2018/19

ANNUAL REPORT

WATER
RESEARCH
COMMISSION

VISION

To have highly informed water decision-making through science and technology at all levels, in all stakeholder groups, and innovative water solutions through research and development for South Africa, Africa and the world.

MISSION

To be a global water knowledge node and South Africa's premier water knowledge hub active across the innovation value chain that:

- informs policy and decision making;
- creates new products, innovation and services for socio-economic development;
- develops human capital in the water science sector;
- empowers communities and reduces poverty;
- supports the national transformation and redress project; and
- develops sustainable solutions and deepens water research and development in South Africa, Africa and the developing world.

VALUES

- A culture of learning and sharing
- Innovation and creativity
- Integrity and fairness
- A spirit of professionalism and service orientation
- Facilitating empowerment and social change
- Good governance

Registered name: Water Research Commission (WRC) | **Physical address:** 2nd Floor, Bloukrans Building, Lynnwood Bridge Office Park | **Postal address:** Private bag X03, Gezina, Pretoria, 0031 | **Telephone number:** +27 12 761 9300 | **Fax:** +27 12 331 2565 | **Email address:** info@wrc.org.za | **Web:** www.wrc.org.za | **External auditors:** Auditor-General of South Africa | **Bankers:** Standard Bank | **Company Secretary:** Ditebogo Khumalo

 | **ISBN 978-0-621-47299-8 | Report No. RP 122/2019**

TABLE OF

CONTENTS:

SECTION C
GOVERNANCE

SECTION D
WRC CONSOLIDATED FINANCIAL STATEMENTS

SECTION E
ERF SEWE-NUL-SES RIETFONTEIN (PTY) LTD CONSOLIDATED FINANCIAL STATEMENTS

List of **Abbreviations**

AGSA	Auditor-General of South Africa
BBBEE	Broad-based black economic empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMA	Catchment management agency
DoA	Delegation of Authority
DoF	Department of Finance
DHSWS	Department of Human Settlements, Water and Sanitation
DPE	Department of Public Enterprises
DWS	Department of Water and Sanitation
EM	Executive Manager
GE	Group Executive
HEI	Higher-education institutions
HDI	Historically disadvantaged institution
IoE	Internet of everything
IP	Intellectual property
KPA	Key performance area
KSA	Key strategic area
MOA	Memorandum of agreement
MOU	Memorandum of understanding
MTEF	Medium Term Expenditure Framework
NDP	National Development Plan
NWA	National Water Act
NWRS-2	National Water Resource Strategy Two
PDI	Previously disadvantaged individual
PDP	Personal development plan
PFMA	Public Finance Management Act
PPC	Parliamentary portfolio committee
R&D	Research and development
RDI	Research, development and innovation
RW	Rand Water
SADC	Southern African Development Community
SALGA	South African Local Government Association
SIPS	Strategic Integrated Projects
SMME	Small, medium and micro enterprises
SCM	Supply chain management
SDG	Sustainable Development Goal
S&T	Science and technology
TIA	Technology Innovation Agency
UN	United Nations
UW	Umgeni Water
WMA	Water management area
WRA	Water Research Act
WRC	Water Research Commission
WRL	Water Research Levy
WRM	Water resource management
WSA	Water Services Act

Incoming **Minister's** Report

One of the most fundamental measures of quality of life is access to clean water. Today, two thirds of humanity face water stress at some point during the year and one in ten do not have clean water. As populations grow so will the demands for drinking water, agriculture and industry. At the same time, climate change will impact available resources as we are already seeing in the uptick of severe weather occurences.

Lindiwe Sisulu,
Minister of Human Settlements, Water and Sanitation

Our capacity for consuming Earth's resources must be outpaced by our potential to produce innovative answers. Science is a key to hope – and solving grand challenges, whether in securing water for our growing cities and towns, growing more food with less water or building sustainable alternative sanitation options for communities; and has the potential to address basic human needs while providing revolutionary economic growth and sustainable development.

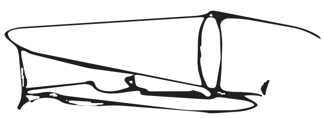
In South Africa, targeted water-related research and resulting scientific discoveries, led by the Water Research Commission (WRC), have played a significant role in reducing uncertainties and improving the management of this scarce natural resource. South Africa's improved scientific understanding has also formed the foundation for practical applications that have enhanced the prosperity and security of South African society.

Since the dawn of democracy in 1994, the South African Government has worked tirelessly to eradicate the legacy it inherited of between 12 and 14 million people who did not have access to clean, potable water. Since then the Department of Water and Sanitation has managed to reduce the number to just around 3 million as reflected in the latest figures from Statistics SA.

As we continue to consolidate the gains made since the advent of our democratic dispensation and ensuring that South Africa becomes a better place live, it is important to acknowledge that hard work is still required to address the triple challenge of poverty, unemployment and inequality as we face the growing threat of lack of sufficient water and quality water. The South African water sector's task is clear: to execute water research that is consistent with the country's broad policy on science and innovation as well as to facilitate partnerships and investment opportunities to ensure the successful implementation of new water and sanitation innovations towards ensuring that the remaining backlogs get eradicated.

Working in close partnership with South Africa's water and sanitation sector entities such as the WRC, the DHSWS is committed to ensuring that we effectively transform the water and sanitation sector as well as provide quality water and decent sanitation to our people. The department is heartened by the WRC's progress in transforming the sector, its inclusion of previously marginalised groups and especially its strong community-based projects.

The DHSWS commends the WRC, the Board and the management team for ensuring that South Africa remains at the cutting edge of water research, development and innovation.



Lindiwe Sisulu,
Minister of Human Settlements, Water and Sanitation

Outgoing **Minister's** Report

Water is linked to every facet of everyday life – including food, energy, production of goods, health, sanitation and hygiene. The Southern African region faces increased uncertainty and vulnerability regarding water supply, and we are still dealing with the consequences of one of the worst droughts in many years.

The South African water situation is challenging. The country's natural distribution of water is highly variable geographically and seasonally – and seasons of extremely high rainfall are often followed by bouts of no rain. The impacts of the natural distribution of water availability are made more extreme by prevailing socio-economic inequalities: water scarcity, like poverty and under-development, is a socio-economic fact more than it is a product of nature.

South Africa has long since identified water as a strategic resource critical for social and economic development. The country has developed a strong legal framework for government to fulfil its responsibility of ensuring that all South Africans have access to adequate water-supply services and sanitation services. Certainly over the last two decades much progress has been made in this regard.

Gugile Nkwinti,
Minister of Water and Sanitation

The Department of Water and Sanitation (DWS) recognises that the science, technology and innovation fraternity has a strong role to play in expanding services to the entire South African population while ensuring the sustainable management of scarce natural resources. Science can be a driver and enabler of inclusive and people-centred sustainable development. All parties of the South African water sector must work together to continue to gain insight into how water is captured, allocated and used in a variety of settings, while advancing our knowledge of the science and policy aspects of water resource management.

The department remains focused in dealing robustly with the three million people who still do not have access to a safe and reliable water supply and the 14 million people who do not have access to safe sanitation. At the same time, DWS is attending to the low level of reliability of services in many parts of the country as a result of ageing infrastructure and poor operations and maintenance.

To this end, the department is rolling out a strategy underlain by five pillars:

- A National Water Resources and Services Authority – this authority will be established to finance, develop, manage and operate national water resource infrastructure and sanitation;
- A National Water Resources and Services Regulator – the possibility of an independent economic regulator to regulate tariffs, standards and performance in the water services sector is proposed and processes are underway to consult the appropriateness of such an institution;
- A Water Resources and Services Value Chain – the water and sanitation sector is currently comprised of a large number of institutions with a complex suite of functions divided among them, which creates an overly complex value chain which we need to streamline;
- A Water Resources and Services Masterplan – a plan which sets out prioritised actions and investments we must implement between now and 2030 to overcome challenges and ensure a water secure future supporting inclusive development across the country, and to ensure that universal sanitation coverage protects the health of our people
- Institutional rationalisation and organisational alignment – this action is striving towards streamlined institutional rationalisation and organisational alignment in the water sector in accordance with the outcomes of the Presidential Review on State-owned Enterprises.

These pillars require implementation support from all levels within the sector. The five pillars are fully embedded in the National Water and Sanitation Masterplan. The Masterplan presents a solid affirmation and commitment from DWS to support water-related research, development and innovation. This is with a view to ensuring that there is highly informed water decision-making through science and technology at all levels, in all stakeholder groups and innovative water solutions through research and development for South Africa, and the African continent. The Department will thus continue to support efforts that position the country and its institutions as a global water knowledge node across the whole water and sanitation innovation value chain.

More particularly, the DWS will continue to work with the Water Research Commission (WRC) as its main stakeholder. Thanks go to the WRC Chief Executive Officer (CEO), Dhesigen Naidoo, and his team for their hard work and commitment in ensuring that the Commission remains at the cutting edge of water-related research in South Africa.

Gugile Nkwinti
Minister of Water and Sanitation

Chairperson's Report

On behalf of the Board of the Water Research Commission (WRC), I am pleased to present a brief overview of the Commission's 2018/19 performance highlights. Sustainable water and sanitation provision for poor households continue to be a huge challenge for the South African government. The WRC as a water sector knowledge leader has an important role to play in ensuring that its research and innovation provide sustainable water and sanitation solutions.

Dr Nozibele Mjoli,
Chairperson of the Board

During the year under review the WRC continued to entrench its position as a national and global leader in water and sanitation technology innovation. The following are major performance highlights achieved by the WRC during 2018/19:

- The WRC completed its first major project on the water and sanitation social franchising business model in the Eastern Cape Province with funding from the African Development Bank. This model has demonstrated its potential to empower small, medium and micro enterprises to become financially sustainable while providing basic sanitation services to schools in rural and peri-urban communities. Discussions are already underway between the WRC and the African Development Bank to investigate the feasibility of scaling-up this model across the African continent.

- The WRC played a significant role in supporting the Minister of Water and Sanitation at the Water and Sanitation Innovation Solutions Exhibition which was held at Birchwood Hotel on 9 November 2018. This event provided a platform for innovators from historically disadvantaged backgrounds with special focus on women and youth innovators.

- The WRC, in partnership with the Green Youth Network, hosted a Youth in Water Innovation Summit at Sci-Bono Discovery Centre in Johannesburg on 15 November 2018. The aim of the summit was to unlock the innovation and entrepreneurial potential of South African youth in the innovation/technology space.

- The WRC launched the Strategic Water Sources Areas reports on 8 March 2019. According to these reports, the regional strategic water source areas constitute only 10% of land surface area of South Africa, Lesotho and Swaziland and yet provide 50% of water for these three countries. This study emphasises the importance of protecting the strategic water source areas of the country to ensure future water security for South Africa and its two neighbouring countries.

- The WRC was the local hosting partner of a very successful international meeting, the 5th Faecal Sludge Management Conference, which was held in Cape Town from 18 to 22 February 2019. This conference attracted more than 1 000 international delegates. The conference provided a platform for sanitation technical experts to engage with political leadership of the African Minister's Council on Water (AMCOW).

- During 2018/19, an external institutional review of the WRC was conducted by an independent panel of five experts. This review commended the WRC for its excellent performance in fulfilling its mandate as a water sector knowledge leader and made several recommendations for entrenching the position of the WRC as a global player in providing sustainable innovative solutions to water and sanitation technology challenges.

- The WRC has managed to achieve its performance targets under very difficult conditions due to the reduction in its water research levy income for 2018/19, which was caused by delays in the approval of legislated annual water research levy increase. The WRC was expecting this shortfall to be addressed in the 2019/20 water research levy increase.

The WRC Board continues to monitor the financial performance of the organisation to ensure long-term financial sustainability.

The WRC Board welcomes new Minister of Human Settlements, Water and Sanitation, Ms Lindiwe Sisulu as well as Deputy Ministers, Ms Pamela Tshwete and Mr David Mahlobo. We wish them well in their task.

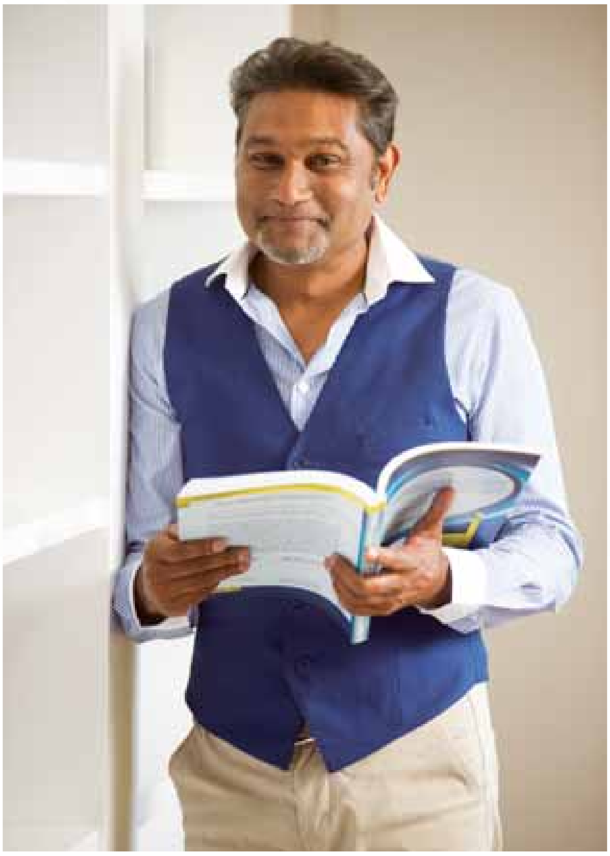
On behalf of the Board of the WRC, I wish to express our sincere gratitude for the leadership and support provided to us by former Water and Sanitation Minister, Mr Gugile Nkwinti, and former Deputy Minister, Ms Pamela Tshwete, as well as the officials of the department.

My sincere gratitude also goes to the members of the WRC Board, WRC Executive management, staff, stakeholders, researchers, international and national partners for their commitment and support for the WRC research and innovation during 2018/19 financial year.

