Total undiscounted financial assets/ (liabilities)
Financial assets						
Trade and other receivables	Not applicable	10	-	-	-	10
Cash and cash equivalents [1]	7.55	6	-	-	-	6
Financial asset maturities		16	-	-	-	16
Financial liabilities						
Trade and other payables (excluding interest payable)	Not applicable	(15)	-	-	-	(15)
Financial liabilities maturities		(15)	-	-	-	(15)
Net financial asset/(liabilities)		**1**	**-**	**-**	**-**	**1**

NOTES TO THE FINANCIAL STATEMENTS (continued)

2022			Non-current financial assets/(liabilities)			
Non-derivative financial assets/ (liabilities)	**Weighted average effective interest rate %**	**Total undiscounted current financial assets/(liabilities) R mil**	**1-5 years R mil**	**>5 years R mil**	**Total undiscounted non-current financial assets/(liabilities)**	**Total undiscounted financial assets/ (liabilities)**
Financial assets						
Trade and other receivables	Not applicable	1	-	-	-	1
Financial asset maturities		1	-	-	-	1
Financial liabilities						
Trade and other payables (excluding interest payable)	Not applicable	(1)	-	-	-	(1)
Financial liabilities maturities		(1)	-	-	-	(1)
Net financial asset/(liabilities)		**-**	**-**	**-**	**-**	**-**

(1) The amounts included above for variable interest rate instruments for both non-derivative assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period. The variable interest rate investments are on demand.

NOTES TO THE FINANCIAL STATEMENTS (continued)

TCTA-C

A Liquidity risk tables

Contractual maturity analysis report for non-derivative financial assets/(liabilities)

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in Note 10.1 and 10.6.

As at 31 March, TCTA-C had contractual maturities as summarised below:

2023	Non-current financial assets/(liabilities)					
Non-derivative financial assets/ (liabilities)	**Weighted average effective interest rate %**	**Total undiscounted current financial assets/(liabilities) R mil**	**1-5 years R mil**	**>5 years R mil**	**Total undiscounted non-current financial assets/(liabilities)**	**Total undiscounted financial assets/ (liabilities)**
Financial assets						
Cash and cash equivalents [1]	7.65	7	-	-	-	7
Financial asset maturities		7	-	-	-	7
Financial liabilities						
Trade and other payables (excluding interest payable)	Not applicable	(3)	-	-	-	(3)
Financial liabilities maturities		(3)	-	-	-	(3)
Net financial asset/(liabilities)		**4**	**-**	**-**	**-**	**4**

NOTES TO THE FINANCIAL STATEMENTS (continued)

2022			Non-current financial assets/(liabilities)			
Non-derivative financial assets/ (liabilities)	**Weighted average effective interest rate %**	**Total undiscounted current financial assets/(liabilities) R mil**	**1-5 years R mil**	**>5 years R mil**	**Total undiscounted non-current financial assets/(liabilities)**	**Total undiscounted financial assets/ (liabilities)**
Financial assets						
Cash and cash equivalents [1]	4.15	5	-	-	-	5
Financial asset maturities		5	-	-	-	5
Financial liabilities						
Trade and other payables (excluding interest payable)	Not applicable	(2)	-	-	-	(2)
Financial liabilities maturities		(2)	-	-	-	(2)
Net financial asset/(liabilities)		**3**	**-**	**-**	**-**	**3**

[1] The amounts included above for variable interest rate instruments for both non-derivative assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period. The variable interest rate investments are on demand.

NOTES TO THE FINANCIAL STATEMENTS (continued)

BRVAS

A Liquidity and interest risk tables

Contractual maturity analysis report for non-derivative financial assets/(liabilities)

The following tables detail BRVAS's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which BRVAS may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand BRVAS's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in Note 10.1 and 10.6.

As at 31 March, BRVAS had contractual maturities as summarised below:

2023			Non-current financial assets/(liabilities)			
Non-derivative financial assets/ (liabilities)	Weighted average effective interest rate %	Total undiscounted current financial assets/(liabilities) R mil	1-5 years R mil	>5 years R mil	Total undiscounted non-current financial assets/(liabilities)	Total undiscounted financial assets/ (liabilities)
Financial assets						
Trade and other receivables	Not applicable	7	-	-	-	7
Cash and cash equivalents [1]	7.56	4	-	-	-	4
Financial asset maturities		11	-	-	-	11
Financial liabilities						
Trade and other payables (excluding interest payable)	Not applicable	(4)	-	-	-	(4)
Financial liabilities maturities		(4)	-	-	-	(4)
Net financial asset/(liabilities)		**7**	**-**	**-**	**-**	**7**

NOTES TO THE FINANCIAL STATEMENTS (continued)

2022		Non-current financial assets/(liabilities)			
Non-derivative financial assets/ (liabilities)	**Total undiscounted current financial assets/(liabilities) R mil**	**1-5 years R mil**	**>5 years R mil**	**Total undiscounted non-current financial assets/(liabilities)**	**Total undiscounted financial assets/ (liabilities)**
Financial assets					
Trade and other receivables	4	-	-	-	4
Cash and cash equivalents [1]	20	-	-	-	20
Financial asset maturities	24	-	-	-	24
Financial liabilities					
Trade and other payables (excluding interest payable)	(4)	-	-	-	(4)
Financial liabilities maturities	(4)	-	-	-	(4)
Net financial asset/(liabilities)	**20**	**-**	**-**	**-**	**20**

[1] The amounts included above for variable interest rate instruments for both non-derivative assets and liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period. The variable interest rate investments are on demand.

The above contractual maturities reflect the net cash outflows and inflows and are therefore different from the carrying values of the liabilities at reporting date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

KRIEL

A Liquidity and risk tables

This project comprises the construction of a 3km pipeline from the KWSAP to Kriel water treatment works and the upgrading of the works.

Contractual maturity analysis report for non-derivative financial assets/(liabilities)

The following tables detail TCTA's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial assets and liabilities. The tables include the principal cash flows. The contractual maturity is based on the earliest date on which TCTA may be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand TCTA's liquidity risk management as the liquidity is managed on a net asset and liability basis. The carrying amounts for financial assets and liabilities are presented in Note 10.1 and 10.6.

As at 31 March, Kriel had contractual maturities as summarised below:

2023			Non-current financial assets/(liabilities)			
Non-derivative financial assets/(liabilities)	Weighted average effective interest rate %	Total undiscounted current financial assets/(liabilities) R mil	1-5 years R mil	>5 years R mil	Total undiscounted non-current financial assets/(liabilities)	Total undiscounted financial assets/(liabilities)
Financial assets						
Trade and other receivables		6	-	-	-	6
Financial asset maturities		6	-	-	-	6
Financial liabilities						
Trade and other payables (excluding interest payable)		(2)	-	-	-	(2)
Financial liabilities maturities		(2)	-	-	-	(2)
Net financial asset/(liabilities)		**4**	**-**	**-**	**-**	**4**

NOTES TO THE FINANCIAL STATEMENTS (continued)

2022			Non-current financial assets/(liabilities)			
Non-derivative financial assets/ (liabilities)	Weighted average effective interest rate %	Total undiscounted current financial assets/(liabilities) R mil	1-5 years R mil	>5 years R mil	Total undiscounted non-current financial assets/(liabilities)	Total undiscounted financial assets/ (liabilities)
Financial assets						
Trade and other receivables	Not applicable	6	-	-	-	6
Financial asset maturities		6	-	-	-	6
Financial liabilities						
Trade and other payables (excluding interest payable)	Not applicable	(2)	-	-	-	(2)
Financial liabilities maturities		(2)	-	-	-	(2)
Net financial asset/(liabilities)		**4**	**-**	**-**	**-**	**4**

The above contractual maturities reflect the net cash outflows and inflows and are therefore different from the carrying values of the liabilities at reporting date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7.2.2 Credit risk

TCTA deposits and invests working capital and excess funds with banks and other financial counterparties, which exposes the organisation to credit risk. Credit risk is defined as the risk that a counterparty defaults on its obligations on maturity or redemption or presentation of paper for settlement, resulting in financial deficit to TCTA.

The credit risk is in two forms i.e.:

(i) the risk of financial deficit resulting from the failure of a counterparty to honour its obligations in accordance with the terms and conditions of a contract: or
(ii) the risk of financial deficit resulting from the failure of a counterparty to a financial transaction to effect timely settlement, in the correct amount and currency, of its obligations according to the terms and conditions of the relevant transaction(s).

This section relates to the credit risk on financial market investments as disclosed in the statement of financial position.

TCTA has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial deficit from defaults. TCTA only transacts with entities that are rated the equivalent of investment grade and above. In terms of policy, TCTA will only invest with counterparties with a long-term rating of A or better. This information is supplied by independent rating agencies where available and, if not available, TCTA uses other publicly available financial information and its own trading records to rate its major customers. TCTA's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Credit exposure is controlled by setting counterparty limits that are reviewed and approved by the Finance Committee annually.

Hence, credit risk at TCTA is managed through the following:

- ensuring that TCTA deals with reputable counterparties;
- liaison with credit rating agencies;
- allocating counterparty investment limits;
- continuous monitoring of the financial status of counterparties;
- annual review of counterparty limits; and
- daily monitoring of utilisation of counterparty limits.

Limits are allocated based on the following:

- limits are allocated to counterparties with a minimum short-term rating of P-1 and long-term rating of A from Moody's rating agency, or the equivalent from the other rating agencies;
- an internal credit rating score is calculated based on qualitative and quantitative factors; and
- the allocated credit limit can be up to 10% of shareholders' funds, depending on the internal credit rating, with a cap of R1 500 million per counterparty.
- the credit limit per counterparty refers to the overall limit for all TCTA projects. Refer below for further detail for each project.

To further mitigate against the credit risk associated with derivative instruments, TCTA has negotiated International Swap and Derivatives Association Master Agreement agreements with the various market-makers.

The credit limit per counterparty refers to the overall limit for all TCTA projects.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Impairment of financial assets

Long-term financial assets

Financial market investments consists of the loan with Landbank, which inherently exposes the company to credit risk, being the risk that the company will incur financial loss if the counterparty fails to make payments as they fall due.

Expected credit loss allowances on financial market investments were valued based on the risk of the Moody's Analytics "RiskCalc" South Africa financial statement PD and LGD model and data.

If the financial market investment is in stage 1, a 12-month ECL is applied. Where there has been a significant increase in credit risk, the investment is regarded as being in stage 2 and a lifetime ECL is applied. If the company is unable to assess the credit risk at inception, then there is an insufficient basis to determine whether there has been a significant increase in credit risk and in this case, management judgement is applied in assessing the staging of the loan based on the debtor's payment behaviour and specific circumstance. If the investment is credit impaired, it is regarded as being in stage 3 and a lifetime ECL is applied.

The calculation of ECL rates, which is a forward-looking measure, is based on:

- the probability of default (PD) rate for each ageing bucket; multiplied by
- the percentage of defaulted amounts that were irrecoverable (LGD); and
- adjusted by a factor to convert historical loss experience to future credit loss expectations, using multiple macroeconomic scenarios.

The PD is based on the rating of the counterparty and the LGD is measured using Moody's Analytics RiskCalc. These are historical through-the-cycle PD and LGD measures. The Moody's RiskCalc solution compares company financial information to an extensive database of company financial and default information. The inputs into this are the latest available audited annual financial statements of the counterparty. The output is a historic through-the-cycle PD and LGD.

This loss rate is also benchmarked to loss rate estimates experienced under adverse situations in the South African economy.

The process to convert historical credit loss rates to the forward-looking measure of ECL rates is carried out using Moody's Analytics credit risk models and macroeconomic scenarios. These scenarios include GDP taking into account the economy reaching pre-covid levels. The adjustment further considers both the public and private South African company defaults. The methodology also considers the industry of the asset and includes in the calculations, likely volatility of that industry to the average impact of the South African economy.

Landbank defaulted on the notes it had issued shortly after the acquisition of the investment by TCTA. Since then, it has made various repayments of capital and interest and has stated its intention to repay amounts owing including accrued interest in full. Landbank is owned by the State and its financial difficulties are well known. It has undergone restructuring and the Government has stated its intention to support it through a recapitalisation. This process is complex and has taken longer than expected. The original planned date for repayment of all outstanding capital has passed without repayment. However, some interest payments have continued to be made. As Landbank has defaulted on the note, we assume that the PD is 100%.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The LGD was measure using the Moody's RiskCalc LGD module based on Landbank being in default. TCTA has followed a conservative approach by using the model derived LGD, which does not take into account potential support from government. On that basis, as at 31 March 2023, the loss allowance on the long-term financial market investment was determined as follows:

2023 Counterparty	Stage	PD	LGD	ECL	Gross carrying amount R mil	Loss allowance R mil
Land and Agricultural Development Bank of South Africa	2	100%	64.44%	61.35%	58	36
Total						**36**

Concentration risk

Concentration risk in TCTA is measured per counterparty and per project. According to TCTA policy, the utilisation of a counterparty limit is subject to a 30% concentration limit per counterparty. The concentration limit is further extended to projects whereby investment to a counterparty should not exceed 30% of a single project's funds. This ensures that the portfolio is sufficiently diversified and is exposed to acceptable levels of risk. For each project, the amount of risk exposure to counterparties varies on a day-to-day basis depends on volumes of trades done. TCTA determines this exposure daily and prepares a report before any dealing is performed. An exception to the limits requires approval through exception reporting by the Risk department.

Similar credit ratings in the notes below, refer to different counterparties and are therefore not combined.

Counterparty risk

The table shows investments with 6 Counterparties, 4 money market funds (MMFs) and the Corporation for Public Deposits (CPD). The maximum approved limit for investment with any one of the above counterparties is R1 500 million.

TCTA had call investments with counterparties and money market investments with the MMFs.

Investments to each counterparty or MMF is spread across all projects. The available amount shows the difference between amount invested and approved counterparty limit.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2023 Investments Moody's Ratings: Long-term	Short-term	Counterparty	Credit limit R mil	VRS R mil	BWP R mil	VRESAP R mil	MCWAP-1 R mil	MMTS-2 R mil	ORWRDP R mil	KWSAP R mil	TCTA-C R mil	MCWAP-2 R mil	BRVAS R mil	uMWP R mil	MRWP R mil	Total utilisation R mil	Available R mil
Aa1	P-1	Counterparty 1	1 500	466	20	38	66	309	-	28	7	183	2	-	2	1 120	380
Aa1	P-1	Counterparty 2	1 500	415	8	13	40	9	-	16	-	166	1	-	2	670	830
Aa1	P-1	Counterparty 3	1 500	254	6	10	5	8	-	5	-	140	1	-	1	430	1 070
Aa1	P-1	Counterparty 4	1 500	253	6	10	4	8	-	5	-	145	1	-	1	433	1 067
NA Note 1	NA	Counterparty 5	-	59	-	-	-	-	-	-	-	-	-	-	-	59	(59)
Aa3	P-1	Counterparty 6	1 500	486	11	26	43	11	-	17	-	-	-	-	-	594	906
		MMF1*	-	764	5	31	37	-	-	18	-	-	-	-	-	855	-
		MMF2*	-	423	6	35	48	-	-	21	-	-	-	-	-	533	-
		MMF3*	-	320	10	43	55	-	-	27	-	-	-	-	-	455	-
		MMF4*	-	220	3	19	60	-	-	10	-	-	-	-	-	312	-
		CPD**	-	3 253	6	215	340	-	-	142	-	-	-	-	-	3 956	-
			7 500	**6 913**	**81**	**440**	**698**	**345**	**-**	**289**	**7**	**634**	**5**	**-**	**6**	**9 417**	**4 194**

* These four counterparties in total are subject to a maximum of 30% of the project funds.
** This investment or counterparty is subject to a maximum of 50% of the project funds.

Note 1:

R59 million invested on VRS is subject to impairment and categorised as Stage 3. All other investments are not subject to impairment. Refer to note 10.4 for the reconciliation of movement on the provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2022

Investments Moody's Ratings: Long-term	Short-term	Counterparty	Credit limit R mil	VRS R mil	BWP R mil	VRESAP R mil	MCWAP-1 R mil	MMTS-2 R mil	ORWRDP R mil	KWSAP R mil	TCTA-C R mil	MCWAP-2 R mil	BRVAS R mil	uMWP R mil	Total utilisation R mil	Available R mil
Aa1	P-1	Counterparty 1	1500	35	2	1	7	923	13	9	5	100	5	3	1 103	397
Aa1	P-1	Counterparty 2	1500	387	14	14	44	9	9	10	-	175	7	3	672	828
Aa1	P-1	Counterparty 3	1500	145	6	9	29	8	9	5	-	167	5	3	386	1 114
Aa1	P-1	Counterparty 4	1500	112	6	9	39	8	7	6	-	168	3	3	361	1 139
NA Note 1	NA	Counterparty 5	-	73	-	-	-	-	-	-	-	-	-	-	73	(73)
Aa3	P-1	Counterparty 6	1500	483	22	18	89	11	9	21	-	-	-	-	653	736
		MMF1	*	798	10	10	111	-	-	21	-	-	-	-	950	-
		MMF2	**	407	1	17	97	-	-	23	-	-	-	-	545	-
		MMF3	*	438	9	32	87	-	-	34	-	-	-	-	600	-
		CPD	*	2 846	7	98	496	-	-	131	-	-	-	-	3 578	-
			7 500	**5 724**	**77**	**208**	**999**	**959**	**47**	**260**	**5**	**610**	**20**	**12**	**8 921**	**4 141**

* These three counterparties in total are subject to a maximum of 30% of the project funds.
** This investment or counterparty is subject to a maximum of 50% of the project funds.