Dr Nozibele Mjoli
Chairperson of the Board

CEO's Report

For seven consecutive years water issues have ranked among the top five global risk factors in the World Economic Forum's annual Global Risks Report. In 2019, of those global risks perceived to have both the highest likelihood to manifest and the highest impact on the world in the next decade, all but one can be linked to water.



Dhesigen Naidoo,
WRC CEO

Extreme weather events; the continuing challenge of climate change mitigation and adaptation, and natural disasters are the top-rated global risk factors. In South Africa, these risks are compounded in a country where water is naturally scarce and unevenly distributed both geographically and seasonally. Research, development and innovation (RDI) remain at the heart of providing not only water security but water prosperity – for our farms, our industries and, above all, our people. The WRC remains at the centre of RDI for the benefit of all South Africans.

We live in a period of unprecedented technological innovation and change, driven by what some are calling the Fourth Industrial Revolution. The WRC is uniquely positioned in South Africa's quest to unlock the possibilities of technology and innovation in supporting, accelerating and scaling up solutions to meet the country's water needs. The Fourth Industrial Revolution is also converging with other megatrends, including rapid demographic transition and growing consequences of climate change. This convergence is pushing countries to fundamentally reconsider and adapt existing arrangements between government and citizens.

The true potential of this most recent revolution is the fact that this future is rather undefined and therefore limitless. In a sense, it resembles a fresh opportunity for South Africa to ensure that we have adequate water resources available for economic growth, food security, livelihood creation and entrepreneurship. In short, if we can intelligently harness the rapid and disruptive technological change of the Fourth Industrial Revolution, this has the potential to deliver a sustainable future for all.

The year 2018/19 saw the WRC move forward in this regard by turning several water-related challenges into opportunities. Through careful management and due diligence, the WRC has been able to meet and, in some instances, even exceed the targets in all major domains of performance.

The WRC maintained a healthy portfolio of RDI projects during 2018/19, and has continued to drive the transformation agenda, both in the research it commissions and in the research community. The WRC maintains a high level of project leader representation from previously disadvantaged groups, with 73 of new project leaders being women from the previously disadvantaged individual group. At the same time, the WRC managed 135 projects led by small, medium and micro enterprises, and 116 community-based projects over the past financial year. Over the past five years the WRC has supported around 600 post-graduate students through its research projects. The general consensus from the community of practice is that the value-add of this injection of diversity is already having a positive impact on the overall portfolio.

Success cannot be achieved in isolation. To stretch the impact of the Water Research Fund the WRC has sought to increase its partnerships in various domains. These include research partnerships, implementation partnerships and innovation value chain partnerships. This partnership approach, both locally and internationally, is an important way of increasing the body of knowledge on water matters and achieving synergy between the needs and capabilities of various partner bodies.

The WRC continues to work specifically with its reporting department, the Department of Water and Sanitation, to shorten the implementation time between innovation and impact. On behalf of the WRC, I register my gratitude to the former Minister and Deputy Minister, and welcome the new Minister and Deputy Ministers of Human Settlements, Water and Sanitation. Thanks also goes to the WRC Board for their invaluable, sound guidance in this enterprise.

Dhesigen Naidoo,
WRC CEO

Executive Summary

Extreme weather events; the continuing challenge of climate change mitigation and adaptation; and natural disasters are top-rated global risk factors. In South Africa, these risks are compounded by a country where water is naturally scarce and unevenly distributed both geographically and seasonally.

Research, development and innovation (RDI) remain at the heart of providing not only water security but water prosperity – for our farms, our industries and, above all, our people. The WRC remains at the centre of RDI for the benefit of all South Africans. The primary functions of the WRC are to fund and steer the water research agenda in South Africa, and to effectively disseminate and communicate research findings. Administrative activities are undertaken to ensure compliance with regulatory requirements and to provide an enabling environment for research management.

In addition to contributing to several Government Outcomes, the WRC's strategic outcome-oriented goals comprise five impact areas based on the operationalisation of the WRC Knowledge Tree, a fundamental guiding framework and corporate planning tool used by the WRC to define, measure and evaluate research impact.

The Knowledge Tree speaks to an investment in the multiplier effect which aims to inform policy- and decision-making, contribute to sustainable development solutions, develop products and services for the economy, actively contribute to human capital development, directly empower communities, and enable the national transformation project.

Further, the WRC continues to focus on the development of its impact narrative that provides a pathway from research to impact. This entails a continuous review of current actions and activities as well as the identification of new actions that will ensure impact realisation. The Commission also uses other instruments to achieve its goals, most notably driving community involvement in research, promoting the WRC Lighthouses, and leading innovation and impact.

The WRC addresses the three dimensions of the water and sanitation challenges, namely new knowledge, human capital and technological solutions. The Commission endeavours in its projects to create a high concentration of activities that support each of these dimensions.

The Commission counted several performance highlights for 2018/19. Several research projects were concluded in aid of improved decision-making around South Africa's water resources. These include a project that used hydrological and run-off data to map the areas that produce most of the country's water resources; a project that reflected on 20 years of national water legislation; and an investigation into improving the predictability of tropical weather systems. The WRC further evaluated a series of remote sensing and geospatial modelling techniques for identifying waterlogged and salt-affected areas within South African irrigation schemes.

A number of high-profile events were organised by the WRC in 2018/19. This included a workshop on the beneficial agricultural use of sewage sludge, held on 10 May 2018, a dialogue on reducing the risks of water to business and society, held on 27 August 2018, and a dialogue on climate change and water held on 7 November 2018. The WRC also played a supporting role to former Minister of Water and Sanitation, Gugile Nkwinti, at the Water and Sanitation Innovation and Technology Solutions Exhibition, which took place on 10 November 2018.

The WRC International Cooperation and Partnerships strategy aims to establish new and strengthen existing partnerships that will extend the WRC footprint, especially in Africa, and derive maximum value for the WRC, the South African water sector, and the continent. During 2018/19 the WRC played an important organisational role in the first joint AfricaSan and Faecal Sludge Management conferences, which were held in Cape Town from 18-22 February 2019. The WRC also hosted the Southern African Regional Irrigation Association annual workshop in Pietermaritzburg from 21-24 May 2018.

In terms of the WRC's key performance targets, 99 RDI projects were initiated during 2018/19 while 104 projects were finalised during the same period. Over the past five years the WRC has finalised 614 research projects, indicating a significant contribution to knowledge in the water sector.

Further the WRC has, in the past few years, broadened its research scope to one that actively involves communities in the research project, and engages key partners to upscale and maintain interventions post-project. A total of 116 WRC research projects in 2018/19 had a direct impact on the lives and livelihoods of communities through water-related interventions and capacity building.

With regards to the WRC's financial performance, the Water Research Levy is the Commission's main source of revenue. The WRC had a total income (including levy and leverage income) of R284 million during 2018/19. Levies made up 83% of the WRC's income during the past financial year.

The WRC recognises the need for more innovation and greater partnership to ensure even higher impact contributions to meet South Africa's, Africa's and the wold's water and sanitation challenges going into the future.

SECTION A

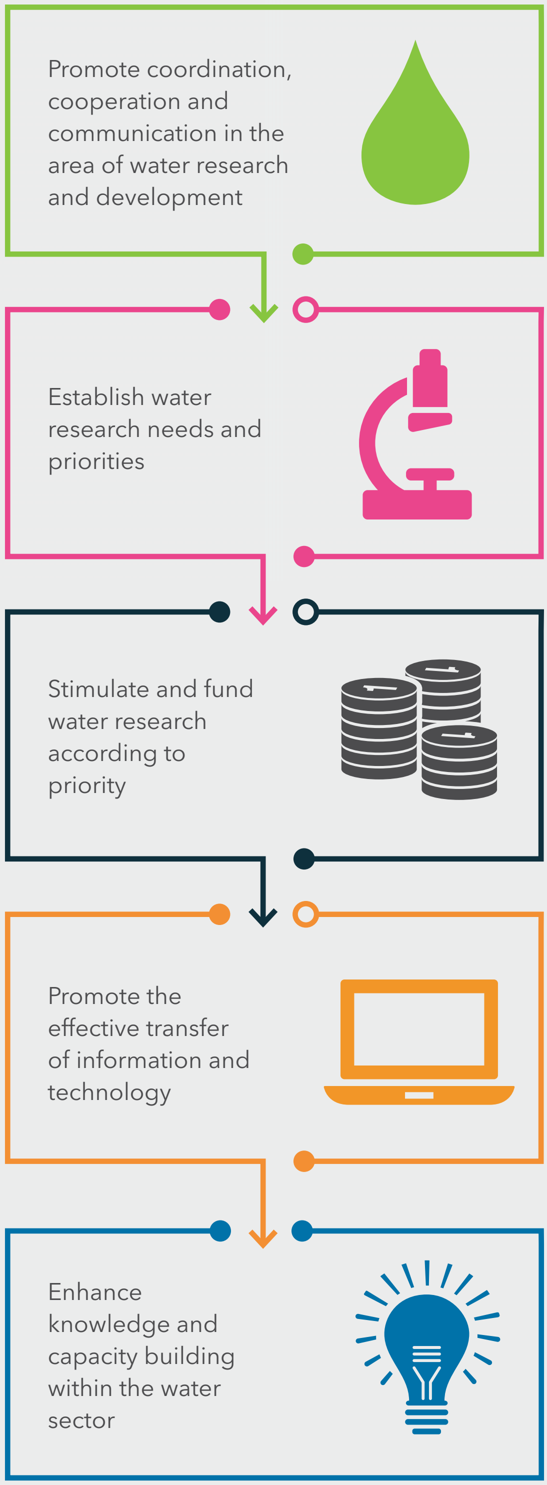
STRATEGIC OVERVIEW

Over the course of history, scientific discoveries and technological advances have helped tackle the world's most complex and daunting challenges and enabled innovations that have enhanced our quality of life. Just as these discoveries helped open new chapters of possibility and opportunity, today's rapidly emerging technologies – what has been coined the Fourth Industrial Revolution – are enabling similar transformation across various systems, including water and sanitation. In South Africa, it is crucial that these water and sanitation solutions are targeted at uplifting our people and transforming society.

The WRC's performance environment is created on the premise that the crux of the water and sanitation challenge in South Africa is a capacity and capability challenge. The WRC addresses the three dimensions of this challenge, namely, new knowledge, human capital, and technological solutions. It endeavours in its projects to create a high concentration of activities that support each of these dimensions. In so doing, the WRC funds and facilitates research in water-related innovation and disseminates such knowledge for the advancement of national water security. The recipients of this knowledge may be higher-education institutions (HEIs), science councils, or private agencies/contractors, as well as the various tiers of government.

While the Commission's increased efficiencies, innovation and partnerships continue to maintain knowledge production levels, it is becoming increasingly difficult to meet two very basic challenges in the South African water and sanitation system. The first is the ability to address the increasingly complex

Figure 1: The primary functions of the WRC



nature of water problems such as non-revenue water and acid mine drainage. The second is the WRC's ability to both transform the South African research and development (R&D) community through the development of researchers from the designated groups as well as to create further avenues for job creation and entrepreneurship development, which are all restricted by the limited availability of R&D funds.

At the same time, technological innovation, improvements in communication, increased collaboration and international partnerships have enhanced our ability as the South African water R&D community to conduct better research, to train students at higher levels, and to organise for better translation of research into products and services for the economy. These improvements, together with new resources, will guarantee our ability to make a significant difference to South Africa's water fortunes.

The primary functions of the WRC are to fund and steer the water research agenda in South Africa, and to effectively disseminate and communicate research findings. Administrative activities are carried out to ensure compliance with regulatory requirements and to provide an enabling environment for research management.

The four core principles of the WRC's strategy focus on:

1 PARADIGM — 2 PARTNERSHIP — 3 POSITIONING — 4 PEOPLE

PARADIGM

- Impact orientation (Knowledge Tree)
- Development focus (R d <-> r D)
- Narrowing the implementation journey
- Multiplier effect

PARTNERSHIP

- Across stakeholder groups
- Public and private
- Local and international
- Funding
- Implementation
- Development
- Research

POSITIONING

- Relationship with Executing Authority and DWS
- Recognition as key development player
- Leadership in Science and Innovation landscape
- Water sector leadership
- Increasingly important partner in the international sphere

PEOPLE

- Transforming and expanding the water R&D community
- Growing the new W&S cohort
- Building the youth cadres
- Community practitioners and entrepreneurs
- WRC leadership development
- Gender and youth foci