Note 1:

As at 31 March 2021,Landbank made a capital repayment of R12 million to TCTA , thus reducing the liability to R89 million.

On 30 March 2021, Moody's withdrew all ratings on Landbank.

R90 million invested on VRS is subject to impairment and categorised as Stage 3. All other investments are not subject to impairment. Refer to note 10.4 for the reconciliation of movement on the provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7.2.3 Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to change in market prices. Market risk reflects currency risk, interest rate risk, and other price risks.

TCTA's activities expose it primarily to the financial risks of changes in interest rates. There is no foreign currency denominated borrowings.

Interest rate risk

Interest rate risk is the risk of financial loss arising from adverse fluctuations in market interest rates. This is the risk that adverse changes in interest rates will cause a reduction in net income caused by increased cost from financial liabilities including repricing of TCTA's floating debt obligations and the short-term rollover of maturing debt.

TCTA manages interest rate risk by fixing a portion of its debt depending on market conditions. The Finance Committee approved an optimal capital structure where a minimum of 70% debt is fixed for all projects post construction. Currently most of the projects are above the approved capital structure.

TCTA does not have any derivatives hedging interest rate risk, instead attainment of the optimal capital structure and the proactive interest rate risk management strategies are applied.

TCTA is also exposed to interest risk in respect of financial assets whereby adverse fluctuations may affect the anticipated return on the financial asset.

VRS

Fixed vs. variable rate loans

The following table details the interest rate exposure for VRS.

The optimal capital structure based on the sensitivity simulation is 70% fixed (2022:70%) and 30% floating (2022:30%). This ensures limited fluctuation of the cumulative debt curve.

The ratio of fixed to floating debt as at 31 March 2023 was 0% (2022: 0%) fixed and 100% (2022: 100%) floating.

The proportional interest-rate exposures on total outstanding debt of the project can be summarised as follows:

2023 Interest rate exposure	Financial assets/ borrowings at fixed rates R mil	Financial assets/ borrowings at variable rates R mil	Fixed rate as % of total book	Variable rate as % of total book
Borrowings	-	8 682	-	100
Tariff receivable	-	4 838	-	100
AMD receivable	-	1 881	-	100
Financial market investment	-	23	-	100
Cash and cash equivalents	-	6 854	-	100

NOTES TO THE FINANCIAL STATEMENTS (continued)

2022 Interest rate exposure	Financial assets/ borrowings at fixed rates R mil	Financial assets/ borrowings at variable rates R mil	Fixed rate as % of total book	Variable rate as % of total book
Borrowings	-	9 537	-	100
Tariff receivable	-	4 929	-	100
AMD receivable	-	1 870	-	100
Financial market investment	-	46	-	100
Cash and cash equivalents	-	5 652	-	100

Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2022: +/- 100bps) and +200bps and -200bps (2022: +/- 200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on VRS's financial instruments held at the reporting date. All other variables are held constant.

Sensitivity analysis: Impact on surplus/(deficit)	2023 R mil	2022 R mil
Financial liabilities		
Change in interest rates of -100bps	91	89
Change in interest rates of +100bps	(91)	(89)
Change in interest rates of -200bps	183	178
Change in interest rates of +200bps	(183)	(178)
Financial assets		
Change in interest rates of -100bps	(71)	(45)
Change in interest rates of +100bps	71	45
Change in interest rates of -200bps	(143)	(89)
Change in interest rates of +200bps	143	89

The table above excludes the Tariff receivable.

Currently TCTA does not have any derivatives hedging interest rate risk. Interest rate risk is managed through achievement of optimal capital structure, and continuous monitoring of short-, medium- and long-term interest rates' exposures.

A change in interest rates will not have an impact on equity (2022: no impact).

NOTES TO THE FINANCIAL STATEMENTS (continued)

BWP

Fixed vs. variable rate loans

The ratio of fixed to floating debt as at 31 March 2023 was 100% (2022: 100%) fixed and 0% (2022: 0%) floating.

2023 Interest rate exposure	Financial assets/ borrowings at fixed rates R mil	Financial assets/ borrowings at variable rates R mil	Fixed rate as % of total book	Variable rate as % of total book
Borrowings	206	-	100	-
Tariff receivable	-	195	-	100
Cash and cash equivalents	-	81	-	100

2022 Interest rate exposure	Financial assets/ borrowings at fixed rates R mil	Financial assets/ borrowings at variable rates R mil	Fixed rate as % of total book	Variable rate as % of total book
Borrowings	283	-	100	-
Tariff receivable	-	279	-	100
Cash and cash equivalents	-	77	-	100

Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2022: +/- 100bps) and +200bps and -200bps (2022: +/- 200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on BWP's financial instruments held at the reporting date. All other variables are held constant.

Sensitivity analysis: Impact on surplus/(deficit)	2023 R mil	2022 R mil
Financial liabilities		
Financial assets		
Change in interest rates of -100bps	(1)	(1)
Change in interest rates of +100bps	1	1
Change in interest rates of -200bps	(2)	(2)
Change in interest rates of +200bps	2	2

The table above excludes the Tariff receivable.

(1) Where the numbers are reflected as zero, the movements are less than R500 000.

A change in interest rates will not have an impact on equity (2022: no impact).

NOTES TO THE FINANCIAL STATEMENTS (continued)

VRESAP

Fixed vs. variable rate loans

The ratio of fixed to floating debt as at 31 March 2023 was 57% (2022: 62%) fixed and 43% (2022: 38%) floating.

2023 Interest rate exposure	Financial assets/ borrowings at fixed rates R mil	Financial assets/ borrowings at variable rates R mil	Fixed rate as % of total book	Variable rate as % of total book
Borrowings	1 530	1 167	57	43
Tariff receivable	-	2 827	-	100
Cash and cash equivalents	-	440	-	100

2022 Interest rate exposure	Financial assets/ borrowings at fixed rates R mil	Financial assets/ borrowings at variable rates R mil	Fixed rate as % of total book	Variable rate as % of total book
Borrowings	1 749	1 060	62	38
Tariff receivable	-	3 138	-	100
Cash and cash equivalents	-	208	-	100

Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2022: +/- 100bps) and +200bps and -200bps (2022: +/- 200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on VRESAP's financial instruments held at the reporting date. All other variables are held constant.

Sensitivity analysis: Impact on surplus/(deficit)	2023 R mil	2022 R mil
Financial liabilities		
Change in interest rates of -100bps	11	11
Change in interest rates of +100bps	(11)	(11)
Change in interest rates of -200bps	22	22
Change in interest rates of +200bps	(22)	(22)
Financial assets		
Change in interest rates of -100bps	(7)	(2)
Change in interest rates of +100bps	7	2
Change in interest rates of -200bps	(3)	(3)
Change in interest rates of +200bps	3	3

The table above excludes the Tariff receivable.

A change in interest rates will not have an impact on equity (2022: no impact).

NOTES TO THE FINANCIAL STATEMENTS (continued)

MCWAP-1

Fixed vs. variable rate loans

The ratio of fixed to floating debt as at 31 March 2023 was 28% (2022: 100%) fixed and 72% (2022: 0%) floating.

2023 Interest rate exposure	Financial assets/ borrowings at fixed rates R mil	Financial assets/ borrowings at variable rates R mil	Fixed rate as % of total book	Variable rate as % of total book
Borrowings	243	616	28	72
Tariff receivable	-	347	-	100
Cash and cash equivalents	-	699	-	100

2022 Interest rate exposure	Financial assets/ borrowings at fixed rates R mil	Financial assets/ borrowings at variable rates R mil	Fixed rate as % of total book	Variable rate as % of total book
Borrowings	898	-	100	-
Tariff receivable	-	370	-	100
Cash and cash equivalents	-	999	-	100

Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2022: +/- 100bps) and +200bps and -200bps (2022: +/- 200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on MCWAP's financial instruments held at the reporting date. All other variables are held constant.

Sensitivity analysis: Impact on surplus/(deficit)	2023 R mil	2022 R mil
Financial liabilities		
Change in interest rates of -100bps	3	2
Change in interest rates of +100bps	(3)	(2)
Change in interest rates of -200bps	5	3
Change in interest rates of +200bps	(5)	(3)
Financial assets		
Change in interest rates of -100bps	(8)	(12)
Change in interest rates of +100bps	8	12
Change in interest rates of -200bps	(16)	(24)
Change in interest rates of +200bps	16	24

The table above excludes the Tariff receivable.

A change in interest rates will not have an impact on equity (2022: no impact).

NOTES TO THE FINANCIAL STATEMENTS (continued)

MMTS-2

Fixed vs. variable rate loans

The ratio of fixed to floating debt as at 31 March 2023 was 0% (2022: 40%) fixed and 0% (2022: 60%) floating.

2023 Interest rate exposure	Financial assets/ borrowings at fixed rates R mil	Financial assets/ borrowings at variable rates R mil	Fixed rate as % of total book	Variable rate as % of total book
Cash and cash equivalents	-	345	-	100

2022 Interest rate exposure	Financial assets/ borrowings at fixed rates R mil	Financial assets/ borrowings at variable rates R mil	Fixed rate as % of total book	Variable rate as % of total book
Borrowings	201	381	40	60
Cash and cash equivalents	-	959	-	100

Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2022: +/- 100bps) and +200bps and -200bps (2022: +/- 200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on MMTS's financial instruments held at the reporting date. All other variables are held constant.

Sensitivity analysis: Impact on surplus/(deficit)	2023 R mil	2022 R mil
Financial liabilities		
Change in interest rates of -100bps	2	5
Change in interest rates of +100bps	(2)	(5)
Change in interest rates of -200bps	5	11
Change in interest rates of +200bps	(5)	(11)
Financial assets		
Change in interest rates of -100bps	(6)	(8)
Change in interest rates of +100bps	6	8
Change in interest rates of -200bps	(13)	(15)
Change in interest rates of +200bps	13	15

The table above excludes the Tariff receivable.

A change in interest rates will not have an impact on equity (2022: no impact).

NOTES TO THE FINANCIAL STATEMENTS (continued)

KWSAP

Fixed vs. variable rate loans

The following table details the interest rate exposure for KWSAP.

There ratio of fixed to floating debt as at 31 March 2023 was 24% (2022: 75%) fixed and 76% (2022: 25%) floating.

2023 Interest rate exposure	Financial assets/ borrowings at fixed rates R mil	Financial assets/ borrowings at variable rates R mil	Fixed rate as % of total book	Variable rate as % of total book
Borrowings	228	711	24	76
Tariff receivable	-	673	-	100
Cash and cash equivalents	-	289	-	100

2022 Interest rate exposure	Financial assets/ borrowings at fixed rates R mil	Financial assets/ borrowings at variable rates R mil	Fixed rate as % of total book	Variable rate as % of total book
Borrowings	821	269	75	25
Tariff receivable	-	829	-	100
Cash and cash equivalents	-	260	-	100

Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2022: +/- 100bps) and +200bps and -200bps (2022: +/- 200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on KWSAP's financial instruments held at the reporting date. All other variables are held constant.

Sensitivity analysis: Impact on surplus/(deficit)	2023 R mil	2022 R mil
Financial liabilities		
Change in interest rates of -100bps	7	2
Change in interest rates of +100bps	(7)	(2)
Change in interest rates of -200bps	14	5
Change in interest rates of +200bps	(14)	(5)
Financial assets		
Change in interest rates of -100bps	(9)	(2)
Change in interest rates of +100bps	9	2
Change in interest rates of -200bps	(18)	(5)
Change in interest rates of +200bps	18	5

The table above excludes the Tariff receivable.

(1) Where the numbers are reflected as zero, the movements are less than R500 000.

A change in interest rates will not have an impact on equity (2022: no impact).

NOTES TO THE FINANCIAL STATEMENTS (continued)

UMGENI and KRIEL

These projects do not carry interest rate risk as they are being funded from the fiscus.

ORWRDP

Fixed vs. variable rate loans

There are no borrowings in this project for the current and 2022 financial year as this project is funded from the fiscus.

2023 Interest rate exposure	Financial assets/ borrowings at fixed rates R mil	Financial assets/ borrowings at variable rates R mil	Fixed rate as % of total book	Variable rate as % of total book
Cash and cash equivalents	-	1	-	100

2022 Interest rate exposure	Financial assets/ borrowings at fixed rates R mil	Financial assets/ borrowings at variable rates R mil	Fixed rate as % of total book	Variable rate as % of total book
Cash and cash equivalents	-	47	-	100

MCWAP-2

Fixed vs. variable rate loans

There are no borrowings in this project for the current financial year.

2023 Interest rate exposure	Financial assets/ borrowings at fixed rates R mil	Financial assets/ borrowings at variable rates R mil	Fixed rate as % of total book	Variable rate as % of total book
Cash and cash equivalents	-	634	-	100

2022 Interest rate exposure	Financial assets/ borrowings at fixed rates R mil	Financial assets/ borrowings at variable rates R mil	Fixed rate as % of total book	Variable rate as % of total book
Cash and cash equivalents	-	610	-	100

Interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +100bps and -100bps (2022: +/- 100bps) and +200bps and -200bps (2022: +/- 200bps), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on MCWAP-2's financial instruments held at the reporting date. All other variables are held constant.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Sensitivity analysis: Impact on surplus/(deficit)	2023 R mil	2022 R mil
Financial liabilities		
Financial assets		
Change in interest rates of -100bps	(4)	(5)
Change in interest rates of +100bps	4	5
Change in interest rates of -200bps	(9)	(9)
Change in interest rates of +200bps	9	9

The table above excludes the Tariff receivable.

(1) Where the numbers are reflected as zero, the movements are less than R500 000.

A change in interest rates will not have an impact on equity (2022: no impact).

BRVAS

Fixed vs. variable rate loans

There are no borrowings in this project for the current financial year.

2023 Interest rate exposure	Financial assets/ borrowings at fixed rates R mil	Financial assets/ borrowings at variable rates R mil	Fixed rate as % of total book	Variable rate as % of total book
Cash and cash equivalents	-	4	-	100

2022 Interest rate exposure	Financial assets/ borrowings at fixed rates R mil	Financial assets/ borrowings at variable rates R mil	Fixed rate as % of total book	Variable rate as % of total book
Cash and cash equivalents	-	20	-	100

uMWP

Fixed vs. variable rate loans

There are no borrowings in this project for the current financial year.

2023 Interest rate exposure	Financial assets/ borrowings at fixed rates R mil	Financial assets/ borrowings at variable rates R mil	Fixed rate as % of total book	Variable rate as % of total book
Cash and cash equivalents	-	1	-	100

2022 Interest rate exposure	Financial assets/ borrowings at fixed rates R mil	Financial assets/ borrowings at variable rates R mil	Fixed rate as % of total book	Variable rate as % of total book
Cash and cash equivalents	-	12	-	100

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 SUMMARY OF PROPERTY, PLANT AND EQUIPMENT

	2023			2022		
	Cost R mil	Accumulated depreciation R mil	Carry value R mil	Cost R mil	Accumulated depreciation R mil	Carry value R mil
Furniture and fixtures	2	(2)	-	4	(3)	1
Computer equipment	12	(5)	7	7	(7)	-
Networking equipment	2	(1)	1	-	-	-
Office equipment	4	(3)	1	4	(4)	-
Motor vehicles	2	(2)	-	2	(1)	1
Video Conferencing	2	-	2	-	-	-
Leasehold improvements	13	(1)	12	18	(18)	-
Total	**37**	**(14)**	**23**	**35**	**(33)**	**2**

NOTES TO THE FINANCIAL STATEMENTS (continued)

Reconciliation of property, plant and equipment – 2023

	Opening balance R mil	Additions R mil	Depreciation R mil	Total R mil
Computer equipment	1	7	(1)	7
Networking equipment	-	2	(1)	1
Office equipment	-	2	(1)	1
Motor vehicles	1	-	(1)	-
Video conferencing	-	2	-	2
Leasehold improvements	-	13	(1)	12
	2	**26**	**(5)**	**23**

(1) The difference between the amount per the Statement of comprehensive income and the depreciation in the note above, is as a result of rounding to the nearest million. The amount on the face are an aggregate of different categories of depreciation whereas on the note the amounts are broken down per category. When amounts are rounded up to the million in aggregate versus per category, this results in the difference between the aggregated amounts and the disaggregated amount.

Reconciliation of property, plant and equipment – 2022

	Opening balance R mil	Additions R mil	Depreciation R mil	Total R mil
Furniture and fixtures	1	-	(1)	-
Computer equipment	1	1	(1)	1
Motor vehicles	1	-	-	1
	3	**1**	**(2)**	**2**

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 RIGHT OF USE OF ASSETS

The company leases the office building. The lease term is 5 years.