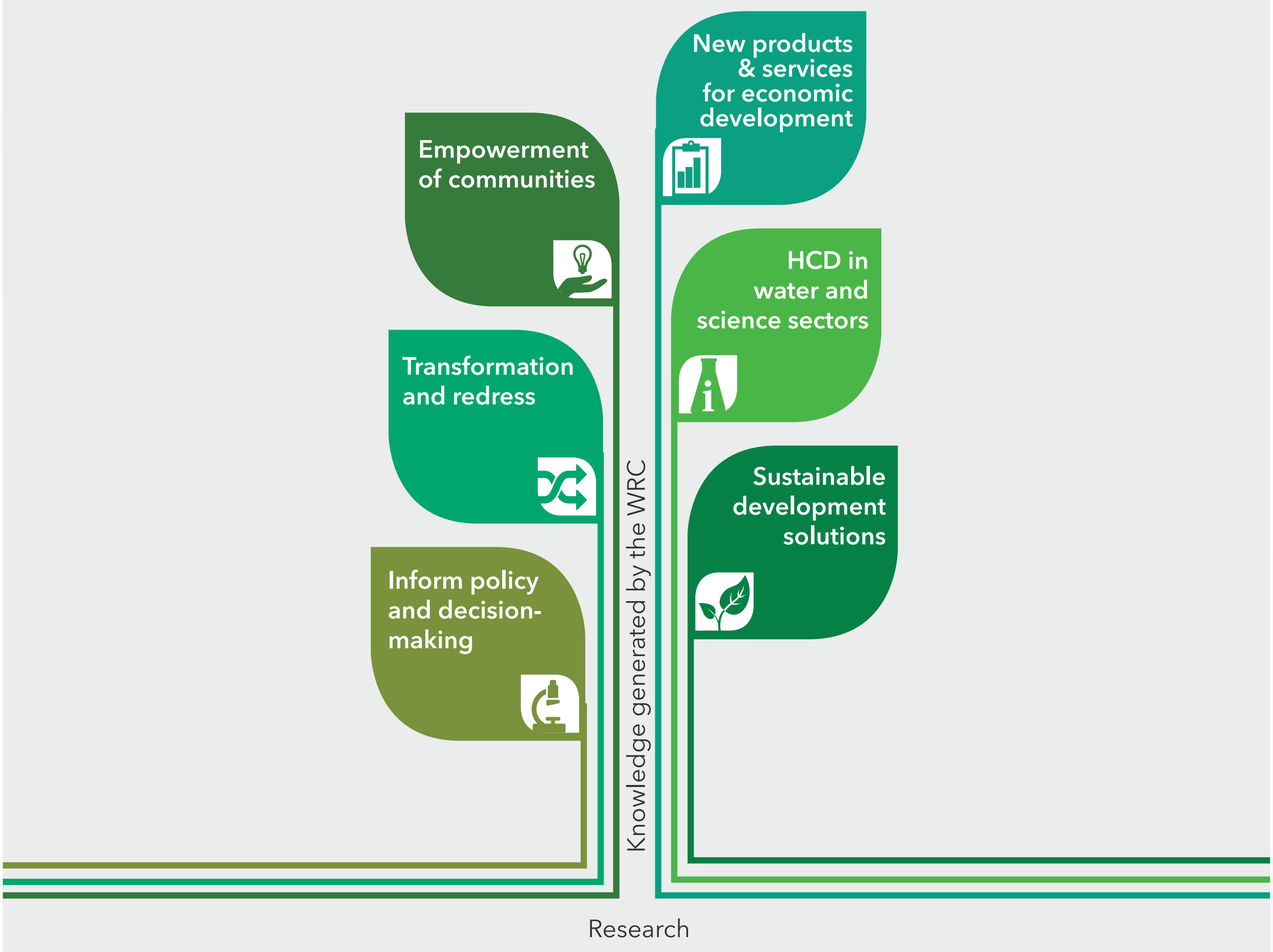
STRATEGIC OUTCOME-ORIENTED GOALS

In addition to contributing to several Government Outcomes, the WRC's strategic outcome-orientated goals comprise five impact areas based on the operationalisation of the WRC Knowledge Tree, a fundamental guiding framework and corporate planning tool used by the WRC to define, measure and evaluate research impact.

The Knowledge Tree speaks to an investment in the multiplier effect which aims to inform policy and decision-making, contribute to sustainable development solutions, develop products and services for the economy, actively contribute to human capital development, directly empower communities, and enable the national transformation project. Secondly, it speaks to the continuous improvement of a programmatic approach to choose a significant proportion of new projects in each funding cycle that build on the knowledge base of existing and previous funding cycles.

The WRC strives to achieve as many of the Knowledge Tree impact areas as reasonably possible in the research that it funds. This applies within a research project, to post-project actions, and to follow-on projects. By 2018/19 the Knowledge Tree had been well entrenched in the WRC's activities, with all research proposals articulating objectives of the Knowledge Tree branches.

Figure 2: The WRC Knowledge Tree



The WRC, therefore, continues to focus on the development of its impact narrative that provides a pathway from research to impact. This entails a continuous review of current actions and activities as well as the identification of new actions that will ensure impact realisation.

The Commission also uses other instruments to achieve its goals, most notably driving community involvement in research, promoting the WRC Lighthouses, and leading innovation and impact.

Table 1: **The WRC's strategic outcome-oriented goals.**

1 Inform policy and decision-making The WRC aims to commission appropriate evidence-based knowledge generated to guide decision-making, influencing the development of policy, practice or service provision, shaping legislation, altering behaviour, contributing to the understanding of policy issues, and reframing debates.	**2 Develop new products and services for economic development** The WRC capitalises on those projects that have potential to develop new intellectual property or to introduce innovations which create new or improved technologies, products and services that can be used in the real economy. Effectively, this is the WRC's contribution to job creation and economic development through water science innovations.	**3 Enhance human capital development (HCD) in the water and science sectors** The WRC strives to have high levels of student participation in its projects. Although the emphasis is on post-graduate degrees, inclusion of undergraduates has also been investigated. There is also a particular emphasis on previously-disadvantaged individuals (PDIs) and women. The WRC also aims to support institutional development through mentorship provided to new research leaders.
4 Empower communities The WRC places an emphasis on projects that (a) include communities not only as end-users of research but as active participants in the research process from the project design phase; (b) have a direct impact on the livelihoods of communities through water-related interventions; and (c) build sufficient capacity to assist with the post-project sustainability of those interventions.	**5 Promote transformation and redress** This goal focuses on growing PDI involvement/leadership in projects, as well as helping to promote socio-economic development through the reduction of poverty and inequality in South Africa, particularly of marginalised groups such as women and youth.	**6 Drive sustainable development solutions** The WRC prioritises those projects that provide sustainable development solutions that have had positive effects on the environment, economy and society, including: protection of water resources, optimal water use, equity between generations, equitable access, environmental integration and good governance. Additionally, this goal focuses on developing knowledge products that are fit-for-use to ensure the uptake of research.

LEGISLATIVE AND OTHER MANDATES

The WRC serves as the R&D partner of the sector leader, the Department of Water and Sanitation (DWS), and provides the sector with knowledge and capacity to ensure sustainable management of water resources and enhance water services.

CONSTITUTIONAL MANDATE

The WRC is bound by the Bill of Rights contained within the Constitution that is applicable to all laws. In the execution of its mandate, the WRC upholds several key principles of the Bill of Rights, most notably section 27.1.b that gives everyone the right to have sufficient access to water. The WRC regards the ready availability of water knowledge and understanding as critically important to the adoption of effective and innovative strategies for equitable water service provision, management and use. It also has the pivotal role of being the knowledge partner to the respective implementing agents in the realisation of the Bill of Rights.

Additionally, section 16 of the Constitution, which addresses freedom of expression, including the right to academic freedom and freedom of scientific research, also applies to the work of the WRC.

LEGISLATIVE MANDATES

The WRC is governed by the Water Research Act (WRA), Act No. 34 of 1971, which outlines the purpose and mandated objectives of the organisation. The WRC also operates and accounts for its activities in accordance with the Public Finance Management Act (PFMA), Act No. 1 of 1999, and is listed as a national public entity in Schedule 3A of this Act.

The mandated objectives of the WRC are also in accordance with the requirements of the policies of the DWS for the Water Services Act (Act No. 108 of 1997) and the National Water Act (Act No. 36 of 1998). Key legislative frameworks and their applicability to the WRC are highlighted below.

Water Research Act (Act No. 34 of 1971 as amended)

The principal aim of the WRA is to provide for the promotion of research in connection with water affairs. The Act requires the establishment of the WRC and the Water Research Fund, and sets the framework within which the WRC operates. It also provides for the establishment of the WRC as a Schedule 3A public entity, thereby requiring compliance with the PFMA Act (Act No. 1 of 1999) and Treasury Regulations.

The WRC's mandate, as set out in this Act, highlights the following functions to be carried out by the organisation:

- Promote co-ordination, co-operation and communication in the area of water research and development
- Establish water research needs and priorities
- Stimulate and fund water research according to priority
- Promote the effective transfer of information and technology
- Enhance knowledge and capacity building within the water sector

National Water Act (Act No. 36 of 1998)

The objective of the National Water Act (NWA) is to ensure that South Africa's water resources are protected, used, developed, conserved, managed, and controlled in a sustainable and equitable manner, for the benefit of all persons. The NWA also provides for the pricing strategy for water use charges, the primary mechanism for the calculation of a charge, payable by some or all raw water users, that is also set for research purposes by the WRC. The role of the WRC is to align its funding priorities with those key national water challenges articulated in the NWA, and to help solve water-related problems which are critical to South Africa's sustainable development and economic growth.

Water Services Act (Act No. 108 of 1997)

The objective of the Water Services Act (WSA) is to provide for the right of access to basic water supply and basic sanitation by setting national standards and norms. Section 156, read in conjunction with Part B of Schedule 4 of the Constitution of the Republic of South Africa (Act

No. 108 of 1996), vests in the Executive Authority the responsibility to support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and to perform their functions. Again, the applicability of the WSA to the WRC rests in the WRC's duty to respond to water supply and sanitation needs with research and development that helps to address those needs.

PLANNED LEGISLATIVE MANDATES

All three Acts are being revised, and have a strong possibility of being amended in a manner that strengthens the WRC mandate.

Review of the water-related legislation

The Department of Water and Sanitation is currently reviewing the NWA, the WSA and the Water Research Act, 1971 (Act No. 34 of 1971).

While the National Water Act provides a legal framework for the progressive realisation of the right to access to sufficient water, the Act is under review to ensure that there is equity in the allocation of water, to improve water resource management and to streamline regulatory processes. In turn, the Water Services Act is being reviewed to improve the provision of water services to ensure alignment with the provisions of the Municipal Systems Act, 2000 (Act No. 32 of 2000) and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

The revised policy positions necessitate the consolidation of the NWA and WSA into one piece of legislation that will govern the entire water value chain covering water supply and sanitation services as well as water resource infrastructure. This consolidation will not only allow for managing water across the value chain but will also enhance cooperative governance and set clear institutional roles and responsibilities with commonly agreed targets for water delivery.

Water Research Amendment Bill

Addressing current and future water knowledge gaps and the way in which these are currently prioritised in the South African context demands the evolution of the regulatory and governance structures of research institutions. The purpose of the Water Research Amendment Bill, 2013, is to:

- Amend the WRA so as to insert certain definitions and substitute others;
- Effect certain textual improvements and name changes;
- Provide for the appointment of members of the Board and the CEO in line with other public entities in the water sector and current practice of Corporate Governance;
- Regulate the governance of the Water Research Council (Water Research Commission in the current Act)
- Align the Act with applicable legislation, such as the NWA, WSA and the Public Finance Management Act, 1999; and to
- Provide for matters incidental hereto.

While the new clauses in the Amendment Bill do not legislate for a change in the relationship between the DWS as the shareholder department and the WRC as a public entity, the process of developing the draft Bill has created a discussion space enabling these two public sector partners to draw closer together and iron out the modalities of governance, cooperation and the complementarity of roles.

POLICY MANDATE

The WRC will continue to support DWS in its call for mainstreaming of water and sanitation as the basis to enable and catalyse economic growth and sustainable development. The WRC is therefore actively involved in key DWS initiatives, including the legislative and policy review and the institutional realignment programme, as well as the implementation of the National Water Resource Strategy 2 (NWRS-2).

Specifically, the WRC's strategy is designed to support the further refinement and implementation of NWRS-2, together with DWS and associated department's plans for water services and sanitation. This is closely followed by the water-related components of the President-led National Infrastructure Plan and its associated 18 Strategic Integrated Projects (SIPs), the Department of Environmental Affairs-led Climate Change Response Strategy and the Department of Science and Technology's 10-year Innovation Plan, as well as the broader South African sustainable development agenda.

A third layer addresses the water-related components of the other core development strategies for these five years, for example, in the areas of local government, agriculture (including forestry), rural development, mineral resource development, the spatial development plans, and water-related enterprise development. The outcomes of our research projects provide scientific knowledge which informs initiatives such as the water pricing strategy and water infrastructure management.

ALIGNMENT OF WRC ACTIVITIES TO NWRS-2

The National Water Resource Strategy 2 (NWRS-2) calls for a much larger contribution from R&D to empower the implementation of the Strategy. In addition, the Strategy also engages the further development of water sciences in South Africa. One of the key deliverables that the NWRS-2 emphasises is the Sector Research and Innovation (R&I) Strategy.

In support of this, it is incumbent upon the WRC to coordinate the development of the National Water R&D Plan, with the latter also emphasised in the Water Research Amendment Bill. Some of the additional research knowledge contributions that the NWRS-2 requires from the WRC include:

- Desalination of seawater
- Job creation
- Mining, energy and manufacturing industries
- Awareness and communication
- Research and development
- Scenarios, climate change modelling and water availability
- Hydraulic fracturing and coal-bed methane extraction

These areas call on the WRC to collaborate with the DWS and other Government departments such as the Department of Trade and Industry, Department of Economic Development, Department of Environmental Affairs, Department of Human Settlements, and Department of Mineral Resources, as well as other sector partners such as Eskom, Rand Water and Sasol, to develop appropriate technologies and support the development of relevant centres of excellence in several of the fields of research described above.

In this regard, the WRC, together with the DST, has completed a consultative process and developed the Ten-Year Water Research, Development, and Innovation/Deployment (RDI) Roadmap that provides a sector-defined, needs-driven research agenda that caters for the public sector (utilities, municipalities), private industry, agriculture, and environmental protection. The Roadmap is a high-level planning tool that facilities and guides refocusing of research, reprioritisation of funds, synergising of existing initiatives and ring-fencing of new resources in order to facilitate a more optimal water innovation system. The Roadmap has been endorsed by DWS as the implementation plan for the R&D chapter of NWRS-2.

CONTRIBUTING TOWARDS ACHIEVING GOVERNMENT OUTCOMES AND NATIONAL DEVELOPMENT PLAN (NDP) OBJECTIVES

As a national public agency, the WRC actively strives to support the Government of South Africa in achieving its strategic outcomes, with particular reference to the NDP objectives as well as the Corporate Plan (Annual Performance Plan) of the DWS and the performance agreement of the Minister of Water and Sanitation.

The WRC also applies the outcome-based approach developed by Government and aims to support all Government Outcomes and Outputs through its research portfolio, with special emphasis given to Government Outcomes 6, 7, 9 and 10 (Table 1). Firstly, Outcome 6 addresses the need for an efficient, competitive and responsible economic infrastructure network. WRC-funded projects support water availability through examining and finding solutions for issues related to bulk water supply, and through supporting the development of appropriate regulations regarding water quantity, quality and usage. A second emphasis is Outcome 7, which focuses on vibrant, equitable and sustainable rural communities and food security for all. This is carried out through a number of projects addressing water utilisation in agriculture as well as projects focusing on informal settlements and peri-urban communities. Thirdly, Outcome 9 aims at establishing a responsive, accountable, effective and efficient local government system. The WRC supports this outcome through research focused on improving services, with special emphasis on the delivery of water and sanitation services. Finally, Outcome 10 addresses the protection and enhancement of the country's environmental assets and natural resources. This outcome is supported through research in aquatic ecosystem connectivity processes, sustainable utilisation, restoration, global change and biodiversity protection. The WRC workplan is geared to the improvement of the quality and quantity of South Africa's water resources through both its research projects as well as its innovation and technology development activities. Examples include technologies and strategies to reduce water loss in distribution systems, better sanitation solutions and improved wastewater treatment.

ALIGNMENT OF SUSTAINABLE DEVELOPMENT GOALS (SDGS)

SUSTAINABLE DEVELOPMENT GOALS

From food and energy security to human and environmental health, it is well recognised that water contributes to improvements in social well-being and inclusive growth. As the world grapples with increasing water scarcity, numerous international water bodies have identified water as a priority concern.

While recognising these priorities, the world has moved beyond the Millennium Development Goals (MDGs), towards a post-2015 development agenda. Water-related goals have moved past the mere provision of water supply and sanitation towards a more integrated approach that encompasses the supply of basic services, the sustainable management of water resources, improved water governance, water quality and wastewater management, and mitigation against water-related disasters.

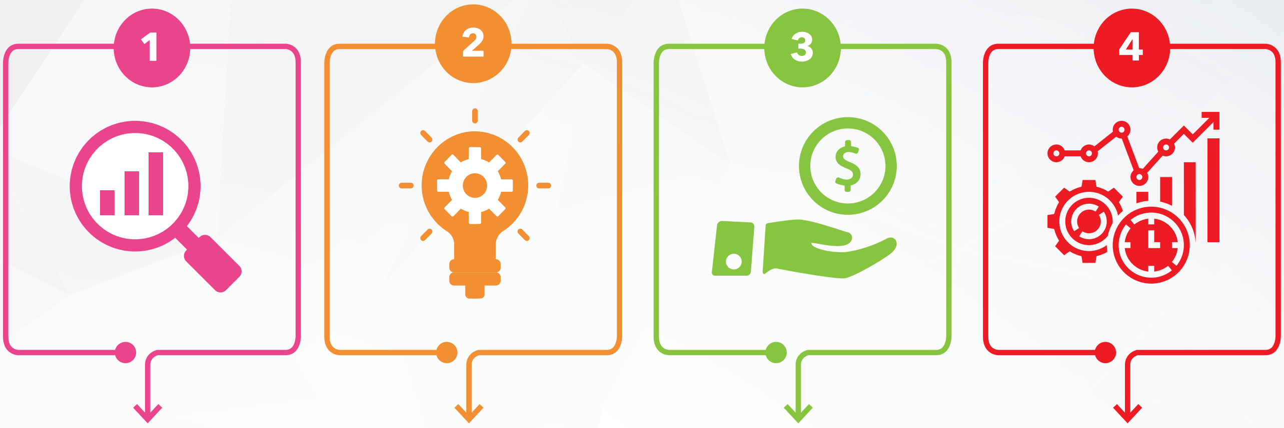
The Rio+20 conference (the United Nations Conference on Sustainable Development), held in Rio de Janeiro in June 2012, galvanised a process to develop a new set of Sustainable Development Goals (SDGs) which will carry on the momentum generated by the MDGs and fit into a global development framework beyond 2015. The WRC has been championing the research and development (R&D) initiatives, aligning them with the Sustainable Development Goals adopted by the United Nations (UN) in 2015.

ORGANISATIONAL ENVIRONMENT

The primary functions of the WRC are to fund and steer the water research agenda in South Africa, and to effectively disseminate and communicate research findings. Administrative activities are carried out to ensure compliance with regulatory requirements and to provide an enabling environment for research management. In recent years the WRC has been increasingly called upon to not only develop new knowledge in the water and sanitation science and technology domain, but also to support and further develop human capacity and skill as well as lead technology, product and industry development.

This not only necessitated an expanded mandate but also a suitable organisational structure capable of handling these added responsibilities. In 2015, the WRC re-engineered its operations and structure to address challenges faced by the water and science sectors and the country.

As such, four core teams have been developed:



Research and Development – which focuses on the generation of new knowledge as well as the mechanisms needed to support this, including human capital development and skills development

Impact and Innovation – which entails a redefined focus on technology, product and industry development, business development and innovation realisation on the one hand, and enabling mechanisms such as knowledge dissemination, communication and marketing on the other.

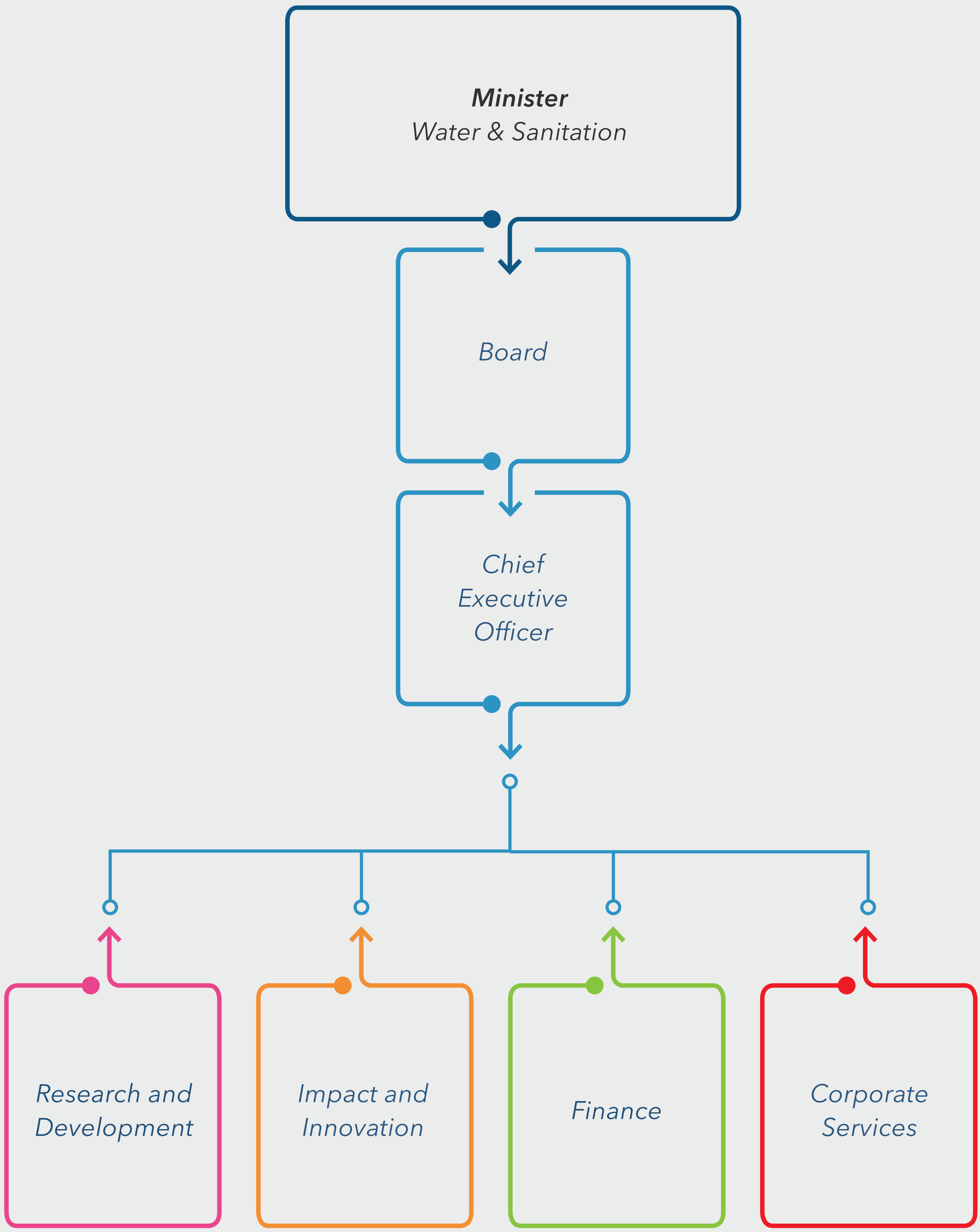
Finance – which focuses on improved efficiencies and effectiveness within the WRC's supply chain and the enhancement of financial planning capabilities which will contribute towards creating an appropriately funded and financially stable environment.

Corporate Services - which focuses on the world of work within the WRC. This includes people and culture, information technology, corporate social responsibility, legal and compliance as well as facilities.

The following structure defines the internal governance framework:

- The Minister of Water and Sanitation is the Executive Authority of the WRC.
- The Department of Water and Sanitation is the shareholder representative.
- The WRC Board is the Accounting Authority of the WRC.
- The Chief Executive Officer (CEO) is the Accounting Officer and a member of the WRC Board.
- The Heads of Branches namely the Group Executives, the Chief Financial Officer and the Executive Manager for Corporate Services, report directly to the CEO.

Figure 3: WRC organisational structure



1 RESEARCH AND DEVELOPMENT

The Research and Development (R&D) Branch offers new knowledge in water and sanitation through research and development projects. The knowledge generated results in new or refined technologies and innovations which the WRC provides to the water sector to address specific needs and challenges. The Branch is actively involved in human and institutional capacity development using research and development projects, research products and services.

R&D supports other branches in the WRC with knowledge, innovations and technologies that enable them to fulfil their functions, for instance, Impact and Innovation and Corporate Services (Corporate Social Responsibility) get R&D support when they embark on knowledge dissemination and transfer, screening and evaluation of new technologies, negotiation of new water business development initiatives, assisting schools and needy communities, etc. The R&D Branch has three key strategic areas (or departments), which are Water Resources and Ecosystems, Water Use and Wastewater Management, and Water Utilisation in Agriculture.

Figure 4: The three strategic areas of the R&D branch.

Water Resources and Ecosystems

Water assessments

Alternative water resources

Aquatic linked ecosystems

Climate change

Water Use and Wastewater

Drinking water treatment and use

Wastewater treatment and use

Sanitation

Smart water

Water Utilisation in Agriculture

Water use for crop, tree and animal production

Water use for poverty reduction

Water protection and restoration

2 IMPACT AND INNOVATION

The complexity of water challenges facing the nation means that the water sector needs game changers and needs them urgently. Growth in population and the economy, along with urbanisation and land-use changes, is threatening both water quality and the ability to meet water demand. Looking to the future, climate change is expected to further stress water systems in large parts of the country. Water infrastructure, by some measures the oldest and most fragile part of the country's built environment, has decayed. Current conversations around water challenges are painting a challenging picture for the future of water. Therefore, there is need to focus more on generating innovative solutions and to be able to urgently take those solutions to application. Solutions to the country's growing water challenges lie, in part, with the development and adoption of new innovative technologies, and development of new products and services leading to the creation of new industries.

But current investment in water innovation is extremely low, especially investment by the astute promoters of innovation–such as venture capital and corporate research and development. This low investment may explain the low levels of innovative output, as measured by patent filings and adoption and dissemination of new innovations. The recent drought has further demonstrated to us that unless we take innovations to application, we shall continue to be challenged.

The Innovation and Impact Branch of the WRC is geared to address the above issues, focusing on the following (Figure 5):

- Positioning the WRC as a premier knowledge hub, leading the sector in terms of disseminating appropriately packaged knowledge products including multimedia and interactive solutions
- Inspiring water conversations, ensuring that water and water-related knowledge permeates all sectors of our population leading to better understanding of water management issues and hence behavioural changes
- Creating a robust and vibrant innovation ecosystem that allows the WRC to play a lead and co-ordinating role with strategic sector partners in accelerating technologies to the 'market'
- Creating an environment whereby professionals and non-professionals can contribute and channel their knowledge and innovative skills to solving water problems from a multidisciplinary point of view
- Drawing various stakeholders to engage in water conversations and tell their water stories

Figure 5: Rethinking impact

3 FINANCE

The Finance Branch focuses on financial reporting and compliance as this is an important element related to the WRC retaining and building on its clean audit status. This also provides the Commission's partners and stakeholders further assurance of the entity's financial soundness.

As such, the Finance Branch has, in recent years, developed into a more strategic unit within WRC operations, evolving from being primarily engaged in administration to being driven by improved efficiencies and effectiveness within the WRC Supply Chain Management (SCM) function and the financial planning and management areas. The Branch is now better geared towards providing the WRC with the required financial planning, structuring and support tools to facilitate and empower the organisation to understand its funding requirements and funding sources that will enable it to realise its research, development and impact vision and strategic objectives.