Details pertaining to leasing arrangements, as TCTA is a lessee, are presented below:

Net carrying amounts of right-of-use assets

Category	2023 R mil	2022 R mil
Buildings	21	-

2023 Net carrying amounts of right-of-use-assets	Cost R mil	Accumulated depreciation R mil	Carry amount R mil
Buildings	23	(2)	21
	23	**(2)**	**21**

2022 Net carrying amounts of right-of-use-assets	Cost R mil	Accumulated depreciation R mil	Carry amount R mil
Buildings	3	(3)	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

2023

Reconciliation of right-of-use asset	Opening balance R mil	Additions R mil	Depreciation R mil	Total R mil
Buildings	-	23	(2)	21
	-	**23**	**(2)**	**21**

2022

Reconciliation of right-of-use asset	Opening balance R mil	Additions R mil	Depreciation R mil	Total R mil
Buildings	3	-	(3)	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 FINANCIAL INSTRUMENTS

10.1 Financial assets

Balance as per the Statement of Financial Position

Financial assets measured at amortised cost	Note(s)	2023 R mil	2022 R mil
Non-current financial assets			
Tariff receivable	10.2	8 339	9 043
AMD receivable	10.3	1 570	1 609
Financial market investments	10.4	23	46
Current financial assets			
Tariff receivable	10.2	542	502
AMD receivable	10.3	311	261
Trade and other receivable	10.5	75	35
Cash and cash equivalents	12	9 359	8 849
Total financial assets		**20 219**	**20 345**
Current/Non-current financial asset		**20 219**	**20 345**
Non-current		9 932	10 698
Current		10 287	9 647

NOTES TO THE FINANCIAL STATEMENTS (continued)

10.2 Tariff receivable

	2023			2022		
Project	**Net-current R mil**	**Current R mil**	**Total R mil**	**Net-current R mil**	**Current R mil**	**Total R mil**
VRS	4 680	158	4 838	4 929	-	4 929
BWP	1 46	49	195	208	71	279
VRESAP	2 617	210	2 827	2 847	291	3 138
MCWAP-1	320	27	347	337	33	370
KWSAP	576	98	674	722	107	829
Total	**8 339**	**542**	**8 881**	**9 043**	**502**	**9 545**

NOTES TO THE FINANCIAL STATEMENTS (continued)

10.2.1 Reconciliation of movements in the tariff receivable

The tariff receivable arises as the contra to the construction revenue earned in each project, and is measured at amortised cost using the effective interest method.

The interest earned on the tariff receivable to compensate for the time value of money, is disclosed as "Finance income" on the Statement of Comprehensive Income and details provided in note 23.1.

Amounts billed to DWS as tariff revenue, which remain outstanding and are included in the tariff receivable are 2023: R1 106 million (2022: R803 million).

2023 **Project**	**Opening balance R mil**	**Construction revenue earned R mil**	**Revenue from services rendered and other income R mil**	**Cost related payments made R mil**	**Tariff revenue R mil**	**Interest income earned R mil**	**VAT on debtors R mil**	**Closing balance R mil**
VRS	4 929	-	310	6 187	(7 716)	1 222	(94)	4 838
BWP	279	-	9	-	(105)	12	-	195
VRESAP	3 138	-	12	-	(619)	288	8	2 827
MCWAP-1	370	-	12	-	(100)	65	-	347
KWSAP	829	-	8	-	(263)	99	-	673
Total	**9 545**	**-**	**351**	**6 187**	**(8 803)**	**1 686**	**(86)**	**8 880**

NOTES TO THE FINANCIAL STATEMENTS (continued)

2022 **Project**	**Opening balance R mil**	**Construction revenue earned R mil**	**Revenue from services rendered and other income R mil**	**Cost related payments made R mil**	**Tariff revenue R mil**	**Interest income earned R mil**	**VAT on debtors R mil**	**Closing balance R mil**
VRS	6 757	-	278	3 261	(7 048)	1 658	23	4 929
BWP	392	-	7	-	(138)	18	-	279
VRESAP	3 519	-	8	-	(608)	219	-	3 138
MCWAP-1	501	-	7	-	(303)	169	(4)	370
MMTS-2	494	(2)	15	-	(683)	177	(1)	-
KWSAP	992	-	6	-	(270)	104	(3)	829
Total	**12 655**	**2**	**321**	**3 261**	**(9 050)**	**2 345**	**15**	**9 545**

10.3 AMD receivable

Two-thirds of the costs incurred on the AMD short-term intervention is recoverable from the fiscus. The repayment terms agreed with DWS per the implementation agreement is for the period 31 May 2023 to 31 March 2032. Refer to note 6.2 for the allocation per project and note for the restatement of prior period amounts.

	2023 R mil	**2022 R mil**
Non-current	1 570	1 609
Current	311	261
Total	**1 881**	**1 870**

NOTES TO THE FINANCIAL STATEMENTS (continued)

10.3.1 Reconciliation of movement in the AMD receivable

	2023 R mil	2022 R mil
Opening balance	1 870	1 855
Current year costs	26	20
Interest income	134	106
VAT on debtors	30	38
Payments received	(179)	(149)
Closing balance	**1 881**	**1 870**

10.4 Financial market investments

The financial market investments comprise of investment made in Landbank.

	2023		2022	
	Current R mil	Non-current R mill	Current R mil	Non-current R mill
VRS	-	23	-	46

NOTES TO THE FINANCIAL STATEMENTS (continued)

The investment in Landbank has been adjusted for the expected credit loss as reflected below.

Movement of expected credit loss provision on financial market

Investments	2023 R mil	2022 R mil
Balance at beginning of year	27	33
Net impairment raised/(reduced)	9	(6)[1]
Balance at end of year	**36**	**27**

(1) The expected credit loss adjustment in 2022 was disclosed as part of other operating expenses in the statement of comprehensive income.

10.5 Trade and other receivables

The trade and other receivables comprises of DWS debtors for the socially funded projects. The balances per project are reflected in the segmental statement of financial position in note 6.4.1:

	2023 R mil	2022 R mil
Trade and other receivables	75	35

NOTES TO THE FINANCIAL STATEMENTS (continued)

10.6 Financial liabilities

Balance as per the Statement of Financial Position

Financial liabilities measured at amortised cost	Note(s)	2023 R mil	2022 R mil
Non-current financial liabilities			
Borrowings	10.6	12 048	12 665
Fixed rate loans		1 857	2 759
Variable rate loans		9 742	9 466
CPI rate loans		449	440
Current financial liabilities			
Borrowings	10.6	1 335	2 535
Fixed rate loans		352	1 193
Variable rate loans		960	1 320
CPI rate loans		23	21
Refund liability	10.7	174	179
Contract liabilities	10.8	593	408
Trade and other payables	10.9	1 140	679
Total financial liabilities		**15 290**	**16 466**
Current/Non-current financial liabilities		**15 290**	**16 466**
Non-current		12 048	12 665
Current		3 242	3 801

NOTES TO THE FINANCIAL STATEMENTS (continued)

10.6.1 Borrowings per project are reflected in note 6.4.1. Below is the average interest rate and maturity profile of borrowings per project.

Average interest per project

	2023 %	2022 %
VRS		
Loans bear effective interest at rates ranging from	9.62 to 10.56	6.26 to 6.97
Project weighted average rate including Capital Market and Commercial Paper	8.54	6.47

The project funded at a weighted average rate of:

Project	2023 %	2022 %
BWP	8.50	8.43
VRESAP	9.82	9.35
MCWAP-1	9.58	9.49
MMTS-2*	-	7.73
KWSAP	9.85	8.77

ORWRDP, MRWP, uMWP, MCWAP-2A and Umgeni are funded from the fiscus and the weighted average cost of capital is therefore not applicable.

* The MMTS-2 debt was prepaid during the current financial year, therefore no rate is applicable as at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Average maturity profile

Project	2023	2022
VRS	March 2026 – July 2036	March 2026 – September 2036
BWP	September 2024 – March 2029	September 2024 – March 2029
VRESAP	June 2027 – July 2029	June 2027 – March 2028
MCWAP-1	September 2033 – October 2033	September 2033 – October 2033
KWSAP	December 2032 – June 2033	December 2032 – June 2033

Refer to note 7 for financial instrument risk analysis for the financial liabilities per project.

10.7 REFUND LIABILITY

The refund liability is as a result of an overpayment received from DWS on the MMTS-2 project. The amounts receivable from DWS in relation to the work performed by TCTA on their behalf was settled, and this over-payment will be refunded to DWS following the completion of TCTA's internal verification processes.

Overpayment received from DWS	2023 R mil	2022 R mil
Opening balance	179	-
Amount received during the year	-	179
Amount utilised during the year	(5)	-
Balance at the end of year	**174**	**179**

NOTES TO THE FINANCIAL STATEMENTS (continued)

10.8 CONTRACT LIABILITIES

Summary of contract liabilities	2023 R mil	2022 R mil
Contract liability	593	408

Reconciliation of contract liabilities	2023 R mil	2022 R mil
Opening balance	408	433
Revenue recognised on delivery of goods/services previously paid for	(108)	(250)
- Contract revenue earned	(98)	(222)
- Finance income earned	(10)	(28)
Payments received in advance of delivery of performance obligations	293	225
Closing balance	**593**	**408**

Contract liabilities relating to working capital advances represent balances which are due to DWS as a result of payments made to TCTA to enable TCTA to construct infrastructure on behalf of DWS for those projects which are completely socially funded and for those which have a combination of commercial and social funding. These will also arise if a particular payment received from DWS for costs incurred to date, exceeds the revenue.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10.9 TRADE AND OTHER PAYABLES

2023	Interest payable R mil	Trade creditors R mil	Loan account: LHWP R mil	Non-contractual amounts [1] R mil	Other creditors R mil	Total before inter-project elimination R mil	Inter-project elimination R mil	Balance per project R mil
VRS	64	892	1	102	5	1 064	(1)	1 063
BWP	-	-	2	3	-	5	(2)	3
VRESAP	27	-	3	8	1	39	(3)	36
MCWAP-1	9	-	3	1	-	13	(3)	10
MMTS-2	-	-	4	-	20	24	(4)	20
ORWRDP	-	-	35	-	-	35	(35)	-
KWSAP	1	-	8	3	-	12	(8)	4
KRIEL	-	-	2	-	-	2	(2)	-
MRWP	-	-	15	-	-	15	(15)	-
TCTA-C	-	-	3	-	-	3	(3)	-
MCWAP-2	-	3	13	1	-	17	(13)	4
BRVAS	-	-	4	-	-	4	(4)	-
uMWP	-	-	11	-	-	11	(11)	-
Balance at end of year	**101**	**895**	**104**	**118**	**26**	**1 244**	**(104)**	**1 140**

NOTES TO THE FINANCIAL STATEMENTS (continued)

2022	Interest payable R mil	Trade creditors R mil	Loan account: LHWP R mil	Non-contractual amounts [1] R mil	Other creditors R mil	Total before inter-project elimination R mil	Inter-project elimination R mil	Balance per project R mil
VRS	48	280	12	185	29	554	(12)	542
BWP	1	-	1	2	-	4	(1)	3
VRESAP	26	-	2	16	1	44	(2)	42
MCWAP-1	10	-	325	3	-	338	(325)	13
MMTS-2	7	-	3	22	36	69	(3)	66
ORWRDP	-	-	52	-	-	52	(52)	-
KWSAP	1	-	7	5	-	13	(7)	6
KRIEL	-	-	2	-	-	2	(2)	-
UMGENI	-	-	-	-	1	1	-	1
MRWP	-	-	1	-	-	1	(1)	-
TCTA-C	-	-	2	-	-	2	(2)	-
MCWAP-2	-	-	537	-	5	542	(537)	5
BRVAS	-	1	3	-	1	4	(3)	1
uMWP	-	-	3	-	-	3	(3)	-
Balance at end of year	**93**	**281**	**950**	**233**	**73**	**1 629**	**(950)**	**679**

[1] Non-contractual amounts relate to liabilities or (assets) arising from Value Added Tax declarations and were separately disclosed in 2022. These are included as trade and other payables from the 2023 financial year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 PREPAYMENTS

Prepaid expenditure includes advance payments made to contractors, annual insurance and treasury related license fees. The advance payments are recouped from future payment certificates. Other prepaid expenditure is amortised to the statement of comprehensive income in the periods that the expenses are incurred.

Project	2023 R mil	2022 R mil
VRS	44	41
MMTS-2	1	1
MCWAP-2	-	-
ORWRDP	1	1
Balance at end of year	46	43

12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises cash at banks and cash on hand. Cash and cash equivalents also includes highly liquid investments that are readily available, generally on a "same day" basis. TCTA prioritises liquidity across all its projects, as such, most investments are allocated to Call and Money Market Funds. TCTA's cash management practice is to maintain a minimum amount of cash on hand. Refer to 6.4.1 for the cash and cash equivalents per project.

13. LEASE LIABILITIES

Minimum lease payments due	2023 R mil	2022 R mil
- within one year	6	-
- in second to fifth year inclusive	22	-
	28	-
Less: future finance charges	(7)	-
Present value of minimum lease payments	**21**	**-**

Present value of minimum lease payments due	2023 R mil	2022 R mil
- within one year	3	-
- in second to fifth year inclusive	18	-
	21	**-**

The lease term of the building is 5 years and the effective borrowing rate is 12%. TCTA entered into a new lease contract for an office building for 5 years.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 SHORT-TERM EMPLOYEE BENEFITS

The following short-term employee benefits were accrued for in the current year and contain and element of uncertainty:

	2023 R mil	2022 R mil
Leave pay	15	15
Incentives	22	19
	37	**34**

2023 Reconciliation of short-term employee benefits	Carrying amount at the beginning of the year R mil	Additions R mil	Utilised R mil	Carrying amount at the end of the year R mil
Leave Pay	15	22	(22)	15
Incentives	19	22	(19)	22
	34	**44**	**(39)**	**37**

2022 Reconciliation of short-term employee benefits	Carrying amount at the beginning of the year R mil	Additions R mil	Utilised R mil	Carrying amount at the end of the year R mil
Leave Pay	13	20	(18)	15
Incentives	-	19	-	19
	13	**39**	**(20)**	**34**

Leave pay

In terms of TCTA's policy, employees are entitled to accumulate annual leave not taken to a maximum of 40 working days. Accumulated annual leave exceeding the maximum of 40 working days is forfeited six months after the employee's leave cycle.

Incentives

Performance rewards and incentives refer to the variable portion of pay and are an element of the overall TCTA Total Rewards Strategy. The Board approved TCTA Short-term Rewards and Incentive (STRI) Policy sets the framework, principles, and methodology for the payment of performance rewards and incentives. These are payable annually (financial year), based on the performance management process outcome at organizational, divisional and individual levels, and under the discretion of the Board. The mentioned policy also prescribes how the provision of funds is to be determined.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 REVENUE

Disaggregation of revenue from contracts with customers

TCTA earns revenue through contracts with DWS as the main customer. Refer to note 6.4.2 for the revenue per project. TCTA disaggregates revenue from customers as follows:

Construction contracts

2023 **Project**	**Engineering R mil**	**Environmental R mil**	**Overheads R mil**	**Construction R mil**	**Total revenue from customers R mil**
VRS	-	1	-	-	1
ORWRDP	-	-	-	21	21
MCWAP-2	35	-	45	-	80
BRVAS	2	-	15	-	17
uMWP	-	-	19	-	19
Total	**37**	**1**	**79**	**21**	**138**

NOTES TO THE FINANCIAL STATEMENTS (continued)

2022

Project	**Engineering R mil**	**Environmental R mil**	**Overheads R mil**	**Construction R mil**	**Total revenue from customers R mil**
MMTS-2	-	(2)	-	-	(2)
ORWRDP	6	-	-	37	43
MCWAP-2	29	-	52	100	181
BRVAS	-	-	26	-	26
uMWP	-	-	14	-	14
Total	**35**	**(2)**	**92**	**137**	**262**

Revenue from services rendered

2023

Project	**AMD operations and maintenance R mil**	**Debt management services R mil**	**Total revenue from customers R mil**
VRS	248	11	259
BWP	-	1	1
VRESAP	-	1	1
MCWAP-1	-	1	1
MMTS-2	-	3	3
KWSAP	-	1	1
ORWRDP	-	1	1
Total revenue from services rendered	**248**	**19**	**267**

NOTES TO THE FINANCIAL STATEMENTS (continued)

2022 Project	AMD operations and maintenance R mil	Debt management services R mil	Total revenue from customers R mil
VRS	234	10	244
BWP	-	1	1
VRESAP	-	1	1
MCWAP-1	-	1	1
MMTS-2	-	3	3
ORWRDP	-	1	1
KWSAP	-	1	1
Total revenue from services rendered	**234**	**18**	**252**

Operating income

Operating income relates to the recovery of TCTA overhead costs which are necessary for the achievement of services rendered and cost recoveries from the DWS. The other income each year will be recovering the expenses incurred for that project. The detail of other operating income per project is in note 6.4.2.

Performance obligations

A performance obligation is a promise to provide a distinct good or service or a series of distinct goods or services. TCTA is charged with financing and implementing bulk raw water infrastructure projects. These infrastructure projects are accounted for in terms of IFRS 15: Revenue from Contracts with Customers and deal with the construction of a single asset such as a dam or pipeline. In some instances, they deal with several assets that are closely interrelated or interdependent in terms of their design, technology and function or ultimate purpose or use. TCTA applies IFRS 15: Revenue from Contracts with Customers separately for each construction contract as required in the directive from the Minister of Water and Sanitation. TCTA's performance obligations per contract can be summarised as follows:

- Provide project financing expertise in order to secure funding for the project (only applicable to off-budget projects); and
- Implementing the construction of the assets to be delivered to DWS.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Unsatisfied contracts

2023	< one year R mil	> one year R mil
VRS	6 666	129 849
BWP	13	75
VRESAP	16	91
MCWAP-1	17	96
MMTS-2	61	17
KWSAP	10	122
Total	**6 783**	**130 250**

2022	< one year R mil	> one year R mil
VRS	5 903	125 519
BWP	17	71
VRESAP	16	133
MCWAP-1	9	253
MMTS-2	33	86
KWSAP	10	150
Total	**5 988**	**126 212**

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 CONTRACT COSTS

Contract costs comprise construction costs, cost for services rendered and other operating costs. As TCTA is on a cost recovery basis, the contract costs form the basis of the contract revenue recognised. Please refer to Note 15 for the breakdown of contract revenue which reflects the reciprocal of the contract costs. Additional disclosure is provided for other operating expenses which has not been provided in Note 15.