4 CORPORATE SERVICES

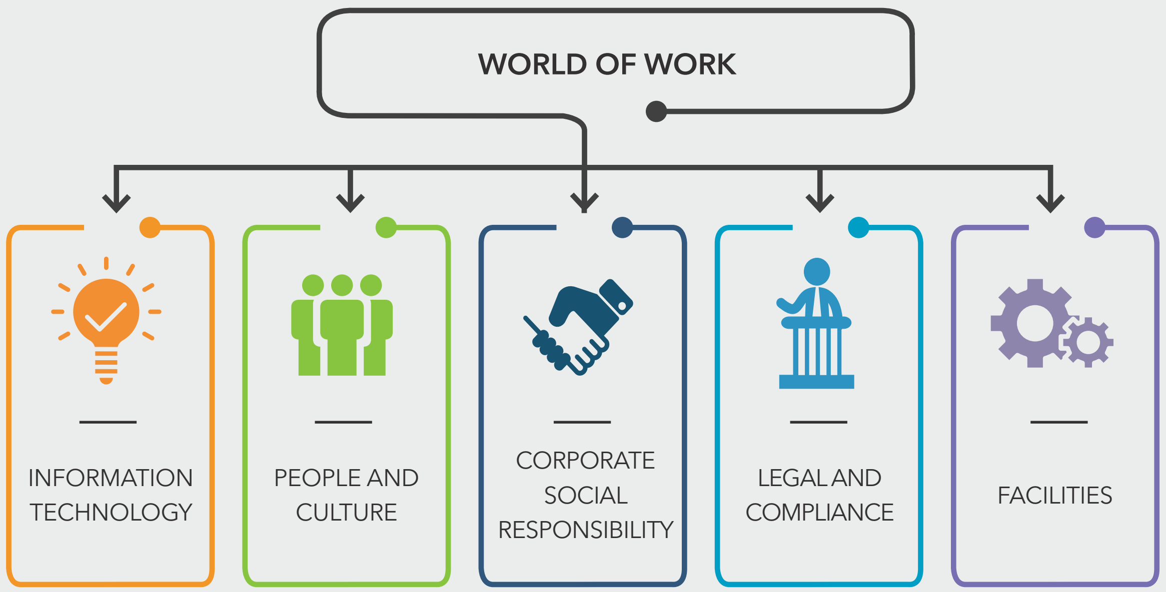
The WRC's workplace is being defined by technology and the employees who are using it, corporate social responsibility, good governance and the physical work environment.

The Internet of everything (IoE) is enabling new forms of connectivity, changing communications and fostering new ways of working. With the plethora of devices, apps and solutions now available and growing at a phenomenal rate, to remain competitive the WRC must move with the times, while striking a balance between current and future employee and business needs.

For the workplace, this means the emergence of a generation of workers with the potential to be highly productive. It also suggests the need to ensure that employees are given the variety of tasks they need to tap into this skill and lead to their fulfilment. Together with information and communication technology (ICT), another important aspect of the world of work is corporate social responsibility (CSR). This is a business management practice that incorporates social and environmental concerns into regular business activities. It encompasses many objectives ranging from the ethical treatment of employees and members of the supply chain, to safe and healthy ingredients, to environment-friendly/sustainable product manufacturing.

Essentially, the WRC's Corporate Services strategy straddles the line between what has traditionally worked and what will work in the future, based on the needs, strengths and mindset of the future workforce. Each new generation is progressively more Internet- and technology focused, and also more social-responsibility focused. With this in mind, the world of work is focused on human resources, information technology, governance and facilities in an integrated approach (Figure 6.). This approach ensures that the WRC is moving to the next level in terms of business success and employee satisfaction.

Figure 6: The Corporate Services function within the WRC



People and culture

Changing employee expectations, new technologies, increasing globalisation and a need for agility in the face of a turbulent business environment mean that tomorrow's workplace will be barely recognisable from today. The WRC operates in a complex environment. The Commission's human resources strategy focuses on:

- Agility – identifying workplace requirements and solutions, and empowering talent with the skills, tools, systems and support needed to work more effectively and be more adaptable
- High performance – Creating a high-calibre, motivated workforce that works in partnership internally and externally, with an emphasis on results, innovation, collaboration and team performance

Information Technology

The IT strategy is based on three principles:

- IT as an enabler of business functions (business intelligence): IT systems that are developed and implemented to improve traditional business functions in order to improve the financial accuracy and reporting aspects of fund project management
- IT as a facilitator to new impact areas: The use of different types of media can reach different demographics - IT plays the role of facilitator as it acts as a go-between between the business itself and the new impact area
- It to provide agility: The economy, events, trends and circumstance play a part in the WRC's impact and growth - Agility is a measure of the WRC's ability to adapt and even embrace change

Corporate social responsibility

Corporate social responsibility is the commitment by the WRC to behave ethically and contribute to economic development while improving the quality of life of its employees as well as the community and the environment in which it operates.

The principal goal of the WRC's corporate social responsibility (CSR) strategy is to establish the directives necessary to achieve respect for the employees and the environment, and to contribute to society. In particular, the main aims of the strategy are to:

- Minimise impact to the environment through waste and pollution reduction
- Enhance the wellbeing of employees
- Ensure empowerment and improvement of the communities in which the WRC operates

Facilities

Facilities at the WRC is responsible for creating an optimal environment for the organisation's primary functions, taking an integrated view of the business infrastructure, and using this to deliver satisfaction and best value through support for and enhancement of the core business.

SECTION B

PERFORMANCE OVERVIEW

The WRC's performance environment is created on the premise that the crux of the water and sanitation challenge in South Africa is a capacity and capability challenge. The WRC addresses the three dimensions of this challenge, namely, new knowledge, human capital, and technological solutions. The Commission endeavours in its projects to create a high concentration of activities that support each of these dimensions.

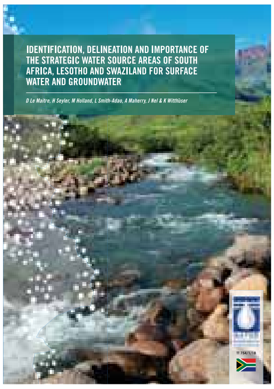
Technological innovation, improvements in communication, increased collaboration and international partnerships have enhanced the ability of the WRC to conduct better research, to train students at higher levels, and to organise for better translation of research into products and services for the economy. These improvements, together with new resources, will guarantee the ability of the South African water RDI community to make a significant difference to South Africa's water fortunes. The following section provides an overview of the WRC's performance during 2018/19.

INFORMING POLICY AND DECISION-MAKING

DELINEATING SOUTH AFRICA'S WATER SOURCE AREAS

During the year under review, the WRC completed a project that used hydrological and run-off data to map the areas that produce most of the country's water resources, for example water in streams, rivers, groundwater and wetlands. The project also, for the first time, provided information on strategically important groundwater source areas. It was found that the regionally strategic water source areas make up only 10% of the land area of South Africa, Lesotho and Swaziland, yet they provide 50% of our water. Therefore, these areas are a key asset to the continued water security of the country and need to be protected. Only 11% of these areas receive some form of formal protection. There is thus a need to look closely at the development plans in these areas to ensure that we maintain and increase the benefits they provide. The project design included extensive stakeholder consultation which ensured that the strategic water source areas were integrated into key national water planning documents (e.g. National Water and Sanitation Masterplan, in preparation), incorporated into policy development within the departments of Water and Sanitation and Environmental Affairs, and in Strategic Development Frameworks in both the national and provincial spheres of government. The report was officially launched on 8 March 2019.

Ms Ndileka Mohapi from the DWS, with WRC CEO, Dhesigen Naidoo, WRC Chairperson, Dr Nozibele Mjoli and former Chair of the Parliamentary Portfolio Committee on Water and Sanitation, Lulu Johnson.



REFLECTING ON 20 YEARS OF THE NATIONAL WATER ACT

This year marked the twentieth anniversary of the National Water Act. Celebrated as one of the most progressive and visionary pieces of water legislation worldwide, the Act has also proven to be more challenging to implement that initially envisaged. This 20-year milestone provided the WRC with an opportunity to reflect on the vision and values that shaped the National Water Act and its sibling, the Water Services Act. On 27 September 2018, the WRC held a special

WRC Board members, Drs Mosidi Makgae and Ntombifuthi Nala, and CEO, Dhesigen Naidoo, with the Compendium.

dialogue in this regard. The event also saw the launch of a new publication, A Compendium of the South African Water Law Review Post-1994. This is both a legal history analysis and an archive of documents relating to the process that led to the National Water Act.

CLIMATE CHANGE AND WATER SECTOR COMMUNITY OF PRACTICE DIALOGUE

Climate change is a complex cross-cutting issue that will result in consequences that negatively affects development and sustainability of water-linked sectors. Determining how important climatic variables will change and quantifying their natural variability and anthropogenic influence on multi-decadal or longer time scales present an opportunity for better risk management. A WRC dialogue, held on 7 November 2018 in Pretoria, brought together experts and stakeholders on issues of climate change and water. Delegates deliberated on matters of adapting to the 'new normal'. The aim of the dialogue was to continue examining the predicted changes in climate in an attempt to understand the nature of the future climate with the purpose of recommending the appropriate responses for selected water-linked sectors.

IMPROVING PREDICTABILITY OF TROPICAL STORMS

Tropical weather systems occur infrequently over South Africa, but nevertheless play a major role in the weather of southern Africa. These systems invade the northern parts of South Africa during the late summer months and are often associated with heavy rainfall and flooding. Tropical disturbances hardly ever occur between April and October, but rather have a peak between December and January. Due to the high frequency of heavy rainfall events in summer over the eastern and north-eastern parts of South Africa, it is important to develop better forecasting techniques that can identify and predict tropical weather systems. A completed WRC study confirmed that most tropical weather systems occur in January. The average lifespan of a tropical weather system is one to three days, although on rare occasions these storms have lasted up to 13 days. There is an increasing trend of tropical weather systems over southern Africa, mostly related to an increase in El Niño-Southern Oscillation occurrences.

Tropical storms lead to severe flooding at times.

ENSURING BETTER ENVIRONMENTAL DECISION-MAKING

Maintaining healthy rivers and streams is a prerequisite for healthy biodiversity and sustainable livelihoods. Although giant strides have been made to sustain ecosystem functions through various institutional arrangements, regulations and scientific approaches, South Africa's aquatic ecosystems still experience degradation as a result of human actions. A completed WRC project investigated what species traits enable aquatic biological communities to perform sets of desired ecological functions. The study was based on the premise that trait-based approaches could enhance the diagnostic and predictive capacity of biomonitoring tools, and could provide a clear link between ecosystem structure and function. The project combined desktop study, workshops and a case study to test trait applicability in South Africa, using the uMzimvuvu river catchment as a study area. This river has been earmarked for dam construction by the South African Government. The study developed a framework for the potential use of traits for the assessment of ecosystem functioning. It is anticipated that this research will also guide future development of modelling tools for predicting assemblage response to aquatic stress.

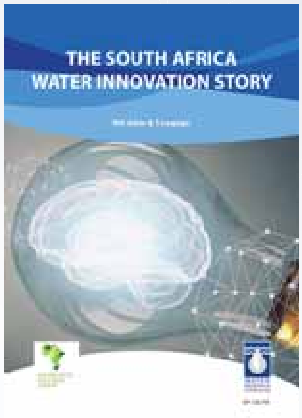
DEVELOPING NEW PRODUCTS AND SERVICES FOR ECONOMIC DEVELOPMENT

REDUCING THE RISKS OF WATER TO BUSINESS AND SOCIETY

WRC Board member, Dr Mosidi Makgae, in discussion with delegates.

South Africa is a water scarce country, and climate models indicate that this could become worse and pose a significant risk to society at large. From a business perspective, investor confidence may be significantly eroded if companies do not implement strategic measures to mitigate their water-related business risks. On 27 August 2018, the WRC hosted a dialogue aimed at providing a co-generation platform for business, water innovators and entrepreneurs, policy-makers and other stakeholders across sectors to engage on creating innovative pathways to move research towards impact.

The objectives of the dialogue included creating a cross-sectoral dialogue to share successes and lessons from the *Water Innovations Story Report;* to review recommendations and co-develop initiatives towards improving the National System of Innovation for water solutions; and to showcase a few potentially high-impact water innovations.

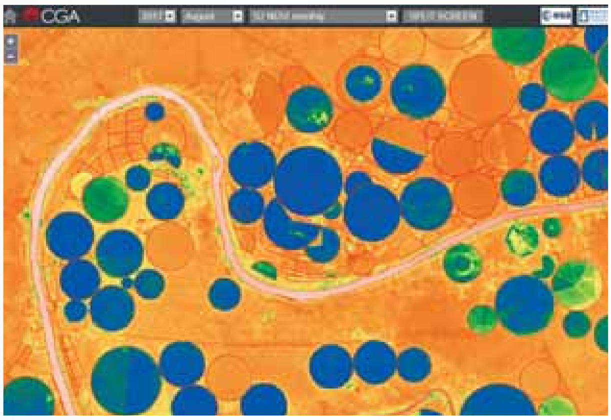


SUPPORTING DWS IN SEEKING INNOVATIVE SOLUTIONS

The WRC played a supporting role to former Minister of Water and Sanitation, Gugile Nkwinti, at the Water and Sanitation Innovation and Technology Solutions Exhibition, which took place on 10 November 2018 at Birchwood Hotel, on the East Rand. The exhibition and conference, themed 'Innovations today for tomorrow's water and sanitation solutions' saw more than 50 emerging and established innovators from across the country showcasing and engaging with sector leaders about innovative solutions to challenges currently faced by the water and sanitation sector. In particular, the event provided a platform for innovators from historically disadvantaged backgrounds, with the focus geared towards women and young innovators in the sector.

PREVENT SALT ACCUMULATION IN AGRICULTURAL CROPS

Crop production in irrigated areas is often negatively affected by salt accumulation and waterlogging. Excessive accumulation of salt in the plant root zone has a deteriorative effect on vegetation growth, resulting in reduced crop yield and barren soil and ultimately leading to a decrease in agricultural production. It has been estimated that 18% of South Africa's irrigated land is either moderately or severely salt-affected or waterlogged. In a project completed in 2018/19, a series of remote sensing and geospatial modelling techniques for identifying waterlogged and salt-affected areas within South African irrigation schemes was evaluated. This work concluded that the most effective approach is to consider both direct and indirect salinity indicators, especially when salt-affected areas are relatively small. A new technique called Within-Field Anomaly Detection was found to consistently outperform the other techniques that were evaluated. This led to the development of the Salt Accumulation and Waterlogging Monitoring System, which analyses multi-temporal (current and historical) satellite imagery in order to identify areas within cultivated fields that are likely to be affected by waterlogging or salt accumulation.



LAUNCHING THE NATIONAL WATER ACCOUNTS REPORT

The WRC and Statistics SA successfully launched the National Water Accounts Report on 28 February 2019. In their simplest form, water accounts capture the physical flow of raw water entering the economy from various sources and traces its pathways through the economy to the point where it gets released back to the environment. The WRC project assisted Stats SA to develop a methodological framework in accordance with the System of Environmental Economics Accounts of the United Nations Statistics Division, to enable annual water accounts to be undertaken for South Africa. The project was successfully executed, and a national water accounting methodologies framework developed to a point where annual publication of the monetary flow accounts is now possible. The framework was used to construct prototype accounts for South Africa.

Delegates at the launch of the National Water Accounts report.

PROTECTING WATER QUALITY IN WATER DISTRIBUTION SYSTEMS

While South Africa has a strong legal and institutional framework for managing water quality in distribution systems, guidelines and protocols for incidents reporting management are fragmented. The WRC completed a study during the year under review aimed at establishing the frequency and causes of contaminant intrusions in water distribution systems and identifying the characteristics of distribution systems that contribute to these events, among others. An extensive search was conducted to find reported case studies of contaminant intrusion events in water-supply systems in South Africa, both in the published literature and at local authorities. The search showed that there were only a few cases that could be used, a clear indication that there is a lack of proper investigation and documentation of contaminant intrusion events in South Africa. Best practice guidelines based on the Water Safety Plan approach are recommended for improved management of water quality in distribution systems by minimising the occurrence of contaminant intrusion events.

EMPOWERING COMMUNITIES

INVESTIGATING ENTREPRENEURIAL PATHS FOR SMALLHOLDER FARMERS

During 2018/19 the WRC finalised a project investigating the entrepreneurial paths for homestead food gardeners and smallholder farmers. The purpose of this project was to study the entrepreneurial spirit and development growth paths of these gardeners and farmers within a sustainable livelihoods framework. The findings indicate the role of positive psychological capital in taking advantage of opportunities, facing constraints and mobilising/mapping other resources. Farmers who are endowed with positive psychological capital (i.e. are confident, hopeful, optimistic and resilient) were found to be more persistent and productive despite prevailing constraints and challenges (such as market access). However, the results indicated that the majority of smallholder farmers did not have much confidence in themselves and their ability, remaining largely dependent on government assistance.

INVESTING IN CITIZEN SCIENCE FOR WATER RESOURCE MONITORING

Citizen science, or public participation in scientific data collection, enables and empowers civil society

to actively contribute to the increasing knowledge of key resource issues and problems. At the same time, it improves citizens' understanding of these issues and problems, empowering them to interact with the relevant authorities and develop the relationships that empowers the co-management of water resources in a more meaningful way. During 2018/19 the WRC published a new research report on the development of appropriate citizen science tools, interventions and social processes so as to better respond to the challenges around water resources in South Africa. The project researched the potential for citizen science to effect meaningful change in water resource management and thus work towards improved catchment conditions. Most encouraging about the research is the manner in which citizen science monitoring tools have achieved an impact at global, regional and local level. Largely as a result of such dissemination activities, the potential for citizen science has been recognised by the Department of Water and Sanitation in its Integrated Water Quality Management Strategy (DWS, 2017). The strategy identifies the need to develop citizen-based monitoring programmes, as well as online tools for water quality management information, additional capacity-building initiatives and governance frameworks for active citizenry. At the regional level, the tools were presented in several SADC countries, resulting in a section on citizen science being included in the SADC Regional Strategic Action Plan on Integrated Water Resources Development and Management (RSAP Phase IV). The tools were also tested and proven successful in monitoring in countries such as Canada, Mexico, India and South Korea.

IMPLEMENTING SOCIAL FRANCHISING FOR IMPROVED SCHOOL SANITATION IN THE EASTERN CAPE

Members of the sanitation franchisee company who benefited from the project.

The WRC was awarded a grant from the African Development Bank for the testing of social franchising for operation and maintenance of school sanitation facilities and the demonstration of on-site faecal treatment in East London. The WRC contracted Amanz'abantu Services to perform the role of franchisor in implementing the project, using an innovative SMME-sustainability driven social franchisor model, under the overall management of the WRC. The model gave a critical role to the franchisees in the implementation of the full project scope, which included operational and maintenance of school sanitation facilities at 302 peri-urban schools, health and hygiene education, menstrual hygiene education and a bio-char pilot project to demonstrate the safe treatment and beneficiation of faecal sludge in East London. The project concluded in October 2018. The project resulted in improved school sanitation facilities with a positive impact on learners' attendance and academic performance.

PREVENTING THE SPREAD OF WATER-RELATED DISEASE IN LIMPOPO

Diarrhoea is a major cause of death and disease, especially among young children. Many infectious agents associated with diarrhoea are spread through water contaminated with faeces. A WRC project investigated the prevalence, incidence and diversity of diarrhoea-causing bacteria, viruses and parasitic

organisms in stool samples of children under the age of five years in rural and peri-urban communities in Limpopo. In addition, the resistance profiles of the identified diarrhoea-causing bacteria isolates were determined. Findings from the study suggest that bacterial pathogens, particular the diarrhoea-causing *E. coli*, are the leading cause of diarrhoea, followed by viral infections in young children in Limpopo. Worryingly, most of the pathogenic bacterial strains displayed multiple drug resistance, with sensitivities observed for two antibiotics. The findings have been reported for capturing in the national antimicrobial resistance programme of the National Institute for Communicable Diseases, as they can be used to revise the medicine prescription guidelines.

DRIVING SUSTAINABLE DEVELOPMENT SOLUTIONS

SUPPORTING INNOVATORS, GROWING THE WATER SECTOR

The Water Technologies Demonstration Programme (Wader) is a partnership between the Department of Science and Technology (DST) and the WRC. The programme has been active since 2015, and in 2018/19 the DST committed further investment. This allowed the programme to set up 34 testbed sites across the country and technology demonstrations at two municipalities. During the year Wader welcomed on board nine new innovations with the selection of innovations aimed at bridging the gap between the pre-commercialisation instrument for technology development that the DST created and full entry into the commercial market. An exciting development during the year was the launch of the Young Engineers 'Changemakers' Programme (YECP) under the Wader flag. This programme will nurture a cohort of ten young emerging municipal engineers from across South Africa. These engineers will also gain the necessary skills required to drive municipalities of the future which are sustainable, liveable and build socio-technical infrastructure and services. It is envisaged that this Wader initiative will contribute significantly to developing the next generation of innovative thinkers and changemakers in the municipal space.

WORKSHOP ON THE BENEFICIAL USE OF WASTEWATER SLUDGE FOR AGRICULTURE PURPOSES

The beneficial agricultural use of sewage sludge is a well-known practice globally, with several benefits, including crop nutrient source, soil structure improvement, soil erosion and runoff reduction. On 10 May 2018 the WRC hosted a workshop in Pretoria on its latest decision support tool for the beneficial use of sludge for agricultural purposes. The workshop provided a platform for technology transfer through sharing and demonstrating the use of the updated Sludge Application Rate Advisor database model in support of beneficial agriculture use of sludge by the wastewater sector. The workshop facilitated engagements and consultations among various stakeholders from the wastewater and agricultural sectors, including regulators, policymakers, academics, scientists and communities regarding the beneficial agriculture use of sludge in support of food security.

SMALL-SCALE HYDROPOWER DEVELOPMENT FOR RURAL ELECTRIFICATION

Joe Gqabi District Municipality, located in the Eastern Cape, was the focus point of a WRC study, where a site with a decommissioned hydropower station at the Aliwal North Water Treatment Works was selected for the installation of a small-scale hydropower plant. The electricity generated by the hydropower plant is used on site by the works and associated pump station. A set of kinetic type turbines were installed on the scouring section of the intake structure located next to the weir in the Orange River.

QUANTIFYING CITRUS WATER USE

The citrus industry is the largest exporter of fresh produce in South Africa. The 71 000-ha citrus industry, which depends on irrigation, provides more than 125 000 jobs that support more than 750 000 people. Citrus is a perennial crop which requires a constant supply of water in order not to limit yields and returns on investment. In order to provide effective advice to both established and emerging farmers on irrigation methods and scheduling, accurate knowledge is required on water use. A WRC study, completed during 2018/19, aimed to quantify water use overall growth stages for different citrus cultivars. The study investigated water

use across all seasonal growth stages, from planting to mature canopy size and water stress in relation to fruit yield and quality, providing invaluable knowledge to the sector.

PROMOTING TRANSFORMATION AND REDRESS

WOMEN IN WATER AND SANITATION DIALOGUE: EXPLORING SOCIAL FRANCHISING

WRC Board member, Ms Nompumelelo Msezane, with Ms Ndileka Mohapi from the DWS at the Women in Water and Sanitation Dialogue.

On 23 August 2018 the WRC with the African Development Bank hosted a Women in Water and Sanitation Dialogue at Constitution Hill, Johannesburg. The dialogue focused on social franchising as a potential driver to improve school sanitation and enterprise development. The event was held under the auspices of the African Development Bank-funded Women in Water Empowerment Programme. The main objective of the dialogue was to explore opportunities in school sanitation that contributes to enterprise development and empowerment of women-owned enterprises. The event celebrated women entrepreneurs and created a space for them to collaborate and network with stakeholders in the sector driving similar or related programmes.

GUIDING CATCHMENT MANAGEMENT IN THE MZIMVUBU CATCHMENT

Technologies and methodologies for managing land, water and natural resources have been provided as tools for use by many different authorities and experts, but this knowledge is scattered and limited to specific fields of expertise. These 'ways of doing' have not been collated in an easily assimilable and understandable way that draws together and integrates approaches with an emphasis on use by people living on the land. The aim of this WRC project was to contextualise the household within the catchment, and build the relationship between household, village, community and the broader catchment. The goal was to compile a single source reference aimed at resource-poor farmers and rural villages, covering Green Village activities and village-scale catchment management and natural resources management. While the project was undertaken in the Mzimvubu Catchment, in the Eastern Cape, the outputs and concepts are applicable across the country.

CELEBRATING WOMEN ENTREPRENEURS IN WATER AND SANITATION

The Water Research Commission hosted a Women in Water and Social Entrepreneurship Summit on 25-26 October 2018 under the broad theme of 'From

Delegates at the Summit.

research science to impact'. The event took place at in the Eastern Cape. The main objectives of the Summit were to drive excellence in social entrepreneurship through promotion of the science agenda, facilitation and support of enterprise development and creation of a platform for shared learning and empowerment of women in three projects under the Eastern Cape Social Franchising Programme. Importantly, the event celebrated women entrepreneurs who have made a mark in the research science community within the Eastern Cape and created space for them to dialogue and network with fellow women entrepreneurs, project beneficiaries and stakeholders in the sector.

ENHANCING INTELLECTUAL PROPERTY MANAGEMENT IN THE WATER SECTOR

During 2018/19 the Technology Transfer Office (TTO) of the WRC reviewed the WRC's Intellectual Property (IP) policy in order to ascertain its robustness and alignment with relevant legislation. The IP Policy intends to ensure compliance with the Intellectual Property Rights (IPR) Act, provide legal certainty in research activity and technology-based relationships with third parties, as well as set out the WRC's procedures for the management and commercialisation of IP, among others. As part of training and development the TTO held two IP workshops, for internal staff and project leaders, respectively, under the themes 'Enhancing effective IP management in the water sector' and 'A framework for management of IP emanating from WRC-supported research and development'. Both workshops, which included presentations from the National Intellectual Property Management Office (NIPMO), drew extensive interaction from participants and revealed existing gaps in the IPR Act and TTO awareness among stakeholders in the water sector. In addition, during the year the TTO initiated an enterprise development venture aimed at creating an enabling environment for small- to medium enterprise growth. The venture provides assistance to entrepreneurs ranging from IP advisory services to technical and business development support.

ENHANCING HUMAN CAPITAL DEVELOPMENT IN THE WATER AND SCIENCE SECTORS

GIVING NEW RESEARCHERS A LEG UP THROUGH WRC 101 WORKSHOPS

The WRC has noted an encouraging trend of research groups submitting proposals who have not previously applied for funding for water and sanitation research. In order to further stimulate and assist new and young researchers, the WRC led a series of so-called WRC 101 training workshops during the first quarter of 2018/19. These informative one-day training courses are aimed at assisting aspiring project leaders to understand the WRC research cycle; the research priorities of the WRC and the fund allocation for each of these priorities; prepare a comprehensive proposal following tips to improve the chances of success; manage the technical, administrative and financial aspects of a WRC project; understand the contractual and financial audit requirements; and know what resources are available to enhance the success of the project. Workshops were held in Gauteng, the Free State, KwaZulu-Natal and the Eastern Cape.

YOUTH IN WATER INNOVATION SUMMIT

The Water Research Commission, in partnership with the Green Youth Network, hosted a Youth in Water Innovation Summit on 15 November 2018 at Sci-Bono Discovery Centre in Newtown, Johannesburg. The Summit aimed to unlock the innovation and entrepreneurial potential

of South Africans in the innovation/technology space. The WRC believes the youth, and young professionals, should start paying attention to research and technology solutions based on current topical issues within the water and sanitation sector such as climate change, water quality, water and big data, and the water energy-food-nexus and sanitation which underpin the engagement that the Summit aims to drive. The Summit allowed young people to network with like-minded individuals and to share ideas relating to technology ideation under the summit themes.

GROWING LEADERSHIP IN AFRICA AND THE WORLD

BOOSTING SANITATION IN AFRICA

Former Minister of Water and Sanitation, Mr Gugile Nkwinti, delivering the keynote address.

Delegates at the WRC stand.