16.1 Operating expenses

Other operating expenses includes all TCTA overhead costs not separately disclosed. These costs are allocated to each project by aggregating the expected time to be spent on each project to determine the recovery percentage per project, which is applied to the expenses. During construction this recovery is included in the construction costs. Post construction these costs are recognised as operating expenditure.

16.1.1 Breakdown of staff costs disclosed as operating expenses as well as costs included in construction costs.

During the construction phase, all staff related costs are included in the construction costs for each individual project. The total staff cost for the year is reflected below:

	2023			2022		
Staff costs	**Costs included on operating expenses R mil**	**Costs included in construction costs R mil**	**Total R mil**	**Costs included on operating expenses R mil**	**Costs included in construction costs R mil**	**Total R mil**
VRS	196	-	**196**	174	9	**183**
BWP	5	-	**5**	4	-	**4**
VRESAP	8	-	**8**	5	-	**5**
MCWAP-1	8	-	**8**	6	-	**6**
MMTS-2	11	-	**11**	7	1	**8**
ORWRDP	10	-	**10**	7	1	**8**
KWSAP	5	-	**5**	4	-	**4**

NOTES TO THE FINANCIAL STATEMENTS (continued)

Staff costs	2023 Costs included on operating expenses R mil	2023 Costs included in construction costs R mil	2023 Total R mil	2022 Costs included on operating expenses R mil	2022 Costs included in construction costs R mil	2022 Total R mil
MCWAP-2	-	32	**32**	-	24	**24**
BRVAS	-	10	**10**	-	-	**-**
MRWP	5	-	**5**	4	-	**4**
uMWP	-	14	**14**	-	-	**-**
Total	**248**	**56**	**303**	**211**	**35**	**246**

NOTES TO THE FINANCIAL STATEMENTS (continued)

16.1.2 Other operating expenses

Other operating expenses includes all TCTA overhead costs not separately disclosed.

2023 **Other operating expenses**	**Leases expensed (low value and short term leases)**	**External auditors remuneration**	**Other expenditure**	**Total**
VRS	7	15	1	23
BWP	-	-	2	2
VRESAP	-	-	3	3
MCWAP-1	-	-	3	3
MMTS-2	-	-	4	4
ORWRDP	-	-	4	4
KWSAP	-	-	2	2
MRWP	-	-	2	2
Other operating expenses recognised in surplus or deficit	**7**	**15**	**21**	**43**

NOTES TO THE FINANCIAL STATEMENTS (continued)

2022 Other operating expenses	Leases expensed (low value and short term leases)	External auditors remuneration	Other expenditure	Total
VRS	3	17	-	20
BWP	-	-	1	1
VRESAP	-	-	2	2
MCWAP-1	-	-	2	2
MMTS-2	-	-	3	3
ORWRDP	-	-	3	3
KWSAP	-	-	1	1
MRWP	-	-	1	1
Other operating expenses recognised in surplus or deficit	**3**	**17**	**13**	**33**

The operating lease relates to a lease agreement for the office building. The lease payments relate to the extension of the lease from January 2022 to June 2022 with an option to extent on a month to month until 31 December 2022. TCTA was in the process of procuring a lease for new premises. TCTA elected to account for the lease as a short-term lease in line with IFRS 16 as it was shorter than 12 months. Three months of this extension relates to the 2022 financial year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 FINANCE INCOME AND COSTS

17.1 Finance income

2023	Interest income for financial assets at amortised cost: Interest income on financial instruments R mil	Interest income for financial assets at amortised cost: Interest income on the tariff and other receivables R mil	Finance income per project R mil	Elimination of inter-project related finance income R mil	Total finance income R mil
VRS	425	1 355	1 780	(15)	1 765
BWP	6	12	18	-	18
VRESAP	22	288	310	-	310
MCWAP-1	45	65	110	-	110
MMTS-2	37	-	37	-	37
ORWRDP	1	4	5	-	5
KWSAP	20	99	119	-	119
BRVAS	1	-	1	-	1
uMWP	1	-	1	-	1
TCTA-C	1	-	1	-	1
MCWAP-2	24	11	35	-	35
UMGENI	(4)	-	(4)	-	(4)
Finance income	**579**	**1 834**	**2 413**	**(15)**	**2 398**

NOTES TO THE FINANCIAL STATEMENTS (continued)

2022	Interest income for financial assets at amortised cost				
	Interest income on financial instruments R mil	Interest income on the tariff and other receivables R mil	Finance income per project R mil	Elimination of inter-project related finance income R mil	Total finance income R mil
VRS	200	1 770	1 970	(23)	1 947
BWP	3	18	21	-	21
VRESAP	6	219	225	-	225
MCWAP-1	46	169	215	(1)	214
MMTS-2	28	177	205	-	205
ORWRDP	3	-	3	-	3
KWSAP	9	104	113	-	113
TCTA-C	1	-	1	-	1
BRVAS	7	-	7	(7)	-
uMWP	1	-	1	-	1
MCWAP-2	7	27	34	-	34
Finance income	**311**	**2 484**	**2 795**	**(31)**	**2 764**

NOTES TO THE FINANCIAL STATEMENTS (continued)

17.2 Finance costs

Finance costs for the year ended are analysed as follows:

	Interest expense for borrowings at amortised cost					
2023	**Locally issued bonds R mil**	**Other local debt R mil**	**Total interest R mil**	**Other finance costs R mil**	**Elimination of interproject related finance costs R mil**	**Finance cost per project R mil**
VRS	750	1	751	68	-	819
BWP	22	-	22	1	-	23
VRESAP	238	-	238	34	-	272
MCWAP-1	82	-	82	1	-	83
MMTS-2	28	-	28	8	-	36
ORWRDP	4	-	4	-	(4)	-
KWSAP	92	-	92	1	-	93
MCWAP-2	11	-	11	-	(11)	-
Finance costs	**1 227**	**1**	**1 228**	**113**	**(15)**	**1 326**

NOTES TO THE FINANCIAL STATEMENTS (continued)

2022	Interest expense for borrowings at amortised cost					
	Locally issued bonds R mil	Other local debt R mil	Total interest R mil	Other finance costs R mil	Elimination of interproject related finance costs R mil	Finance cost per project R mil
VRS	138	556	694	153	-	847
BWP	-	28	28	1	-	29
VRESAP	-	250	250	23	-	273
MCWAP-1	-	101	101	1	-	102
MMTS-2	-	69	69	22	-	91
ORWRDP	-	-	-	3	(3)	-
KWSAP	-	99	99	1	-	100
MCWAP-2	-	-	-	27	(27)	-
uMWP	-	-	-	1	(1)	-
Finance costs	**138**	**1 103**	**1 241**	**232**	**(31)**	**1 442**

Other finance costs amounting to R113 million (2022: R232 million) have been shown separately from interest expenses and disclosed as a separate category within finance costs. Other finance costs comprise other expenditure, which are not interest expenses, incurred in securing financing facilities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 CONTINGENCIES

18.1 Contingent Liabilities

In the ordinary course of business, TCTA is involved in various legal actions and claims, including those related to contract awards, and land or land rights expropriation required to execute its directives. Although the outcome of the legal proceedings cannot be predicted with certainty, TCTA discloses all possible or present obligations as a result of these events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the entity.

The litigation matters have been detailed below:

18.1.1 LESOTHO HIGHLANDS WATER PROJECT ("LHWP")

TCTA was served with a Writ of Execution and Notice of Attachment in execution of incorporeal property or rights in incorporeal property on 17 May 2021 emanating from a dispute between Frazer Solar GMBH ("the Company"), a company incorporated in Germany and the Kingdom of Lesotho ("KOL"). TCTA was not a party to the original proceedings between the Company and KOL. The Writ of Execution and Notice of Attachment make provision for the attachment of the KOL's right to receive payment of royalties from the RSA, through TCTA for water delivered into the RSA. The matter is being opposed by the KOL, the LHDA, TCTA and the Minister of Water and Sanitation. Separately, the KOL applied for a review and set aside of the original contract concluded between it and Frazer, in the Lesotho High Court. The original contract has been set aside by the courts in Lesotho. The existing litigation in South Africa involving TCTA, and the Minister of Water and Sanitation has been suspended until outcome of the Rescission Application between KOL and the Company which is continuing separately as TCTA and the Minister were not part of the original contract and ensuing litigation which gave rise to the arbitration award against the KOL. That hearing is scheduled from 5 to 9 June 2023. The outcome of these proceedings between KOL and the Company will determine if the proceedings against TCTA will continue thereafter. The value of the claim from the Company is 53 million Euros.

18.1.2 ACID MINE DRAINAGE ("AMD")

TCTA put out 2 requests for tender for the Operation and Maintenance of the AMD Central and Eastern Basin Treatment Plants. The plaintiff was not successful in the first stage of the tender process and was subsequently disqualified. It then proceeded with an application for an urgent interdict and a review application. The plaintiff was not successful on the interdict application and eventually proceeded on the review application. The matter was heard on the 4 February 2022 and judgement is still awaited. The value of the claim is R1.6 billion.

18.2 CONTINGENT ASSET

TCTA was served with an order from the High Court that TCTA be joined to the proceedings as it has a material interest in the proceedings together with DWS and the Public Protector, regarding a matter concerning the previous Chief Delegate: LHWP. That application was dismissed and applied to the Supreme Court of Appeal for leave to appeal. That application for leave to appeal was dismissed with costs. Since no further steps have been taken, TCTA has instructed its attorneys to draw up its bill of costs, have same taxed and served on the counterparty. However she cannot be traced and following relocation from her present address. Instructions have been given to the attorneys to close their file and submit the final invoices for payment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 RELATED PARTIES

TCTA is a state-owned entity established under the National Water Act. As such, TCTA is a government-related entity and has applied the exemption in paragraph 25 of IAS 24 Related Party Disclosure. These related parties are either controlled, jointly controlled or significantly influenced by the government of the Republic of South Africa. The significant transactions below are as a result of contractual agreements entered into between TCTA and the related parties in fulfilling TCTA's mandate in terms of directives issue in various projects.

19.1 Trading transactions

19.1.1 DWS

For related party transactions and balances with DWS refer to note 10.2.

19.1.2 DBSA

A government-related entity is an entity that is controlled, jointly controlled or significantly influenced by a government. TCTA and DBSA are both schedule 2 Major Public Entities in terms of the PFMA and report to National Government.

Borrowings per Project	Opening balance 1 April 2022 R mil	Drawdowns R mil	Repayments R mil	Closing balance 31 March 2023 R mil	Interest incurred for the period R mil
BWP	140	-	(20)	120	12
Total transactions with DBSA	**140**	**-**	**(20)**	**120**	**12**

NOTES TO THE FINANCIAL STATEMENTS (continued)

Borrowings per Project	Opening balance 1 April 2021 R mil	Drawdowns R mil	Repayments R mil	Closing balance 31 March 2022 R mil	Interest incurred for the period R mil
BWP	160	-	(20)	140	14
Total transactions with DBSA	**160**	**-**	**(20)**	**140**	**14**

19.1.3 ESKOM

The following transactions which are collectively significant have occurred with Eskom:

Project	2023 R mil	2022 R mil
VRS	72	87
MCWAP-2	-	137
BRVAS	-	1
Total transactions with ESKOM	**72**	**225**

NOTES TO THE FINANCIAL STATEMENTS (continued)

19.1.4 LANDBANK

TCTA and Landbank are both schedule 2 Major Public Entities in terms of the PFMA and report to National Government.

Project	Opening balance 1 April 2022	Investments	Maturities/ ECL adjustment	Closing balance 31 March 2023	Interest income	Interest receivable 31 March 2023
VRS	46	-	(23)	23	5	1
Total transactions with Landbank	**46**	**-**	**(23)**	**23**	**5**	**1**

Project	Opening balance 1 April 2021	Investments	Maturities/ ECL adjustment	Closing balance 31 March 2022	Interest income	Interest receivable 31 March 2022
VRS	57	-	(11)	46	6	-
Total transactions with Landbank	**57**	**-**	**(11)**	**46**	**6**	**-**

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 Compensation of directors and executive management

Short-term employee benefits

TCTA does not contribute to any defined retirement or medical aid fund. It does not have a liability for the provision of retirement funding. The emoluments paid to management include a sum for the provision of their own medical aid and pension benefits.

Total compensation to directors and executive management	**2023 R mil**	**2022 R mil**
Non-executive Directors	7	7
Executive Director	8	6
Executive Management	34	26
Total for the year	**49**	**39**

NOTES TO THE FINANCIAL STATEMENTS (continued)

20.1 DIRECTORS' AND PRESCRIBED OFFICER'S EMOLUMENTS

2023

					ATTENDANCE FEES					
Directors	Board fees R'000	Additional Board meeting [1] R'000	Ad hoc fees [2] R'000	Travel/other expenses R'000	Audit & Risk Committee R'000	Finance Committee R'000	Nominations and Governance Committee R'000	Human Resources and Transformation Committee R'000	Technical Committee R'000	Grand total R'000
M Ramataboe[3]	757	-	-	-	241	-	58	-	54	1 110
S Khondlo [3]	265	5	15	5	-	90	58	-	77	515
S Roopa [3]	265	5	-	-	160	67	-	62	-	559
N Baloyi [3]	265	5	-	-	166	102	58	-	-	596
MM Maponya [3]	272	5	-	-	160	-	-	67	-	504
L Dlamini [3]	272	5	-	8	-	-	-	67	54	406
PN Sibiya [5]	315	-	-	-	-	26	30	-	-	371
G Dumas [4]	1 198	-	-	-	28	-	83	-	45	1 354
G White	363	8	-	5	155	90	59	122	-	802
NM Tladinyane [5]	91	3	-	-	-	18	16	-	26	154
VN Vedalankar [5]	91	3	-	-	-	-	-	18	18	130
EM Mamabolo [5]	91	3	-	-	-	-	-	18	18	130
PR Mnisi [5]	91	3	-	-	28	-	-	-	-	122
ZN Tshabalala [5]	91	3	-	-	41	18	21	-	-	174
PJ Mofokeng [5]	91	3	-	-	26	-	-	-	18	138
	4 518	**51**	**15**	**18**	**1 005**	**411**	**383**	**354**	**310**	**7 065**

[1] Fees for additional meetings in excess of the 8 scheduled meetings, in line with the Director's Remunerations Policy.
[2] Ad Hoc Fees comprise all additional TCTA related work done outside scheduled engagements, in line with the Directors' Remuneration Policy.
[3] Member's term of office ended on 31 December 2022.
[4] Mr Dumas was the Chairperson of the Board until 31 December 2022. He was appointed as the Deputy Chairperson of the Board from 1 January 2023.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2022									ATTENDANCE FEES	
Directors	Board fees R'000	Ad hoc fees R'000	Travel/other expenses R'000	Nominations and Governance Committee R'000	Finance Committee R'000	Audit and Risk Committee R'000	Human Capital and Ethics Committee R'000	Board meetings R'000	Technical Committee R'000	Grand total R'000
G Dumas	1 261	-	5	153	-	-	-	-	72	1 491
M Ramataboe	1 009	-	-	107	-	163	-	-	72	1 351
S Khondlo	363	-	-	107	107	-	-	31	102	710
S Roopa	363	-	-	-	89	114	94	31	-	691
N Baloyi	363	33	9	107	128	141	-	31	-	812
M Maponya	363	-	-	-	-	129	94	31	-	617
G White	363	4	5	107	107	57	136	31	-	810
L Dlamini	363	4	-	-	-	-	90	31	72	560
	4 448	**41**	**19**	**581**	**431**	**604**	**414**	**186**	**318**	**7 042**

(1) Fees for additional meetings in excess of the 8 scheduled meetings, in line with the Director's Remunerations Policy.
(2) Ad Hoc Fees comprise all additional TCTA related work done outside scheduled engagements, in line with the Directors' Remuneration Policy.
(5) New member appointed on 01 January 2023.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20.1.1 Executive director

2023

Director	Date appointed or resigned	Earnings R'000	Employer contributions (1) R'000	Incentive bonus for 2022 R'000	Other payments(2) R'000	2021 incentive bonus paid in 2023 R'000
EXECUTIVE DIRECTOR Mr DKP Sechemane (Chief Executive Officer)	01-Nov-18	5 403	695	877	185	778

(1) This amount refers to employer contributions(i.e. Medical Aid, Pension, Group Life, SDL and UIF).
(2) Other payments consist of leave pay/encashments and long service awards.

2022

Director	Date appointed or resigned	Earnings R'000	Employer contributions (1) R'000	Total R'000
Mr DKP Sechemane (Chief Executive Officer)	01-Nov-18	5 153	610	5 763

(1) This amount refers to employer contributions(i.e. Medical Aid, Pension, Group Life, SDL and UIF).

NOTES TO THE FINANCIAL STATEMENTS (continued)

20.1.2 Executive management

The remuneration of directors and key executives is determined by the Human Capital & Ethics Committee having regard to the performance of individuals and market trends.