Africa, which currently has the world's largest backlog in access to sanitation can only come close to achieving this SDG goal on the back of new technologies and innovations. In doing so she may be able to lead a global sanitation revolution to low-water, low-carbon, decentralised, affordable and sustainable sanitation. The African quest for universal access to safe and dignified sanitation was the topic for discussion when 1 300 delegates from 36 countries gathered at the first joint AfricaSan and Faecal Sludge Management conferences held in Cape Town and at which the WRC played an important organisational and facilitation role. This was the first time the two conferences have been combined allowing for unique joint discussion between scientists and innovators who have the new solutions and technologies, and practitioners as well as policy makers and political leadership. The real coup was the participation of an emerging African sanitation business sector. During the conference, the African Ministers Council on Water (AMCOW) representatives were convened by South Africa's Minister, Gugile Nkwinti, in a Ministerial roundtable to deliberate on how to take forward the various African commitments around sanitation. The Ministerial representatives adopted the Cape Town Minute (CTM) which will serve at the next full meeting of AMCOW to take these issues forward.

REGIONAL IRRIGATION SPECIALISTS HOSTED IN SOUTH AFRICA

The WRC was a key organiser of the Southern African Regional Irrigation Association (SARIA) annual workshop, which was held in Pietermaritzburg from

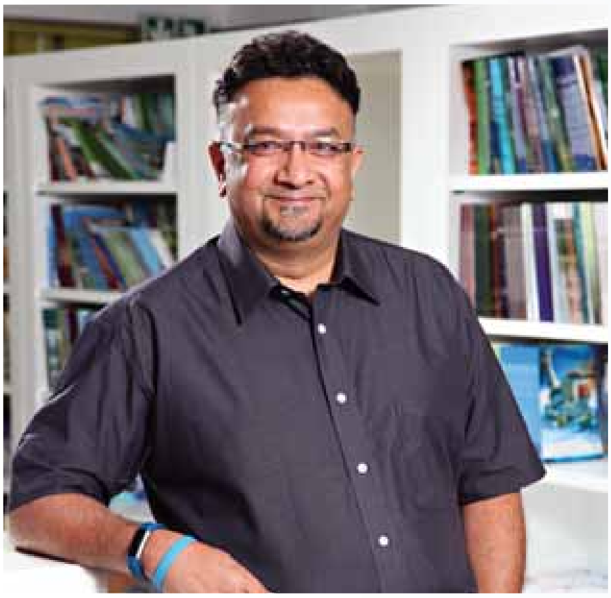
21-24 May 2018. The aim of the workshop, which was held under the theme 'Agribusiness and value chain: A rapid transformation of agri-food systems', was to facilitate the exchange of ideas and practices between researchers, advisory agents and government officials from SADC countries. The workshop analysed key issues on water and land priority areas being faced in SADC countries related to food and water security. SARIA was created under the auspices of the International Commission on Irrigation and Drainage (ICID). At present, the organisation comprises members from 15 SADC countries, with the WRC acting as the Secretariat.

WRC-SUPPORTED ECOLOGIST WINS INTERNATIONAL PRIZE

Stockholm Water Prize winner, Dr Jackie King.

WRC-supported aquatic ecologist, Dr Jackie King, has the singular accolade of being the first African scientist to win the Stockholm Water Prize, which many consider to be the Nobel Prize for water. Dr King has been a researcher at the University of Cape Town and the University of the Western Cape for four decades, and her immense contributions have provided a world acclaimed toolbox for calculating the ecological reserve. This has given an important voice to the environment as a critical water user while strongly influencing policy as evidenced in the 1998 National Water Act of South Africa. This has become a central policy pillar around the globe to ensure current and future water security by maintaining the ecological health of our critical water systems. Dr King's work in South Africa was recognised in the 1990s with a Silver Medal from the Southern African Society of Aquatic Scientists and in 2003 with a Women in Water Award from the Department of Water Affairs. In 2010 she was appointed as an inaugural member of the National Water Advisory Council to advise the South African Minister of Water Affairs and in 2012 she was appointed as Extraordinary Professor at the University of the Western Cape. In 2016, she was awarded WWF South Africa's prestigious Living Planet Award.

WRC EXECUTIVE MANAGER ELECTED CHAIR OF NEW IWA SPECIALIST GROUP



WRC Ececutive Manager, Dr Jay Bhagwan.

During the year under review WRC Executive Manager, Mr Jay Bhagwan, was elected Chair of the newly instituted Specialist Group on Non-sewered Sanitation of the International Water Association (IWA). The main aims of this international group of experts, scientists and practitioners are to generate, collate and disseminate information in the area of faecal sludge management around the world. This knowledge aims to guide sanitation service provision in a sustainable way, thus improving the quality of life for millions of people using on-site sanitation systems.

PARTNERING FOR IMPACT

LAUNCH OF ECOLOGICAL INFRASTRUCTURE FOR WATER SECURITY PROJECT

Ecological infrastructure and understanding of the critical and integrated role of water in such natural ecosystems has gained traction over the past two decades. The WRC identified this R&D thrust and has consistently made investments in this field of knowledge. The ministers of Environmental Affairs and Water and Sanitation attended the launch of the US$7.2 million (R90 million) Ecological Infrastructure for Water Security project in Johannesburg on 31 May 2018. This five-year investment from the Global Environment Facility (GEF), together with considerable in-country co-finance, is aimed at transforming the way people think about, value and invest in water and ecosystems, and will lead to increased investment in the management of ecological infrastructure in the future. The project will take important steps towards demonstrating the return on investment in ecological infrastructure in terms of actual water-related benefits in South Africa over the long term. Project implementation will be through a suite of partnerships involving several organisations, including the WRC. The project aims to integrate biodiversity and ecosystem services into development and finance planning. This will be achieved through policy and capacity development incentives for mainstreaming biodiversity and ecosystem values into national, regional and local development policy and finance in the water sector.

WRC SHINES AT WISA BIENNIAL CONFERENCE

As a patron member of the Water Institute of Southern Africa (WISA), the WRC was a prominent participation in the institute's 2018 biennial conference, which took place in Cape Town from 24-27 June 2018. The central theme of the conference was 'Breaking barriers, connecting ideas'. The conference, which attracted around 1 500 delegates, sought to address past, existing and future water resource challenges by promoting collaboration, cooperation and integration within the water sector.

Ms Christine Colvin from WWF-SA with Sunita Narain, DG of the Centre for Science and Environment (India) and WRC CEO, Mr Dhesigen Naidoo at the WISA conference.

Delegates at the WISA conference.

Senior managers and contracted researchers presented various aspects of the WRC's research, from alternative sanitation technologies, mine-water management, to wastewater beneficiation and programmes aimed at innovation and resilience, to name but a few. WRC CEO, Dhesigen Naidoo, was also a keynote speaker of the conference. A highlight of the conference was the South-South Dialogue on Water Security: Avoiding Future Water Scarcity and Disasters, which took place on 26 June 2018. The objective of the dialogue was to extract new thinking and paradigms on how we tackle growth with growing water uncertainties.

TAKING CARE OF BIG DATA ACROSS SOUTHERN AFRICA

Following on from a series of Roadshows the WRC and partners launched the Big Data Analytics and Transboundary Water Collaboration in Southern Africa during the 2018/19 year. This initiative is funded by

USAID, the South African Department of Science and Technology (DST), and the SADC Groundwater Management Institute (GMI), and is managed primarily by the WRC, with technical support from the US Geological Survey (USGS) and the IBM Research Africa Lab in South Africa. This programme includes three main components: a series of research calls on transboundary ground and surface water with a focus on big data potential and value for improving the management of the region's water resources, the creation of scenarios for the region and the support to regional strategies and policies; the creation of a community of practise (CoP) related to transboundary water, including the potential contributions of big data analytics to transboundary water management; a series of workshops and training opportunities for individuals involved in the projects and the CoP. The overarching goals of this programme are to deepen water-related big data skills and capabilities for Southern African researchers and their students through research activities, training and engaging in a CoP; enhancing current understanding of shared groundwater resources and how they can contribute to management and delivery of sustainable drinking water and other productive uses; to improve transboundary ground/surface water management and collaboration.

KICKSTARTING THE AFRICA FLAGSHIP PROGRAMME WITH DST

During 2018/19 the WRC concluded an International Support Instrument which will be the umbrella fund to support water and sanitation activities and projects jointly implemented with African and international partners. The partnership, which runs until 2022, will place more emphasis on establishing the Africa Flagship Programme aimed at supporting and creating communities of practice, contributing to building capacity and facilitating new knowledge generation through joint RDI projects, among others. Under this agreement, the WRC will leverage additional resources and establish key partnerships to implement the Africa Flagship Programme.

KEY PERFORMANCE AREAS

The WRC's key performance areas (KPAs) are based on its strategic context and challenges, as well as specific strategic risk areas as identified by the Board and Executive Management. The performance indicators and targets, which have been developed with output and outcome indicators that incorporate the vision, mission and values, will assist the WRC in serving the country in accordance with its mandate, supporting Government outcomes, and will support the organisation's efforts to achieve excellence. The WRC has four areas of performance as follows:

1. Impact and partnership portfolio
2. Research portfolio
3. Human resources
4. Financial wellbeing

PERFORMANCE INDICATORS AND NATIONAL TARGETS

Research portfolio

The main objective of KPAs under this portfolio is the provision of knowledge that aims to enhance the activities of the water sector in a manner that will support economic growth and sustainable development (including capacity building).

Table 2: Research portfolio performance targets for 2018/19

OBJECTIVE	PERFORMANCE INDICATOR	TARGET 2018/19	ACHIEVED 2018/19	VARIANCE	COMMENTS
To enhance knowledge through new research projects initiated	The number of new RDI projects initiated in the 2018/19 financial year	80	99	+19	The positive variance arises from the WRC's ability to accommodate new projects as funds became available either through leverage funding, savings or partnerships
To maintain a portfolio of RDI projects that enhances water knowledge and the innovation cycle	The total number of RDI projects managed by the WRC in the 2018/19 financial year	250	353	+103	The positive variance arises from the WRC's ability to accommodate new projects as funds became available either through leverage funding, savings or partnerships
To complete and finalise RDI projects scheduled in the financial year	The number of research projects that have been completed in the 2018/19 financial year	80	104	+24	Target has been exceeded due to increased efforts to shorten the finalisations timeline from the final report to Executive approval
Growing a more inclusive water and sanitation science community of practice	The total number of project leaders on WRC managed projects that are female	80 (32%)	140*	+60	The targets were exceeded due to the WRCs quest to have maximum transformation on its research projects
	The total number of project leaders on initiated projects that are female	26 (33%)	42*	+16	
	The total number of project leaders on WRC managed projects that are black male	85 (34%)	90*	+5	
	The total number of project leaders on initiated projects that are black male	20 (25%)	31*	+11	
	The total number of female and black project leaders on initiated projects	50 (63%)	73*	+23	

OBJECTIVE	PERFORMANCE INDICATOR	TARGET 2018/19	ACHIEVED 2018/19	VARIANCE	COMMENTS
To increase the number of new innovations/ products and services produced from WRC research	The total number of project leaders on WRC managed projects that are female and black	120 (48%)	228*	+108	The targets were exceeded due to the WRCs quest to have maximum transformation on its research projects
	The number of students supported on all WRC managed research projects distributed as follows:	300	411	+111	The WRC excelled in ensuring increased interests from students on WRC managed projects
	Post-docs, PhDs and Masters	210 (70%)	354	+144	The WRC attracted and increased the number of students from the Post-doc, PhD and Masters categories
	Honours and others	90 (30%)	57	-33	The WRC attracted and increased the number of students from the Post-doc, PhD and Masters categories, which resulted in a shortfall in this category
	The number of innovations/ products and services produced from WRC research	24	38	+14	The WRC has more innovations that emanated from its research projects which can be attributed to inventive and innovative strategy used in the selection of projects

** The indicator represents the number of projects in the WRC's project portfolio that are led by Black Males and Females. 9 Female project leaders and 12 Black Male project leaders have managed more than one project in the WRC's project portfolio for the year under review.*

In 2018/19, the WRC initiated 99 new projects and also completed 104 projects. Over the past five years the WRC has finalised 614 research projects (Figure 7) indicating a significant contribution to knowledge in the water sector. An average number of 122 projects were finalised per year, over the past 5 years. Over the same 5-year period 656 new projects were initiated, ensuring the continuous contribution of new knowledge to the sector. The large number of initiated projects was largely as a result of the WRC's new and existing funding partnerships.

South Africa's high-risk water situation, as amplified by the national drought, has exponentially increased the demand for new water knowledge, new innovations and new evidence-based solutions to our water problems. The WRC, in this reporting period, sought to satisfy this demand through a variety of means. Key was the increase in short-term projects to meet the immediate needs of the stakeholders and the main shareholder. This led to the Commission's high achievements in various performance categories, including project initiations and finalisations, but also allowed for a corresponding increase in project leadership transformation as well as student support. While these numbers are impressively higher, over the next few years, the portfolio has to be rebalanced to increase the number of longer term projects, so that the WRC can produce a higher number of postgraduates in the water sector, as well as meet the demand for fundamental scientific research in key domains. In addition, the WRC wishes to increase its investments in pilots and demonstrators to de-risk the commercialisation and scale-up needed to fundamentally transform the sector.