2023

Executive Managers	Position	Date appointed or resigned	Earnings R'000	Employer contributions [1] R'000	Incentive bonus for 2022 R'000	Other payments [2] R'000	Incentive for 2021 paid in 2023 R'000	Total R'000
B Shongwe	Chief Financial Officer	03-Jan-20	3 435	341	500	-	238	4 514
Prof Busari	Chief Strategy Officer	01-Nov-09	4 053	537	629	383	511	6 113
J Claassens	Executive Manager: Project Management and Implementation	30-Jun-22	950	130	559	655	271	2 565
L Radzuma	Chief Risk Officer	01-Jul-10	3 052	391	269	288	215	4 000
N Nkabinde	Executive Manager: Project Finance and Treasury	01-Sep-15	3 001	409	456	129	166	4 210
C Kistasam	Executive Manager: Enterprise Wide Support Services	01-Jun-20	2 852	312	413	-	-	3 743
H Botha	Executive: Human Resources and Organisational Development	01-Feb-16	2 529	354	375	20	181	3 459
W De Witt	Corporate Secretary	01-Oct-18	1 999	291	310	-	170	2 770
J Mavuso	Executive Manager: Project Management and Implementation	01-Jun-22	2 239	290	-	-	-	2 529
M Masongwa	Chief Internal Auditor	01-Oct-18	1 844	275	310	-	290	2 719
Total Executive Management remuneration			**25 954**	**3 330**	**3 821**	**1 475**	**2 042**	**36 622**

[1] This amount refers to guaranteed portion of the Executives remuneration.
[2] Other payments consist of leave pay and long service awards.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2022

Executive Managers	Position	Date appointed or resigned	Earnings R'000	Employer contributions [1] R'000	Other payments [2] R'000	Total R'000
B Shongwe	Chief Financial Officer	03-Jan-20	3 261	307	-	3 568
Prof Busari	Chief Strategy Officer	01-Nov-09	3 867	468	-	4 335
J Claassens	Executive Manager: Project Management and Implementation	30-Jun-22	3 621	440	-	4 061
L Radzuma	Chief Risk Officer	01-Jul-10	2 911	351	-	3 262
N Nkabinde	Executive Manager: Project Finance and Treasury	01-Sep-15	2 863	359	-	3 222
C Kistasam	Executive Manager: Enterprise Wide Support Services	01-Jun-20	2 711	279	-	2 990
H Botha	Executive: Human Resources and Organisational Development	01-Feb-16	2 413	312	-	2 725
W De Witt	Corporate Secretary	01-Oct-18	1 908	257	82	2 247
M Masongwa	Chief Internal Auditor	01-Oct-18	1 760	240	-	2 000
Total Executive Management remuneration			**25 315**	**3 013**	**82**	**28 410**

[1] This amount refers to employer contributions(i.e. Medical Aid, Pension, Group Life, SDL and UIF).
[2] Other payments consist of leave pay, long service awards and attraction bonus.

NOTES TO THE FINANCIAL STATEMENTS (continued)

21 FAIR VALUE ESTIMATION

Fair value analysis

Set up below is a comparison by class of the carrying amounts and the estimated fair value of TCTA's financial liabilities.

Financial liabilities	Carrying amount R mil	Fair value R mil
Borrowings	13 383	13 130
Fixed	2 209	2 248
Floating	10 702	10 410
CPI	472	472
Trade and other payables	1 139	1 139

The information below details the methods and assumptions used in estimating the fair values of financial instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the liability, or
- In the absence of a principal market, in the most advantageous market for the liability.

The fair value of the financial liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Trade payables have carrying amounts approximating their fair values. These are all disclosed in note 7 for financial instruments and risk management. Thus, the disclosure on hierarchy levels has been excluded and is not required.

The fair values of other financial liabilities are estimated by discounting future cash flows using published reference rates currently available for debt on similar terms, credit risk and remaining maturities. Borrowings are categorised as level 2.

22 GOING CONCERN

The underlying operating model has remained the same as it has been in previous years and continues to assure the long-term solvency of TCTA, as well as the liability to meet all its obligations as they fall due. TCTA's solvency is secured by undertakings by the Department of Water and Sanitation in project implementation or income agreements between TCTA and the Department, or government guarantees granted by the executive authority to project funders, acting in concurrence with the Minister of Finance.

The undertakings in project implementation or income agreements provide that all projects costs incurred by TCTA will be fully funded by the Department of Water and Sanitation through water use charges and/or from other resources of the Department, should payments recovered from users tariffs be insufficient. The agreements also provide that the Department will step in and fulfil TCTA's

NOTES TO THE FINANCIAL STATEMENTS (continued)

obligations to its funders, should TCTA fail to perform such obligations. That is, should TCTA be in breach of its obligations to funders in terms of funding agreements concluded with such funders, and fail to remedy such breach, DWS will perform such obligations. The undertakings by DWS are made in favour of the funders and the funders may accept the benefits of the undertakings from the Minister of Water and Sanitation, acting in concurrence with the Minister of Finance, in writing. Government approval has been obtained to issue guarantees for the Mokolo-Crocodile (West) Water Augmentation Project if required. The government guarantees are provided in favour of funders of the Vaal River System Augmentation Projects by the Minister of Water and Sanitation acting in concurrence with the Minister of Finance. TCTA annually provides the Department with information on the amount of capital charges that the Department should include in water use charges, after consultations with water users, to enable the Department to fulfil its obligations to TCTA. The charges are adjusted annually to take into account any changes in conditions, assumptions or actual costs and revenue, so that under all circumstances sufficient revenue will be generated to repay debt over the remaining debt repayment period. TCTA also provides DWS with the annual amounts of funding that the Department should provide to TCTA from its budget for social and other projects funded by the fiscus or with fiscal contributions. TCTA sources short-term liquidity facilities to fund short-term mismatches in the timing of expenditure on project costs and debt service, and receipt of revenues. TCTA has considered factors that may affect TCTA's ability to raise funding, DWS' ability to fulfil its financial obligations to TCTA, liquidity management and adequacy of projected tariffs to repay debt in full over the debt repayment period (debt sustainability, taking into account the ability to adjust tariffs annually to ensure their adequacy to recover all projects costs should conditions and assumptions change). The projected tariffs are sustainable and adequate to discharge TCTA's financial obligations. TCTA will continue to monitor the impact of COVID-19 on funding, despite the lower propensity to impose lockdowns in response to new outbreaks. In respect of TCTA's obligations in relation to the Lesotho Highlands Water Project, the Notice of Establishment provides, in clause 25(1)(d), that the funds of TCTA consist of money appropriated by Parliament if its other sources of funds (including proceeds of loans and income derived from the performance of its Treat and Non-Treaty functions) are not sufficient to enable TCTA to fulfil all the Republic's financial obligations in terms of or resulting from the Treaty, including the raising of money and liability and financial risk management (as set out in clause 24(a) of the Notice of Establishment. This serves as a further guarantee of TCTA's solvency in relation to LHWP, in that TCTA may obtain an appropriation from Parliament to ensure that it performs all its functions related to LHWP. All project borrowing limit authorisations are in effect for the period ending 31 March 2024. TCTA has requested the Minister of Water and Sanitation to extend the borrowing limit authorisation for the Vaal River System Augmentation Projects (VRS) with the concurrence of the Minister of Finance beyond 31 March 2024. All other projects' borrowing limit authorisations extend beyond 31 March 2024. In TCTA's view, an event of default would not affect TCTA as going concern as all its financial obligations are secured by government undertakings and guarantees. TCTA has considered the funding of TCTA's operations following an event of default, to the extent that despite the settlement of debt the Authority is unable to access funding from the market. This would be the case if the residual effects of the event of default in question cannot be cured by the settlement of outstanding debt. Funding of the operations of the Lesotho Highlands Water Project is guaranteed by the provision of clause 25(1)(d) of the Notice of Establishment as described above. In terms of the other projects that are currently under implementation, namely the Berg River-Voëlvlei Augmentation Scheme, Phase 2 of the Mokolo-Crocodile River (West) Water Augmentation Project and Phase 1 of the uMkhomazi Water Project, management believes that their strategic importance would be prioritised for government funding for TCTA to continue their implementation, or if suspended, sufficient provision would be made to fund incurred costs and costs of suspension.

TCTA has further considered the proposed incorporation of TCTA and certain functions of the DWS into the National Water Resources Infrastructure Agency (NWRIA) and is satisfied that government will take the necessary care to avoid disruption of the funding and operations currently carried out by TCTA. The Department is undertaking the necessary consultations on the draft bill with TCTA lenders to ensure that lenders' concerns are addressed in the final bill prior to any transfer of TCTA's liabilities to the NWRIA. TCTA continues to exercise caution in the procurement of IT systems, being cognisant of the emergence of the NWRIA.

The impact of events of default, having been evaluated by TCTA with due regard to the government undertakings and guarantee underpinning its financial obligations, including government's undertakings to step-in and assume TCTA obligations should it fail to perform such obligations, do not change TCTA's assumption of TCTA's going concern status.

23. EVENTS AFTER THE REPORTING PERIOD

The following significant events occurred after 31 March 2023:

The AMD implementation agreement was concluded on 01 June 2023. This was regarded as an adjusting event which resulted in the amount due from DWS being re-determined in line with the agreement provisions. This agreement also guided in terms of the repayment terms of the receivable which has reporting implications.

The adjustments resulted in the following impact:

A cumulative historical reduction in AMD receivable of R341 million, a cumulative historical reduction in tariff receivable of R66 million and a corresponding decrease in retained earnings of R337 million and a decrease in Finance income of R70 million in the 2023 financial year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

24. RESTATEMENT OF COMPARATIVES

24.1 PRIOR PERIOD ERRORS

The 2021 and 2022 statements of financial position as well as the 2022 Statements of comprehensive income have been retrospectively restated as a result of the following prior period errors:

Statement of Financial Position as at 31 March 2022		Previously Reported R mil	Effect of Restatement R mil	As restated R mil
ASSETS				
Non-current assets				
Tariff receivable	a	9 083	(40)	9 043
AMD receivable	b	2 089	(480)	1 609
Total non-current assets		**11 172**	**(520)**	**10 652**
Current assets				
Tariff receivable	a	502	1	503
AMD receivable	b	101	160	261
Total current assets		**603**	**161**	**764**
TOTAL ASSETS		**11 775**	**(359)**	**11 416**
EQUITY AND LIABILITIES				
Reserves				
Retained income	d	4 240	(351)	3 889
TOTAL EQUITY		**4 240**	**(351)**	**3 889**
LIABILITIES				
Current liabilities				
Contract Liability	e	415	(7)	408
TOTAL LIABILITIES		**416**	**(7)**	**409**
TOTAL EQUITY AND LIABILITIES		**4 656**	**(358)**	**4 298**

NOTES TO THE FINANCIAL STATEMENTS (continued)

Statement of Financial Position as at 31 March 2021		Previously Reported R mil	Effect of Restatement R mil	As restated R mil
ASSETS				
Non-current assets				
Tariff receivable	a	11 843	(199)	11 644
AMD receivable	b	1 946	(390)	1 556
Total non-current assets		**13 789**	**(589)**	**13 200**
Current assets				
Tariff receivable	a	1 012	(1)	1 011
AMD receivable	b	9	290	299
Trade and other receivables	c	53	(4)	49
Total current assets		**1 074**	**285**	**1 359**
TOTAL ASSETS		**14 863**	**(304)**	**14 560**
EQUITY AND LIABILITIES				
Reserves				
Retained income	d	2 876	(304)	2 572
TOTAL EQUITY		**2 876**	**(304)**	**2 572**

NOTES TO FINANCIAL STATEMENTS

Statement of Comprehensive Income for the period ended 31 March 2022		Previously Reported R mil	Effect of Restatement R mil	As restated R mil
Employee cost	f	(215)	4	(211)
Other Operating expenses	f	(22)	(4)	(26)
Net finance income		1 364	(42)	1 322
Finance income	g	2 806	(42)	2 764
Finance costs		(1 442)	-	(1 442)
Surplus/(deficit) for the year		**1 364**	**(42)**	**1 322**

The details of the restatements are discussed below:

a. Tariff receivable

The adjustments made in AMD receivable had an impact on the tariff receivable balance (see below). Prior to the AMD implementation agreement, The one-third allocation of receipts was based on the full amount received, however in line with the implementation agreement the receipts will first be allocated to operations and maintenance activities as it was determined that no O&M costs will be funded by debt but the fiscus allocation. The remaining balance after all O&M costs are cleared is then allocated one-third to the tariff receivable. This resulted in the tariff receivable balance to be adjusted.

b. AMD receivable

Various adjustments were made to AMD receivable due to the change in the accounting policy used in the determination of the AMD receivable balance. The AMD receivable constitute TCTA's right to receive cash from the Department of Water and Sanitation (DWS) with respect to construction work completed on AMD project as well as services rendered to operate and maintain the project.

Prior to 31 March 2023, TCTA calculated and recorded AMD receivable based on what DWS owed (including interest) for the historical work done. As the implementation agreement was not yet in place and the repayment terms not yet been agreed with DWS , TCTA incorporated this into the VRS model which implied a recovery period of 20 years, TCTA estimated what the receivable will be and charged interest based on the WACC for each year.

NOTES TO FINANCIAL STATEMENTS (continued)

On 01 June 2023, TCTA together with DWS signed AMD implementation agreement which reflects the monthly payments to be made by DWS to TCTA following receipt of the fiscal allocations by Government, for the period from April 2023 until March 2032 when it is projected to be paid in full. The debt repayment is calculated on a reducing balance assuming monthly repayments from DWS. The interest charged on the receivable is based on the WACC for each year minus the investment rate.

The interest rate used for purposes of the Debt repayment calculations is the Weighted Average Cost of Capital for the VRS for 2022/23. Furthermore, TCTA will update the amortisation schedule annually to take into account the actual cost of capital for the relevant year.

The current/non-current classification has been adjusted to be in line with the implementation agreement.

c. Trade and other receivable

The adjustment on construction revenue had an impact on trade and other receivable in BRVAS and MRWP (see below).

d. Retained Earnings

All corrections affecting finance income have had an impact on retained earnings.

e. Contract Liability

The adjustment on finance income and construction cost had an impact on contract liability in MCWAP 2 (see above).

f. Employee cost and Other operating expenses

Adjustments were made due to staff related recoveries that were previously included in operating expenditure. Operating income will have an equal and opposite impact.

g. Finance Income

Adjustments were made to finance income due to the impact of AMD receivable adjustments and investment income that was incorrectly classified as construction revenue in various projects as opposed to investment income. This impacted the projects which are socially funded as they have earned interest on working capital received. Management had incorrectly passed on the benefit of the interest earned as a reduction of cost. Adjustments were made in line with IFRS 15 requirements to account and disclose interest earned on investments separately.

25 COMPLIANCE WITH THE PUBLIC FINANCE MANAGEMENT ACT, ACT NO. 1 OF 1999, AND TREASURY REGULATIONS

25.1 Irregular, fruitless and wasteful expenditure

Section 55(2)(b)(i) of the PFMA requires that a public entity disclose particulars of any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year.

Irregular expenditure that was incurred during the year under review is included in the Aggregated Statement of Comprehensive Income.

25.1.1 Irregular expenditure

Irregular expenditure is defined as expenditure incurred in contravention of, or that is not in accordance with, any legislative identified requirements notwithstanding that value was received. Irregular expenditure and incurred in the current year, is disclosed below.

The majority of reported irregular expenditure relates to contracts that were entered into in prior years. There has been an improvement in the procurement control environment, and this has resulted in a few incidences of non-compliance being reported in the current financial year. A new procedure manual and consequence management guideline were developed to enhance the process for management of irregular, fruitless and wasteful expenditure. In addition, a Loss Control Committee was also established to quantify the losses and make recommendations to the Chief Executive Officer on the actions to be taken. This was also done to fast track the process dealing with both current and historical reported irregular, fruitless and wasteful expenditure, and to ensure that consequence management is implemented before an application for condonation is made to National Treasury.

Details	2023 Rand	2022 Rand
Irregular expenditure	3 781 827	156 710 581
Total	**3 781 827**	**156 710 581**

Irregular expenditure confirmed	2023 Rand	2022 Rand
Identified in the current financial year	3 781 827	156 710 581
Previously identified and confirmed	-	-
2021/22 Irregular expenditure identified in 2022/23	-	-
Total	**3 781 827**	**156 710 581**
Less	-	-
Condoned	-	-
Not condoned but removed	-	-
Irrecoverable	-	-
Amounts not recovered and written off	-	-
Total at the end of the year	**3 781 827**	**156 710 581**

NOTES TO FINANCIAL STATEMENTS (continued)

Details of current and previous year irregular expenditure	2023 Rand	2022 Rand
Under assessment	-	-
Under determination	3 781 827	156 710 581
Under investigation	-	-

The Board resolved to remove from the Annual Financial Statements an amount of R555 516 437 after following a due process, which, amongst others, included approaching the National Treasury for condonation. An adjustment of R3 180 877 was made in the annual financial statements, this adjustment relates to transactions which were erroneously declared as irregular expenditure.

The irregular expenditure identified in the current financial year is R3 781 827. The main contributor relates to the appointment of law firms on urgent basis to defend the organisation in the absence of the legal services panel and were found to be non-compliant with Supply Chain Management processes.

TCTA has implemented the National Treasury's Irregular Expenditure Framework by developing an internal Procedure Manual that describes a process to be followed in treating irregular expenditure. Further, TCTA has established a Loss Control Committee responsible for examining and evaluating all the irregular, fruitless and wasteful expenditure submitted to it with the object of determining liability and responsibility for all losses occurred within the organisation.

The Loss Control Committee will continue to consider the reported irregular expenditure with the aim of appropriately assessing and applying for condonation of the remaining balance of R253 486 326 declared historical irregular expenditure.

Irregular expenditure under assessment

At the time of reporting for the 2022/23 financial year, the irregular expenditure declared during this financial year amounting to R3 781 827 was under determination in line with the new National Treasury Instruction No.04 of 2022/23, Compliance and Reporting Framework as published by the National Treasury and commenced on 03 January 2023.

25.1.2 Fruitless and wasteful expenditure

Fruitless and wasteful expenses are defined as expenditure which was made in vain and would have been avoided had reasonable care been exercised. The Board resolved to write-off irrecoverable fruitless and wasteful expenditure of an amount of R691 396.85 after a due process was followed, this expenditure was incurred and confirmed in the previous financial years.

Details	2023 Rand	2022 Rand
Under assessment, determination and/or investigation	5 932	194 488
Transferred to receivables for recovery	(74)	(12 320)
Written off (not recoverable)	691 397	-

NOTES TO THE STATEMENTS OF CASH FLOWS

	Note(s)	2023 R mil	2022 R mil
A CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		1 072	1 323
Adjustments for non-cash flow items:			
Depreciation on non-current assets		6	6
Net interest income		614	1 023
Interest income and imputed interest on tariff receivable	17.1	(1 686)	(2 345)
Construction revenue		(138)	(262)
Revenue from services rendered		(267)	(252)
Other operating income		(316)	(262)
Credit loss		9	(6)
Changes in working capital:			
Trade and other receivables		(40)	14
Prepayments		(3)	(11)
Payables and provisions (excluding interest payable)		456	197
Capitalised to tariff receivable		9 089	9 312
Cost related payments		(6 192)	(3 257)
Non-cash flow item in accounts receivable		176	283
VAT on tariff receivable debtor		114	(17)
Increase/(decrease) in contract liabilities		184	(23)
(Decrease) /increase in refund liability		(5)	179
Cash generated from operating activities		**3 073**	**5 902**

NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

	Note(s)	2023 R mil	2022 R mil
B INTEREST RECEIVED			
Income during the year adjusted for non-cash items		581	307
Interest on financial instruments accrued (after inter-project elimination)		711	419
AMD interest		(134)	(112)
Non-cash flow		4	-
Interest received		**581**	**307**
C INTEREST PAID			
Amount not paid at beginning of the year		(93)	(370)
Expensed during the year adjusted for non-cash items		(1 208)	(1 234)
Amount expensed (excluding imputed interest)		(1 213)	(1 241)
Interest capitalised to the principal amount		4	7
Interest on lease liability		1	-
Amount not paid at the end of the year		102	93
Interest paid		**(1 199)**	**(1 511)**

NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

	Note(s)	2023 R mil	2022 R mil
D RECONCILIATION OF FINANCIAL MARKET LIABILITIES TO FINANCING ACTIVITIES AS AT 31 MARCH			
Liabilities at beginning of year		15 199	20 090
Long term borrowings	10.6	12 665	9 901
Short term borrowings	10.6	2 534	10 185
Short-term lease liability		-	4
Cash flow from financing activities		(1 853)	(4 920)
Non-cash flow items		57	30
- Capitalised interest		37	30
- Capitalisation of office building lease		19	-
- Interest on lease liability		1	-
Liabilities as at end of year		13 403	15 199
Long term borrowings	10.6	12 048	12 665
Short term borrowings	10.6	1 335	2 534
Long-term lease liability		17	-
Short-term lease liability		3	-

NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

	Note(s)	2023 R mil	2022 R mil
E NET DEBT RECONCILIATION			
Cash and cash equivalents at 1 April		8 849	9 234
Long-term borrowings at 1 April		(12 665)	(9 901)
Short-term borrowings at 1 April		(2 534)	(10 185)
Long-term lease liability at 1 April		-	(4)
Short-term lease liability at 1 April		-	-
Net debt at 1 April		**(6 350)**	**(10 856)**
Increase / (decrease) in cash equivalents		511	(384)
Net cash out flow from financing activities		1 853	4 921
Non cash flow items		(57)	(30)
Cash and cash equivalents at 31 March		9 360	8 849
Long-term borrowings at 31 March		(12 048)	(12 665)
Short-term borrowings at 31 March		(1 335)	(2 534)
Long-term lease liability at 31 March		(17)	-
Short-term lease liability at 31 March		(3)	-
Net debt at 31 March		**(4 043)**	**(6 350)**

ANNEXURE A – SEGMENTAL STATEMENT OF CASH FLOWS for the period ended 31 March 2023

2023	Note(s)	TCTA-C Mar 2023 R million	VRS Mar 2023 R million	BWP Mar 2023 R million	VRESAP Mar 2023 R million	MCWAP Mar 2023 R million	MMTS-2 Mar 2023 R million	ORWRDP Mar 2023 R million	KWSAP Mar 2023 R million	MCWAP 2 Mar 2023 R million	UMGENI Mar 2023 R million	MRWP Mar 2023 R million	BRVS Mar 2023 R million	uMWP Mar 2023 R million	KRIEL Mar 2023 R million	TOTAL Mar 2023 R million
CASH FLOW FROM OPERATING ACTIVITIES																
Cash receipts		-	9 251	120	703	115	12	18	299	298	-	-	1	-	-	10 817
Cash transfer to/(from) projects		197	468	(7)	(10)	(320)	(13)	(35)	(7)	(254)	-	5	(13)	(11)	-	-
Cash paid to suppliers and employees		(196)	(7 272)	(14)	(100)	(18)	(25)	(31)	(39)	(44)	-	1	(5)	(1)	-	(7 744)
Cash generated from project activities	A	1	2 447	99	593	(223)	(26)	(48)	253	-	-	6	(17)	(12)	-	(3 073)
Other Finance Costs		-	(68)	(1)	(34)	(1)	(8)	-	(1)	-	-	-	-	-	-	(113)
Non cash flow in other finance costs		-	-	-	33	-	-	-	-	-						33
Interest received	B	1	424	6	22	45	37	1	20	24	-	-	1	1	-	581
Interest paid	C	-	(734)	(23)	(233)	(83)	(35)	-	(92)	-	-	-	-	-	-	(1 199)
Net cash (outflow)/inflow from operating activities		**2**	**2 069**	**81**	**381**	**(262)**	**(32)**	**(47)**	**180**	**24**	**-**	**6**	**(16)**	**(11)**	**-**	**2 375**
CASH FLOW FROM INVESTING ACTIVITIES																
Payments to acquire financial assets		-	14	-	-	-	-	-	-	-	-	-	-	-	-	14
Proceeds on the sale of financial assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals of property, plant and equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of property, plant and equipment		-	(26)	-	-	-	-	-	-	-	-	-	-	-	-	(26)
Additions to intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash inflow from investing activities		**-**	**(12)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(12)**

ANNEXURE A – SEGMENTAL STATEMENT OF CASH FLOWS for the period ended 31 March 2023 (continued)

2023	Note(s)	TCTA-C Mar 2023 R million	VRS Mar 2023 R million	BWP Mar 2023 R million	VRESAP Mar 2023 R million	MCWAP Mar 2023 R million	MMTS-2 Mar 2023 R million	ORWRDP Mar 2023 R million	KWSAP Mar 2023 R million	MCWAP 2 Mar 2023 R million	UMGENI Mar 2023 R million	MRWP Mar 2023 R million	BRVS Mar 2023 R million	uMWP Mar 2023 R million	KRIEL Mar 2023 R million	TOTAL Mar 2023 R million
CASH FLOW FROM FINANCING ACTIVITIES																
Proceeds from long-term borrowings		-	-	-	200	-	-	-	-	-	-	-	-	-	-	200
Repayments on long-term borrowings		-	(854)	(77)	(299)	(39)	(582)	-	(151)	-	-	-	-	-	-	(2 002)
Payment of principal portion of lease liabilities		-	(1)	-	-	-	-	-	-	-	-	-	-	-	-	(1)
Proceeds from short-term borrowings		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repayments on short-term borrowings		-	-	-	(50)	-	-	-	-	-	-	-	-	-	-	(50)
Net cash outflow from financing activities	D, E	**-**	**(855)**	**(77)**	**(149)**	**(39)**	**(582)**	**-**	**(151)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1 853)**
Net (decrease) in cash and cash equivalents		2	1 202	4	232	(301)	(614)	(47)	29	24	-	6	(16)	(11)	-	510
Cash and cash equivalents at beginning of period		5	5 652	77	208	999	959	47	260	610	-	-	20	12	-	8 849
Cash and cash equivalents at end of period	E	**7**	**6 854**	**81**	**440**	**698**	**345**	**-**	**289**	**634**	**-**	**6**	**4**	**1**	**-**	**9 359**

ANNEXURE A – SEGMENTAL STATEMENT OF CASH FLOWS for the period ended 31 March 2023 (continued)

2023	Note(s)	TCTA-C Mar 2023 R million	VRS Mar 2023 R million	BWP Mar 2023 R million	VRESAP Mar 2023 R million	MCWAP Mar 2023 R million	MMTS-2 Mar 2023 R million	ORWRDP Mar 2023 R million	KWSAP Mar 2023 R million	MCWAP 2 Mar 2023 R million	UMGENI Mar 2023 R million	MRWP Mar 2023 R million	BRVS Mar 2023 R million	uMWP Mar 2023 R million	KRIEL Mar 2023 R million	TOTAL Mar 2023 R million
A. CASH GENERATED FROM PROJECT ACTIVITIES																
Net surplus/(deficit) for the year		1	961	(5)	38	27	1	1	26	24	(4)	-	1	1	-	1 072
Adjustments for non cash flow items and amounts separately disclosed:																
Depreciation on non-current assets		-	6	-	-	-	-	-	-	-	-	-	-	-	-	6
Net interest income/(expense)		(1)	261	17	250	38	(1)	(1)	73	(24)	4	-	(1)	(1)	-	614
Interest income and imputed interest on tariff receivable	10.2	-	(1 222)	(12)	(288)	(65)	-	-	(99)	-	-	-	-	-	-	(1 686)
Loss on disposal of property, plant and equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Construction revenue		-	(1)	-	-	-	-	(21)	-	(80)	-	-	(17)	(19)	-	(138)
Revenue from services rendered		-	(259)	(1)	(1)	(1)	(3)	(1)	(1)	-	-	-	-	-	-	(267)
Other income		-	(243)	(7)	(12)	(11)	(14)	(15)	(7)	-	-	(7)	-	-	-	(316)
Credit loss		-	9	-	-	-	-	-	-	-	-	-	-	-	-	9
Changes in working capital:		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
(Increase)/decrease in loans and other receivables		-	509	-	-	12	13	(34)	-	326	4	(9)	(7)	(10)	-	804
(Increase)/decrease in prepayments		-	(3)	-	-	-	-	-	-	-	-	-	-	-	-	(3)
(Decrease)/increase in payables and provisions(excluding interest payable)		1	496	2	(6)	(323)	(36)	(14)	(1)	(528)	(1)	15	(1)	7	-	(388)
Contract liabilities		-	-	-	-	-	-	-	-	202	-	-	(9)	(9)	-	184

ANNEXURE A – SEGMENTAL STATEMENT OF CASH FLOWS for the period ended 31 March 2023 (continued)

2023	Note(s)	TCTA-C Mar 2023 R million	VRS Mar 2023 R million	BWP Mar 2023 R million	VRESAP Mar 2023 R million	MCWAP Mar 2023 R million	MMTS-2 Mar 2023 R million	ORWRDP Mar 2023 R million	KWSAP Mar 2023 R million	MCWAP 2 Mar 2023 R million	UMGENI Mar 2023 R million	MRWP Mar 2023 R million	BRVS Mar 2023 R million	uMWP Mar 2023 R million	KRIEL Mar 2023 R million	TOTAL Mar 2023 R million
Refund liabilities		-	-	-	-	-	(5)	-	-	-	-	-	-	-	-	(5)
Cost related payments		-	(6 192)	-	-	-	-	-	-	-	-	-	-	-	-	(6 192)
Capitalised to/(removed from) Tariff Receivable		-	8 011	105	611	100	-	-	262	-	-	-	-	-	-	9 089
Vat on tariff receivable debtor		-	114	-	-	-	-	-	-	-	-	-	-	-	-	114
Non cash flow item in accounts receivable		-	-	-	-	-	19	37	-	80	(3)	7	17	19	-	176
Cash generated from project activities		**1**	**2 447**	**99**	**593**	**(223)**	**(26)**	**(48)**	**253**	**-**	**-**	**6**	**(17)**	**(12)**	**-**	**3 073**

B. INTEREST RECEIVED

2023	Note(s)	TCTA-C Mar 2023 R million	VRS Mar 2023 R million	BWP Mar 2023 R million	VRESAP Mar 2023 R million	MCWAP Mar 2023 R million	MMTS-2 Mar 2023 R million	ORWRDP Mar 2023 R million	KWSAP Mar 2023 R million	MCWAP 2 Mar 2023 R million	UMGENI Mar 2023 R million	MRWP Mar 2023 R million	BRVS Mar 2023 R million	uMWP Mar 2023 R million	KRIEL Mar 2023 R million	TOTAL Mar 2023 R million
Amount due at beginning of the year		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income during the year adjusted for non-cash items		1	424	6	22	45	37	1	20	24	-	-	-	1	-	581
Interest accrued [1]	25.1	1	558	6	22	45	37	5	20	35	(4)	-	1	1	-	726
AMD interest		-	(134)	-	-	-	-	-	-	-	-	-	-	-	-	(134)
Non cash flow		-	-	-	-	-	-	-	-	-	4	-	-	-	-	4
Intercompany interest		-	-	-	-	-	-	(4)	-	(11)	-	-	-	-	-	(15)
Amount due at the end of the year		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest received		**1**	**424**	**6**	**22**	**45**	**37**	**1**	**20**	**24**	**-**	**-**	**1**	**1**	**-**	**581**

[1] Interest accrued excludes imputed interest on the tariff receivable

ANNEXURE A – SEGMENTAL STATEMENT OF CASH FLOWS for the period ended 31 March 2023 (continued)

2023	Note(s)	TCTA-C Mar 2023 R million	VRS Mar 2023 R million	BWP Mar 2023 R million	VRESAP Mar 2023 R million	MCWAP Mar 2023 R million	MMTS-2 Mar 2023 R million	ORWRDP Mar 2023 R million	KWSAP Mar 2023 R million	MCWAP 2 Mar 2023 R million	UMGENI Mar 2023 R million	MRWP Mar 2023 R million	BRVS Mar 2023 R million	uMWP Mar 2023 R million	KRIEL Mar 2023 R million	TOTAL Mar 2023 R million
C. INTEREST PAID																
Amount not paid at beginning of the year		-	(48)	(1)	(26)	(10)	(7)	-	(1)	-	-	-	-	-	-	(93)
Expensed during the year adjusted for non-cash items		-	(750)	(22)	(234)	(82)	(28)	-	(92)	-	-	-	-	-	-	(1 208)
Amount expensed (excluding imputed interest)	17.2	-	(751)	(22)	(238)	(82)	(28)	(4)	(92)	(11)	-	-	-	-	-	(1 228)
Less: intercompany interest		-	-	-	-	-	-	4	-	11	-	-	-	-	-	15
Interest on lease liability		-	1	-	-	-	-	-	-	-	-	-	-	-	-	1
Interest capitalised to the principal amount (2)		-	-	-	4	-	-	-	-	-	-	-	-	-	-	4
AMD interest		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount not paid at the end of the year		-	64	-	28	9	-	-	1	-	-	-	-	-	-	101
Interest paid		**-**	**(734)**	**(23)**	**(232)**	**(83)**	**(35)**	**-**	**(92)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1 199)**

ANNEXURE A – SEGMENTAL STATEMENT OF CASH FLOWS for the period ended 31 March 2023 (continued)

2023	Note(s)	TCTA-C Mar 2023 R million	VRS Mar 2023 R million	BWP Mar 2023 R million	VRESAP Mar 2023 R million	MCWAP Mar 2023 R million	MMTS-2 Mar 2023 R million	ORWRDP Mar 2023 R million	KWSAP Mar 2023 R million	MCWAP 2 Mar 2023 R million	UMGENI Mar 2023 R million	MRWP Mar 2023 R million	BRVS Mar 2023 R million	uMWP Mar 2023 R million	KRIEL Mar 2023 R million	TOTAL Mar 2023 R million
D. RECONCILIATION OF FINANCIAL MARKET LIABILITIES TO FINANCING ACTIVITIES																
Long-term borrowings at 1 April	10.6	-	8 683	206	2 509	244	-	-	1 023	-	-	-	-	-	-	12 665
Short-term borrowings at 1 April	10.6	-	854	77	300	654	582	-	67	-	-	-	-	-	-	2 534
Long-term lease liability at 1 April		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term lease liability at 1 April		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total borrowings 1 April		**-**	**9 537**	**283**	**2 810**	**898**	**582**	**-**	**1 090**	**-**	**-**	**-**	**-**	**-**	**-**	**15 199**
Net cash outflow from financing activities		-	(855)	(77)	(149)	(39)	(582)	-	(151)	-	-	-	-	-	-	(1 853)
Non-cash flow items:		-	20	-	37	-	-	-	-	-	-	-	-	-	-	57
- Capitalised interest		-	-	-	4	-	-	-	-	-	-	-	-	-	-	4
- Capital adjustment to inflation-linked liability		-	-	-	33	-	-	-	-	-	-	-	-	-	-	33
- Capitalisation of office building lease		-	19	-	-	-	-	-	-	-	-	-	-	-	-	19
- Interest on lease liability		-	1	-	-	-	-	-	-	-	-	-	-	-	-	1
Non-cash flow items																
Long-term borrowings at 31 March	10.6	-	7 828	129	2378	816	-	-	897	-	-	-	-	-	-	12 048
Short-term borrowings at 31 March	10.6		854	77	319	43	-	-	42	-	-	-	-	-	-	1 335
Long-term lease liability at 31 March		-	17	-	-	-	-	-	-	-	-	-	-	-	-	17
Short-term lease liability at 31 March		-	3	-	-	-	-	-	-	-	-	-	-	-	-	3
Total borrowings at 31 March		**-**	**8 702**	**206**	**2 697**	**859**	**-**	**-**	**940**	**-**	**-**	**-**	**-**	**-**	**-**	**13 403**

ANNEXURE A – SEGMENTAL STATEMENT OF CASH FLOWS for the period ended 31 March 2023 (continued)

2023	Note(s)	TCTA-C Mar 2023 R million	VRS Mar 2023 R million	BWP Mar 2023 R million	VRESAP Mar 2023 R million	MCWAP Mar 2023 R million	MMTS-2 Mar 2023 R million	ORWRDP Mar 2023 R million	KWSAP Mar 2023 R million	MCWAP 2 Mar 2023 R million	UMGENI Mar 2023 R million	MRWP Mar 2023 R million	BRVS Mar 2023 R million	uMWP Mar 2023 R million	KRIEL Mar 2023 R million	TOTAL Mar 2023 R million
E. NET DEBT RECONCILIATION																
Cash and cash equivalents at 1 April		5	5 652	77	208	999	959	47	260	610	-	-	20	12	-	8 849
Long-term borrowings at 1 April		-	(8 683)	(206)	(2 509)	(244)	-	-	(1 023)	-	-	-	-	-	-	(12 665)
Short-term borrowings at 1 April		-	(854)	(77)	(300)	(654)	(582)	-	(67)	-	-	-	-	-	-	(2 534)
Long-term lease liability at 1 April		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term lease liability at 1 April		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net debt at 1 April		**5**	**(3 885)**	**(206)**	**(2 601)**	**101**	**377**	**47**	**(830)**	**610**	**-**	**-**	**20**	**12**	**-**	**(6 350)**
Increase/(decrease) in cash and cash equivalents		2	1 202	4	232	(301)	(614)	(47)	29	24	-	6	(16)	(11)	-	511
Net cash outflow from financing activities		-	855	77	149	39	582	-	151	-	-	-	-	-	-	1 853
Non cash flow items		-	(20)	-	(37)	-	-	-	-	-	-	-	-	-	-	(57)
Cash and cash equivalents at 31 March		7	6 854	81	440	698	345	-	289	634	-	6	4	1	-	9 360
Long-term borrowings at 31 March		-	(7 828)	(129)	(2 378)	(816)	-	-	(897)	-	-	-	-	-	-	(12 048)
Short-term borrowings at 31 March		-	(854)	(77)	(319)	(43)	-	-	(42)	-	-	-	-	-	-	(1 335)
Long-term lease liability at 31 March		-	(17)	-	-	-	-	-	-	-	-	-	-	-	-	(17)
Short-term lease liability at 31 March		-	(3)	-	-	-	-	-	-	-	-	-	-	-	-	(3)
Net debt at 31 March		**7**	**(1 848)**	**(125)**	**(2 257)**	**(161)**	**345**	**-**	**(650)**	**634**	**-**	**6**	**4**	**1**	**-**	**(4 043)**

ANNEXURE A – SEGMENTAL STATEMENT OF CASH FLOWS for the period ended 31 March 2023 (continued)

2022	Note(s)	TCTA-C Mar 2022 R million	VRS Mar 2022 R million	BWP Mar 2022 R million	VRESAP Mar 2022 R million	MCWAP Mar 2022 R million	MMTS-2 Mar 2022 R million	ORWRDP Mar 2022 R million	KWSAP Mar 2022 R million	MCWAP 2 Mar 2022 R million	UMGENI Mar 2022 R million	MRWP Mar 2022 R million	BRVS Mar 2022 R million	uMWP Mar 2022 R million	KRIEL Mar 2022 R million	TOTAL Mar 2022 R million
CASH FLOW FROM OPERATING ACTIVITIES																
Cash receipts		-	8 462	160	715	591	991	85	310	1	-	-	1	-	-	11 316
Cash transfer to/(from) projects		183	(355)	(5)	(7)	(457)	(9)	-	(4)	617	-	-	25	12	-	-
Cash paid to suppliers and employees		(182)	(4 813)	(23)	(99)	(48)	(118)	(64)	(39)	(15)	-	-	(13)	-	-	(5 414)
Cash generated from project activities	A	1	3 294	132	609	86	864	21	267	603	-	-	13	12	-	5 902
Other Finance Costs		-	(153)	(1)	(23)	(1)	(22)	-	(1)	-	-	-	-	-	-	(201)
Non cash flow in other finance costs		-	-	-	23	-	-	-	-	-	-	-	-	-	-	23
Interest received	B	1	200	3	6	46	28	-	9	7	-	-	7	-	-	307
Interest paid	C	-	(959)	(28)	(245)	(103)	(77)	-	(99)	-	-	-	-	-	-	(1 511)
Net cash (outflow)/inflow from operating activities		**2**	**2 382**	**106**	**369**	**30**	**793**	**21**	**176**	**610**	**-**	**-**	**20**	**12**	**-**	**4 520**
CASH FLOW FROM INVESTING ACTIVITIES																
Payments to acquire financial assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds on the sale of financial assets		-	17	-	-	-	-	-	-	-	-	-	-	-	-	17
Disposals of property, plant and equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of property, plant and equipment		-	(1)	-	-	-	-	-	-	-	-	-	-	-	-	(1)
Additions to intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash inflow from investing activities		**-**	**16**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16**

ANNEXURE A – SEGMENTAL STATEMENT OF CASH FLOWS for the period ended 31 March 2023 (continued)

2022	Note(s)	TCTA-C Mar 2022 R million	VRS Mar 2022 R million	BWP Mar 2022 R million	VRESAP Mar 2022 R million	MCWAP Mar 2022 R million	MMTS-2 Mar 2022 R million	ORWRDP Mar 2022 R million	KWSAP Mar 2022 R million	MCWAP 2 Mar 2022 R million	UMGENI Mar 2022 R million	MRWP Mar 2022 R million	BRVS Mar 2022 R million	uMWP Mar 2022 R million	KRIEL Mar 2022 R million	TOTAL Mar 2022 R million
CASH FLOW FROM FINANCING ACTIVITIES																
Proceeds from long-term borrowings		-	8 040	-	-	-	-	-	-	-	-	-	-	-	-	8 040
Repayments on long-term borrowings		-	(11 436)	(97)	(256)	(381)	(691)	-	(96)	-	-	-	-	-	-	(12 957)
Payment of principal portion of lease liabilities		-	(4)	-	-	-	-	-	-	-	-	-	-	-	-	(4)
Proceeds from short-term borrowings		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repayments on short-term borrowings		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash outflow from financing activities	D, E	**-**	**(3 400)**	**(97)**	**(256)**	**(381)**	**(691)**	**-**	**(96)**	**-**	**-**	**-**	**-**	**-**	**-**	**(4 921)**
Net (decrease) in cash and cash equivalents		2	(1 002)	9	113	(352)	102	21	80	610	-	-	20	12	-	(385)
Cash and cash equivalents at beginning of period		3	6 654	68	95	1 351	857	26	180	-	-	-	-	-	-	9 234
Cash and cash equivalents at end of period	E	**5**	**5 652**	**77**	**208**	**999**	**959**	**47**	**260**	**610**	**-**	**-**	**20**	**12**	**-**	**8 849**

ANNEXURE A – SEGMENTAL STATEMENT OF CASH FLOWS for the period ended 31 March 2023 (continued)

2022	Note(s)	TCTA-C Mar 2022 R million	VRS Mar 2022 R million	BWP Mar 2022 R million	VRESAP Mar 2022 R million	MCWAP Mar 2022 R million	MMTS-2 Mar 2022 R million	ORWRDP Mar 2022 R million	KWSAP Mar 2022 R million	MCWAP 2 Mar 2022 R million	UMGENI Mar 2022 R million	MRWP Mar 2022 R million	BRVS Mar 2022 R million	uMWP Mar 2022 R million	KRIEL Mar 2022 R million	TOTAL Mar 2022 R million
A. CASH GENERATED FROM PROJECT ACTIVITIES																
Net surplus/(deficit) for the year		1	1 124	(8)	(48)	113	114	-	13	7	-	-	7	-	-	1 323
Adjustments for non cash flow items and amounts separately disclosed:		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation on non-current assets		-	6	-	-	-	-	-	-	-	-	-	-	-	-	6
Net interest income/(expense)		(1)	535	26	267	56	63	-	91	(7)	-	-	(7)	-	-	1 023
Interest income and imputed interest on tariff receivable	17.1	-	(1 658)	(18)	(219)	(169)	(177)	-	(104)	-	-	-	-	-	-	(2 345)
Construction revenue		-	-	-	-	-	2	(43)	-	(181)	-	-	(26)	(14)	-	(262)
Revenue from services rendered		-	(244)	(1)	(1)	(1)	(3)	(1)	(1)	-	-	-	-	-	-	(252)
Other income		-	(209)	(5)	(7)	(8)	(10)	(13)	(5)	-	-	(5)	-	-	-	(262)
Credit loss		-	(6)	-	-	-	-	-	-	-	-	-	-	-	-	(6)
Changes in working capital:																
(Increase)/decrease in loans and other receivables		-	(393)	-	-	(6)	-	16	-	201	-	7	43	28	-	(104)
(Increase)/decrease in prepayments		-	(11)	-	-	-	(1)	-	-	1	-	-	-	-	-	(11)
(Increase)/decrease in payables and provisions(excluding interest payable)		1	119	1	9	(206)	15	5	-	366	-	1	1	3	1	315
Contract liabilities		-	-	-	-	-	-	-	-	35	-	(8)	(31)	(19)	-	(23)
Refund liabilities		-	-	-	-	-	179	-	-	-	-	-	-	-	-	179
Cost related payments		-	(3 257)	-	-	-	-	-	-	-	-	-	-	-	-	(3 257)
Capitalised to/(removed from) Tariff Receivable		-	7 311	137	608	303	683	-	270	-	-	-	-	-	-	9 312

ANNEXURE A – SEGMENTAL STATEMENT OF CASH FLOWS for the period ended 31 March 2023 (continued)

2022	Note(s)	TCTA-C Mar 2022 R million	VRS Mar 2022 R million	BWP Mar 2022 R million	VRESAP Mar 2022 R million	MCWAP Mar 2022 R million	MMTS-2 Mar 2022 R million	ORWRDP Mar 2022 R million	KWSAP Mar 2022 R million	MCWAP 2 Mar 2022 R million	UMGENI Mar 2022 R million	MRWP Mar 2022 R million	BRVS Mar 2022 R million	uMWP Mar 2022 R million	KRIEL Mar 2022 R million	TOTAL Mar 2022 R million
Vat on tariff receivable debtor		-	(23)	-	-	4	(1)	-	3	-	-	-	-	-	-	(17)
Non cash flow item in accounts receivable		-	-	-	-	-	-	57	-	181	-	5	26	14	-	283
Cash generated from project activities		**1**	**3 294**	**132**	**609**	**86**	**864**	**21**	**267**	**603**	**-**	**-**	**13**	**12**	**-**	**5 902**
B. INTEREST RECEIVED																
Amount due at beginning of the year		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income during the year adjusted for non-cash items		1	200	3	6	46	28	-	9	7	-	-	7	-	-	307
Interest accrued (1)	17.1	1	312	3	6	46	28	3	9	34	-	-	7	1	-	450
AMD interest		-	(112)	-	-	-	-	-	-	-	-	-	-	-	-	(112)
Non cash flow		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany interest		-	-	-	-	-	-	(3)	-	(27)	-	-	-	(1)	-	(31)
Amount due at the end of the year		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest received		**1**	**200**	**3**	**6**	**46**	**28**	**-**	**9**	**7**	**-**	**-**	**7**	**-**	**-**	**307**

(1) Interest accrued excludes imputed interest on the tariff receivable

ANNEXURE A – SEGMENTAL STATEMENT OF CASH FLOWS for the period ended 31 March 2023 (continued)

2022	Note(s)	TCTA-C Mar 2022 R million	VRS Mar 2022 R million	BWP Mar 2022 R million	VRESAP Mar 2022 R million	MCWAP Mar 2022 R million	MMTS-2 Mar 2022 R million	ORWRDP Mar 2022 R million	KWSAP Mar 2022 R million	MCWAP 2 Mar 2022 R million	UMGENI Mar 2022 R million	MRWP Mar 2022 R million	BRVS Mar 2022 R million	uMWP Mar 2022 R million	KRIEL Mar 2022 R million	TOTAL Mar 2022 R million
C. INTEREST PAID																
Amount not paid at beginning of the year		-	(313)	(1)	(28)	(12)	(15)	-	(1)	-	-	-	-	-	-	(370)
Expensed during the year adjusted for non-cash items		-	(694)	(28)	(243)	(101)	(69)	-	(99)	-	-	-	-	0	-	(1 234)
Amount expensed (excluding imputed interest)	17.2	-	(694)	(28)	(250)	(101)	(69)	(3)	(99)	(27)	-	-	-	(1)	-	(1 272)
Less: intercompany interest		-	-	-	-	-	-	3	-	27	-	-	-	1	-	31
Interest capitalised to the principal amount (2)		-	-	-	7	-	-	-	-	-	-	-	-	-	-	7
Amount not paid at the end of the year		-	48	1	26	10	7	-	1	-	-	-	-	-	-	93
Interest paid		**-**	**(959)**	**(28)**	**(245)**	**(103)**	**(77)**	**-**	**(99)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1 511)**

ANNEXURE A – SEGMENTAL STATEMENT OF CASH FLOWS for the period ended 31 March 2023 (continued)

2022	Note(s)	TCTA-C Mar 2022 R million	VRS Mar 2022 R million	BWP Mar 2022 R million	VRESAP Mar 2022 R million	MCWAP Mar 2022 R million	MMTS-2 Mar 2022 R million	ORWRDP Mar 2022 R million	KWSAP Mar 2022 R million	MCWAP 2 Mar 2022 R million	UMGENI Mar 2022 R million	MRWP Mar 2022 R million	BRVS Mar 2022 R million	uMWP Mar 2022 R million	KRIEL Mar 2022 R million	TOTAL Mar 2022 R million
D. RECONCILIATION OF FINANCIAL MARKET LIABILITIES TO FINANCING ACTIVITIES																
Long-term borrowings at 1 April	10.6.1	-	3 251	303	2 802	1 227	1 178	-	1 140	-	-	-	-	-	-	9 901
Short-term borrowings at 1 April	10.6.1	-	9 682	77	233	52	95	-	46	-	-	-	-	-	-	10 185
Long-term lease liability at 1 April		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term lease liability at 1 April		-	4	-	-	-	-	-	-	-	-	-	-	-	-	4
Total borrowings 1 April		**-**	**12 937**	**380**	**3 036**	**1 279**	**1 273**	**-**	**1 185**	**-**	**-**	**-**	**-**	**-**	**-**	**20 090**
Net cash outflow from financing activities		-	(3 400)	(97)	(256)	(381)	(691)	-	(96)	-	-	-	-	-	-	(4 920)
Non-cash flow items:		-	-	-	30	-	-	-	-	-	-	-	-	-	-	30
- Capitalised interest		-	-	-	7	-	-	-	-	-	-	-	-	-	-	7
- Capital adjustment to inflation-linked liability		-	-	-	23	-	-	-	-	-	-	-	-	-	-	23
Non-cash flow items																
Long-term borrowings at 31 March	10.6.1	-	8 683	206	2 509	244	-	-	1 023	-	-	-	-	-	-	12 665
Short-term borrowings at 31 March	10.6.1	-	854	77	300	654	582	-	67	-	-	-	-	-	-	2 534
Long-term lease liability at 31 March		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term lease liability at 31 March		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total borrowings at 31 March		**-**	**9 537**	**283**	**2 809**	**898**	**582**	**-**	**1 091**	**-**	**-**	**-**	**-**	**-**	**-**	**15 199**

ANNEXURE A – SEGMENTAL STATEMENT OF CASH FLOWS for the period ended 31 March 2023 (continued)

2022	Note(s)	TCTA-C Mar 2022 R million	VRS Mar 2022 R million	BWP Mar 2022 R million	VRESAP Mar 2022 R million	MCWAP Mar 2022 R million	MMTS-2 Mar 2022 R million	ORWRDP Mar 2022 R million	KWSAP Mar 2022 R million	MCWAP 2 Mar 2022 R million	UMGENI Mar 2022 R million	MRWP Mar 2022 R million	BRVS Mar 2022 R million	uMWP Mar 2022 R million	KRIEL Mar 2022 R million	TOTAL Mar 2022 R million
E. NET DEBT RECONCILIATION																
Cash and cash equivalents at 1 April		3	6 654	68	95	1 351	857	26	180	-	-	-	-	-	-	9 234
Long-term borrowings at 1 April		-	(3 251)	(303)	(2 802)	(1 227)	(1 178)	-	(1 140)	-	-	-	-	-	-	(9 901)
Short-term borrowings at 1 April		-	(9 682)	(77)	(233)	(52)	(95)	-	(46)	-	-	-	-	-	-	(10 185)
Long-term lease liability at 1 April		-	(4)	-	-	-	-	-	-	-	-	-	-	-	-	(4)
Short-term lease liability at 1 April		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net debt at 1 April		**3**	**(6 283)**	**(312)**	**(2 940)**	**72**	**(416)**	**26**	**(1 005)**	**-**	**-**	**-**	**-**	**-**	**-**	**(10 856)**
Increase/(decrease) in cash and cash equivalents		2	(1 002)	9	113	(352)	102	21	80	610	-	-	20	12	-	(384)
Net cash outflow from financing activities		-	3 400	97	256	381	691	-	96	-	-	-	-	-	-	4 921
Non cash flow items		-	-	-	(30)	-	-	-	-	-	-	-	-	-	-	(30)
Cash and cash equivalents at 31 March		5	5 652	77	208	999	959	47	260	610	-	-	20	12	-	8 849
Long-term borrowings at 31 March		-	(8 683)	(206)	(2 509)	(244)	-	-	(1 023)	-	-	-	-	-	-	(12 665)
Short-term borrowings at 31 March		-	(854)	(77)	(300)	(654)	(582)	-	(67)	-	-	-	-	-	-	(2 534)
Long-term lease liability at 31 March		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term lease liability at 31 March		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net debt at 31 March		**5**	**(3 885)**	**(206)**	**(2 601)**	**101**	**377**	**47**	**(830)**	**610**	**-**	**-**	**20**	**12**	**-**	**(6 350)**

PART I

GLOBAL REPORTING INITIATIVE CONTENT INDEX

Ref No.	Description	Compliant	Comment
1.	Strategy and analysis		
1.1	Statement from the most senior decision-makers of the organisation	Fully	Refer to pages 4 and 21.
1.2	Description of key impacts, risks and opportunities	Fully	Refer to pages 101 to 106.
2.	Organisational profile		
2.1	Name of the organisation	Fully	Trans-Caledon Tunnel Authority.
2.2	Primary brands, products and/or services	Fully	Refer to page 27.
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures	Fully	Refer to page 34.
2.4	Location of organisation's headquarters	Fully	TCTA operates from its offices in Centurion, Gauteng, South Africa.
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	Fully	TCTA is only active in South Africa. On Phase 2 of the Lesotho Highlands Water Project, it raises the money in South Africa for the water transfer component and pays it over to the Lesotho Highlands Development Authority for the implementation.
2.6	Nature of ownership and legal form	Fully	Refer to page 23.
2.7	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	Fully	Not applicable
2.8	Scale of the reporting organisation	Fully	Refer to Part A: General Information
2.9	Significant changes during the reporting period regarding size, structure or ownership	Fully	None
2.10	Awards received in the reporting period	Fully	None

3.	Report parameters		
3.1	Reporting period (e.g. fiscal or calendar year) for information provided	Fully	This report relates to the financial year from 1 April 2022 to 31 March 2023.
3.2	Date of most recent previous report (if any)	Fully	September 2022
3.3	Reporting cycle (annual, biennial, etc.)	Fully	Annual
3.4	Contact point for questions regarding the report or its contents	Fully	Feedback on the report is welcome. The Chief Executive Officer may be contacted in this regard.
3.5	Process for defining report content	Fully	Refer to page 7: About the Integrated Annual Report.
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope)	Fully	There were no specific limitations on the scope or boundary of the report.
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations	Fully	None.
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the Global Reporting Initiative Indicator Protocols	Fully	Refer to the Annual Performance Report pages 11 to 20.
3.10	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement (e.g. mergers and acquisitions, change of base years or periods, nature of business, measurement methods)	Fully	None.
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Fully	No significant changes were identified from the previous reporting period.
3.12	Table identifying the location of the Standard Disclosures in the report	Fully	Refer to pages 301 to 315 'Global Reporting Initiative content index'.
3.13	Policy and current practice with regard to seeking external assurance for the report	Fully	The predetermined objectives and the Annual Financial Statements are assured in line with the requirements of the Auditor-General of South Africa.

4.	Governance, commitments and engagement		
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight	Fully	Refer to Part E: Governance.
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Fully	The Chairperson of the TCTA Board is an independent non-executive director.
4.3	For organisations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members	Fully	Refer to pages 89 to 92.
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	None	In line with Shareholders' Treasury Regulations shareholder input is received through the Shareholders' Compact.
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance)	Fully	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Fully	Refer to Part E..
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity	Fully	Process of determining composition is the prerogative of the Minister and occurs when the Board is appointed.
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	Fully	Refer to Part C: Sustainability
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social and labour performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles	Fully	Refer to Part C: Sustainability
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	None	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	None	

4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses	Fully	In the implementation of its projects TCTA subscribes to the principles contained in the Construction Sector Charter.
4.13	Memberships in associations	Fully	Institute of Internal Auditors, South African National Committee on Large Dams, World Economic Forum, Water Institute of Southern Africa, Association of Corporate Treasurers of Southern Africa and Corporate Executive Board.
4.14	List of stakeholder groups engaged by the organisation	Fully	Refer to page 30.
4.15	Basis for identification and selection of stakeholders with whom to engage	Fully	TCTA implements projects on behalf of the Department of Water and Sanitation. Engagement with off-takers is through the Department's structures.
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Fully	Refer to pages 31 to 33.
4.17	Key topics and concerns that have been raised through stakeholder engagement	Fully	None
DMA EC	**Disclosure on management approach: Economic**		
Aspects	Economic performance	None	
	Market presence	Fully	Refer to pages 25 to 26.
	Indirect economic impacts	Fully	Refer to page 28. TCTA delivers in support of the Government Outcomes

DMA EN	**Disclosure on management approach: Environmental**		
Aspects	Materials	Partially	In line with other major organisations, TCTA does not report on the materials consumed in capital projects.
	Energy	Partially	In line with other major organisations, TCTA does not report on the energy consumed in capital projects. Electricity consumption in head office is recorded on page 56.
	Water	Partially	In line with other major organisations, TCTA does not report on the water consumed in capital projects. Water consumption in head office is recorded on page 56.
	Biodiversity	Fully	Refer to Part C: Sustainability.
	Emissions, effluents and waste	Fully	None. In line with other major organisations, TCTA does not report on the emissions, effluents and waste produced in capital projects.
	Products and services	Fully	Refer to page 27.
	Compliance	Partially	Refer to Part C: Sustainability.
	Transport	Fully	None. In line with other major organisations, TCTA does not report on the transport requirement in capital projects.
	Overall	Partially	Each element reported separately
DMA LA	**Disclosure on management approach: Labour**		
Aspects	Employment	Fully	Refer to pages 77.
	Labour/management relations	Fully	Refer to page 78.
	Occupational health and safety	Partially	Refer to page 62 (for project sites).
	Training and education	Fully	Refer to page 72.
	Diversity and equal opportunity	Fully	Refer to page 77.
	Equal remuneration for women and men	None	

DMA HR	Disclosure on management approach: Human Resources		
Aspects	Investment and procurement practices	Fully	Refer to Part G: PFMA Compliance
	Non-discrimination	Fully	Refer to Employment Equity as reflected on page xxx.
	Freedom of association and collective bargaining	None	
	Child labour	Fully	All project sites comply with South African legislation
	Prevention of forced and compulsory labour	Fully	All project sites comply with South African legislation.
	Security practices	Fully	All project sites comply with South African legislation.
	Indigenous rights	Fully	TCTA complies with South African legislation in terms of employment equity.
	Assessment	Fully	Not required.
	Remediation	Fully	Not required.
DMA SO	**Disclosure on management approach: Social**		
Aspects	Local communities	Fully	No projects are under construction.
	Corruption	Partially	Refer to Part G: PFMA Compliance
	Public policy	None	
	Anti-competitive behaviour	Fully	Not applicable
	Compliance	Fully	TCTA seeks to create sustainable value for the Shareholder and establish itself as a leader in water infrastructure development. TCTA is committed to responsible business conduct and best practice. An ethical governance framework and a commitment to legal compliance guide all its organisational activities. TCTA upholds the principles expressed in the King IV™ Code that good governance combines both regulatory requirements and voluntary standards of excellence.

DMA PR	Disclosure on management approach: Product Responsibility		
Aspects	Customer health and safety	Fully	Not applicable
	Product and service labelling	Fully	Not applicable
	Marketing communications	Fully	Not applicable
	Customer privacy	Fully	Not applicable
	Compliance	Fully	Not applicable
Performance Indicators			
Economics			
EC1	Direct economic value generated and distributed	Fully	Not applicable. TCTA is a non-profit organisation and does not create a surplus or loss.
EC3	Coverage of the organisation's defined benefit plan obligations	Fully	Not applicable.
Market Presence			
EC6	Policy, practices and proportion of spending on locally based suppliers at significant locations of operation	Partially	TCTA subscribes to the Construction Sector Charter, which stipulates employment, preferential procurement and enterprise development targets for local development on each project site.
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	Fully	TCTA is based in South Africa only and all staff are hired locally.
Indirect Economic Impacts			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Fully	Refer to page 28.
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Fully	Refer to page 28.

Environmental			
Materials			
EN1	Materials used by weight or volume	None	None. In line with other major organisations, TCTA does not report on the materials consumed in capital projects.
EN3	Percentage of materials used that are recycled input materials	None	None. In line with other major organisations, TCTA does not report on recycled materials consumed in capital projects.
Energy			
EN3	Direct energy consumption by primary energy source	None	None. In line with other major organisations, TCTA does not report on direct energy consumption by primary energy source in capital projects.
EN4	Indirect energy consumption by primary source	None	None. In line with other major organisations, TCTA does not report on indirect energy consumption by primary energy source in capital projects.
EN5	Energy saved due to conservation and efficiency improvements	None	
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives	None	On once-off capital projects, each of which is unique in nature and of limited lifespan, it is difficult to institute programmes which record reduction in consumption of energy.
EN7	Initiatives to reduce indirect energy consumption and reductions achieved (internal)	Fully	On once-off capital projects, each of which is unique in nature and of limited lifespan, it is difficult to institute programmes which record reduction in consumption of energy.
Water			
EN8	Total water withdrawal by source	None	Each project withdraws from the adjacent source and the head office draws water from the Vaal River System through Rand Water and Tshwane Metropolitan Municipality.

Biodiversity			
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Fully	Refer to Environmental Sustainability Aspects. Page 55.
EN13	Habitats protected or restored	Fully	Refer to Environmental Sustainability Aspects. Page 55.
EN14	Strategies, current actions and future plans for managing impacts on biodiversity	Fully	Refer to Environmental Sustainability Aspects. Page 55.
Emissions, effluents and waste			
EN16	Total direct and indirect greenhouse gas emissions by weight	None	Not applicable
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	None	Not applicable
EN22	Total weight of waste by type and disposal method	None	Not applicable
EN23	Total number and volume of significant spills	Partially	None
Products and services			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Fully	Not applicable
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Fully	Not applicable
Compliance			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non¬compliance with environmental laws and regulations	Fully	No significant non-compliance with environmental laws and regulations was identified.
Transport			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce	Fully	None. In line with other major organisations, TCTA does not report on significant environmental impacts of transporting products and other goods and materials used for the organisation's capital projects.

Social: Labour practices and decent work			
Employment			
LA1	Total workforce by employment type, employment contract and region, broken down by gender	Fully	Refer to pages 77.
LA2	Total number and rate of new employee hires and employee turnover by age group, gender and region	Partially	Refer to pages 75.
Labour/management relations			
LA4	Percentage of employees covered by collective bargaining agreements	None	
Occupational health and safety			
LA6	Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programmes	None	
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region and by gender	None	
Training and education			
LA10	Average hours of training per year per employee by gender and by employee category	Partially	Refer to page 72.
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	None	
LA12	Percentage of employees receiving regular performance and career development reviews, by gender	Fully	All TCTA employees receive regular performance reviews and are required to submit a Personal Development Plan each year.
Diversity and equal opportunity			
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	Fully	Refer to pages 89 to 92.

Equal remuneration for women and men			
LA14	Ratio of basic salary and remuneration of women to men (internal)	None	
Social: Human rights			
Non-discrimination			
HR4	Total number of incidents of discrimination and actions taken	Fully	No incidents of discrimination were reported during the period under review.
Freedom of association and collective bargaining			
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	Fully	No violations were identified.
Child labour			
HR6	Measures taken to contribute to the effective abolition of child labour	Fully	No violations were identified.
Forced and compulsory labour			
HR7	Measures to contribute to the elimination of all forms of forced or compulsory labour	Fully	No violations were identified.
Indigenous rights			
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	Fully	No violations were identified.
Assessment			
HR10	Percentage and total number of operations that have been subject to human rights reviews and/ or impact assessments	Fully	None
Remediation			
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	Fully	None

Social: Society			
Local communities			
SO1	Percentage of operations with implemented local community engagement, impact assessments and development programmes	None	No projects are under construction.
Public policy			
SO5	Public policy positions and participation in public policy development and lobbying	Fully	As a government institution, TCTA does not take any policy positions but works with Government in the development of policy to ensure a financially sustainable water sector.
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	Fully	None
Anti-competitive behaviour			
SO7	The total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes	Fully	Not applicable
Compliance			
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Fully	No significant fines were incurred for non-compliance with laws and regulations.
Social: Product responsibility			
Customer health and safety			
PR1	Life-cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Fully	Not applicable
Product and service labelling			
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	Fully	Not applicable

Marketing communications			
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	Fully	Not applicable
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes	Fully	Not applicable
Customer privacy			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Fully	Not applicable
Compliance			
PR9	Monetary value of significant fines for non¬compliance with laws and regulations concerning the provision and use of products and services	Fully	Not applicable

LIST OF ABBREVIATIONS/ACRONYMS

AFD	Agence Française de Développement
AfDB	African Development Bank
AFS	Annual Financial Statements
AGSA	Auditor-General of South Africa
AMD	Acid Mine Drainage
ARC	Audit and Risk Committee
BCM	Business Continuity Management
BRVAS	Berg River – Voelvlei Augmentation Scheme
BSC	Bid Specification Committee9
BWP	Berg Water Project
CAF	Combined Assurance Forum
CEO	Chief Executive Officer
CHS	Construction Health and Safety
CODM	Chief Operating Decision Maker
COSO	Committee of Sponsoring Organizations of the Treadway Commission
COVID	Coronavirus disease
CPD	Corporation for Public Deposits
CPI	Consumer Price Index
CSA	Control self-assessment
CY	Calendar Year
DBSA	Development Bank of Southern Africa
DFFE	Department of Forestry, Fisheries and Environment
DFI	Development Finance Institution

DMRE	Department of Minerals and Energy
DTN	Delivery Tunnel North
DWS	Department of Water and Sanitation
EA	Environmental Authorisation
EIB	European Investment Bank
EKZN	Ezemvelo KwaZulu-Natal Wildlife
ERM	Enterprise Risk Management
ERP	Enterprise resource planning
ESMS	Environmental and Social Management System
ExCo	Executive Committee
FEC	Forward Exchange Contract
FGD	Flue Gas Desulphurisation
FY	Financial Year
GoL	Government of Lesotho
GRAP	Generally Recognised Accounting Practices
HCSEC	Human Capital, Social and Ethics Committee
HRIS	Human Resource Information Systems
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICT	Information and Communications Technology
IFRS	International Reporting Standards
IFWE	Irregular, Fruitless and Wasteful Expenditure
ISA	International Standards on Auditing
ISO	International Organisation for Standardisation
IT	Information Technology

ICT	Information & Communication Technology
KfW	KFW Development Bank
KOL	Kingdom of Lesotho
Kwh	Kilowatt hour
KWSAP	Komati Water Scheme Augmentation Project
LHDA	Lesotho Highlands Development Authority
LHWC	Lesotho Highlands Water Commission
LHWP	Lesotho Highlands Water Project
LHWP-2	Phase 2 of the Lesotho Highlands Water Project
MCWAP	Mokolo – Crocodile (West) Augmentation Project
MCWAP - 1	Phase 1 of the Mokolo – Crocodile (West) Augmentation Project
MCWAP – 2A	Phase 2A of the Mokolo – Crocodile (West) Augmentation Project
MMTS-2	Phase 2 of the Mooi – Mgeni Transfer Scheme
MRWP	uMzimvubu River Water Project
uMWP	uMkhomazi Water Project
NED	Non-executive director
NGC	Nominations and Governance Committee
NGO	Non-government Organisation
NT	National Treasury
NWRIA	National Water Resource Infrastructure Agency
OHS	Occupation Health and Safety
ORWRDP	Olifants River Water Resource Development Project
ORWRDP - 2C	Phase 2C of the Olifants River Water Resource Development Project
PAA	Public Audit Act
PD	Probability of default

PFMA	Public Finance Management Act
PSP	Professional Service Provider
RMB	Rand Merchant Bank
RMS	River Management System
RSA	Republic of South Africa
SA	South Africa
SDL	Skills Development Levy
SED	Social and Economic Development
SIP	Strategic Infrastructure Project
SPV	Special Purpose Vehicle
TCTA	Trans-Caledon Tunnel Authority
TCTA - C	Trans-Caledon Tunnel Authority - Corporate
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
VRESAP	Vaal River System Augmentation Project
VRS	Vaal River System
WACC	Weight average cost of capital
ZAR	South African Rand

Trans-Caledon Tunnel Authority Board members


TCTA
A new word for water