Figure 7: Annual and cumulative number of projects finalised over the past five years

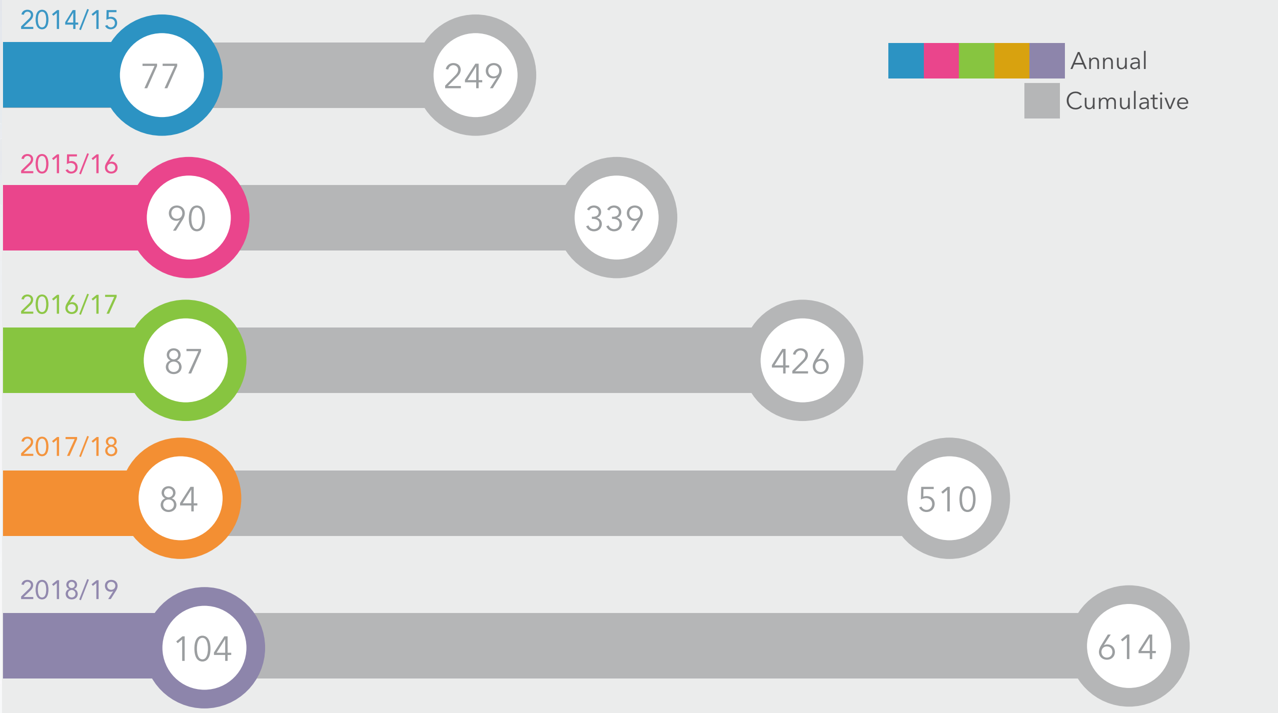
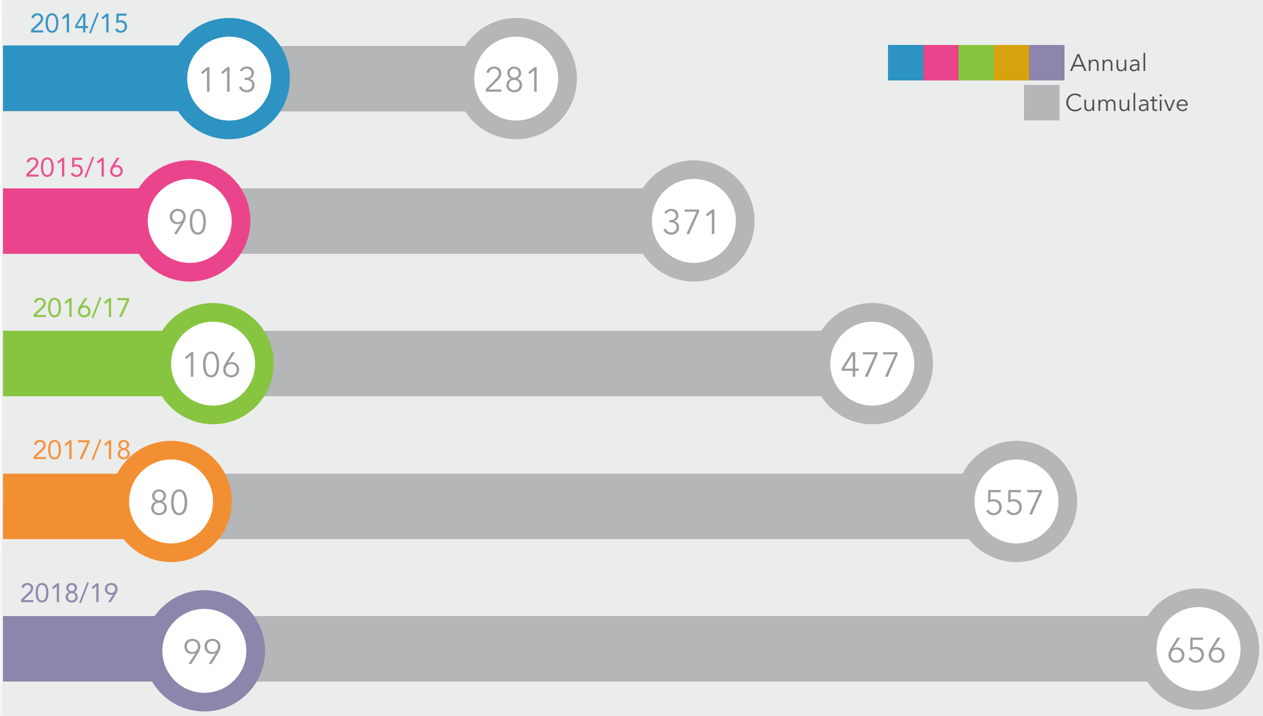


Figure 8: Annual and cumulative number of projects initiated over the past five years



BUILDING CAPACITY

The WRC aims to provide South Africa with future researchers as well as a source of skilled human capital for other institutions within the water sector. This is done by encouraging project leaders to include students on their projects, enabling them to participate in water research through the various projects supported by the WRC. During the year under review, the WRC continue to place strong emphasis on building research capacity in South Africa as well as supporting a number of related capacity-building initiatives. In many areas of research supported by the WRC, it is evident that students who participated in earlier WRC projects are now leading Commission-funded research projects and/or serving as members of steering committees as well as representatives of new proposals.

Figure 9: Number of students supported by WRC in 2018/19

Figure 10: Number of PhD and Masters students

Figure 11: Number of black female project leaders on initiated projects

In recent years the WRC has adjusted its portfolio to train and mentor new research leaders. More than 60% of research leaders on new projects are now from designated groups and most are younger than 50 years old. This is both assisting with the national transformation project as well as building the next generation of researchers.

IMPACT PORTFOLIO

The main objectives of the KPAs under this portfolio are to develop innovative products and services for economic growth; to drive sustainable development solutions; to inform policy- and decision-making; and to promote transformation and redress in the water and sanitation sector.

Table 3: Impact portfolio performance targets for 2018/19

OBJECTIVE	PERFORMANCE INDICATOR	TARGET 2018/19	ACHIEVED 2018/19	VARIANCE	COMMENTS
To capitalise on projects that develop intellectual property or to introduce innovations which create new or improved technologies, products and services used in the economy	The number of innovations, products and services that have been supported and/ or implemented/ demonstrated / piloted	12	13	+1	The WRC excelled in its ability to drive the focus on more innovative projects and to fast-track innovations to application/demonstration
To ensure that the WRC increasingly drives sustainable solutions for the water sector by hosting events that promote robust engagement around critical emerging water management issues	The number of WRC dialogues	18	19	+1	The WRC exceeded its target by one as the outcomes of a research project needed to be engaged urgently
To promote the uptake and application of sustainable solutions by the water sector	The number of conferences/ summits with the WRC as a host	2	2	0	
To influence policy and decision-makers with research-based knowledge	The number of policy briefs produced and distributed to relevant government departments and other entities	12	12	0	
	The number of ministerial briefs produced by the WRC and received by the Minister's Office	14	14	0	

OBJECTIVE	PERFORMANCE INDICATOR	TARGET 2018/19	ACHIEVED 2018/19	VARIANCE	COMMENTS
To influence policy and decision-makers with research-based knowledge	The number of working papers produced that support decision-makers with research-based knowledge	6	6	0	
	The number of Parliamentary briefs produced and disseminated	8	8	0	

Table 4: **Partnership portfolio performance targets for 2018/19**

OBJECTIVE	PERFORMANCE INDICATOR	TARGET 2018/19	ACHIEVED 2018/19	VARIANCE	COMMENTS
To enhance the profile of project partnership as part of the national transformation project to promote the ongoing transformation of water research and development	To develop an inclusive strategy that assists the tertiary institutions to add value to their activities in the water domain	Executive approved strategy in Q4	1	0	
To better enable researchers to participate in WRC funding instruments and specialised contracts	The number of WRC 101 workshops held in the financial year	6	6	0	
To ensure that the WRC invests in projects that result in the multiplier effect by partnering with strategic traditional and non-traditional partners to complement the WRC's mandate on either side of the value chain for water sector and societal impact	The number of workshops held in partnership with other institutions	20	23	+3	The target was exceeded due to increased opportunities for knowledge sharing events at the WISA conference
	The number of partnership agreements signed with partnering institutions	4	9	+5	The WRC excelled in its business development initiatives and secured 5 additional contracts with partnering institutions

HUMAN RESOURCES

The KPAs under this portfolio addresses organisational transformation and focuses on the enhancement of effective leadership and an improved level of staff performance.

Table 5: Human resources targets for 2018/19

OBJECTIVE	PERFORMANCE INDICATOR	TARGET 2018/19	ACHIEVED 2018/19	VARIANCE	COMMENTS
To ensure social and corporate responsibility	The total number of active research and non-research community-based projects	106	116	+10	Communities showed interest in a number of WRC projects being implemented. The projects were able to accommodate the communities and build capacity
	The total number of initiated community-based research projects	27	29	+2	The positive variance arises from the WRC's ability to accommodate new projects as funds become available either through leverage funding, savings or partnerships
	The total number of SMMEs supported on WRC managed projects	120	135	+15	
	The total number of SMMEs supported on WRC managed initiated research projects	20	42	+22	
To promote transformation and redress and cultivate a high-performance organisational culture	To increase employee engagement by conducting surveys that establish the gap between current reality (what employees are experiencing) and the vision (what organizational culture employees want to experience)	Current reality and vision surveys completed	2	0	

OBJECTIVE	PERFORMANCE INDICATOR	TARGET 2018/19	ACHIEVED 2018/19	VARIANCE	COMMENTS
To promote transformation and redress and cultivate a high-performance organisational culture *(continued)*	To maintain or increase the percentage of black, female and employees with a disability at the WRC measured by:				
	The total number of black employees	86%	87%	+1%	The best applicants for the positions were from the designated groups
	The total number of female employees	58%	62%	+4%	
	The total number of employees with a disability	1.32%	4%	+2.68%	The WRC increased its efforts to create awareness of disabilities in the workplace and the importance of disability disclosures.
To develop strategies to support business leadership of the organisation	Develop an IT governance strategy	Strategy approved by the Board	1	0	
	Implement a leadership and organisational development strategy	Strategy approved by the Board	1	0	
	Maintain the number of staff with Masters	20	19	-1	One employee with a Masters qualification received their PhD during the year
	Maintain the number of staff with PhDs	14	15	+1	Target exceeded because one employee received their PhD in the financial year
	The total number of employees in receipt of a study grant for the 2018/19 financial year	7	10	+3	Target has been exceeded for the financial year because the WRC was able to motivate more employees into further studies
	The total number of training courses held in-house	15	21	+6	The WRC maximized on its opportunities to hold in-house training interventions to upskill employees
	The total number of external training courses attended	15	15	0	

FINANCIAL PORTFOLIO

The objective of this KPA is to improve financial practices, management and financial performance of the organisation, simultaneously meeting the required accounting and auditing standards and complying with the legislative requirements.

Table 6: Summary of financial performance for 2018/19

OBJECTIVE	PERFORMANCE INDICATOR	TARGET 2018/19	ACTUAL	VARIANCE	NOTES ON VARIANCE
To diversify the income streams of the WRC	The total amount of leverage income	R 45.5 million	R 42.3 million	R3.2 million	The budget variance for the 2018/19 financial year directly relates to leverage-funded projects that did not meet the WRC's expectations. This was due to a number of project-related challenges. The key reasons for the shortfall have been detailed below (see Table 7)
	Initiate contracts with other organisations that increase leverage funding	4	5	+1	The WRC excelled in its business development initiatives and secure one additional contract that increased leverage funding
To diversify the income streams of the WRC	Development of a Diversification Income Strategy to maintain financial sustainability	Approved by Executive	Strategy approved by Executive	0	
Audit response	Improve response to internal audit results	Measured as % of the previous year's internal audit queries fully addressed.	100%	100%	0
	Improve response to external audit results	Measured as an unqualified vs. qualified audit report	Achieve unqualified audit	Unqualified audit	0
	% of previous year's external audit queries fully addressed	100% of operational findings fully addressed in specified action timeframes as per the agreed external audit response plan.	100%	100% achieved	0

SUMMARY OF FINANCIAL INFORMATION

The Water Research Levy (WRL) is the WRC's main source of revenue. It is receivable in terms of the Water Research Act No. 34 of 1971. The WRC receives its WRL from three sources, namely, Rand Water, Umgeni Water and the Department of Water and Sanitation (DWS).

Table 7: Revenue collection

2018/19			
Sources of revenue	Budget (R'000)	Actual amount collected (R'000)	(Over)/Under collection (R'000)
Water Research Levies	239,712	236,608	(3,104)
Leverage	45,453	42,270	(3,183)
Investment income	5,458	5,049	(410)
Other income	6,142	372	(5,770)
Total	**296,765**	**284,299**	**(12,467)**

EXPLANATIONS FOR THE 2018/19 FINANCIAL YEAR

Other income

The budget variance amounting to R5,769,922 in respect of other income is as a result of the disposal of the Marumati Building situated at Erf 706 Rietfontein (Pty) Ltd. The auction took place on 20 July 2017. The auctioneer received a written bid to the value of R 9,750,000. According to GRAP, revenue from the sale of goods is only recognised when the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods; and the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. As a result, the income associated with the disposal could not be recognised since the transfer of the property and receipt of purchase price has not yet materialised as at the financial year end. The transfer and registration was finalised at the Deeds office on 12 July 2019.

Interest income

During the 2018/19 financial year the funds from leverage-funded partners were only received during the second half of the financial year. This resulted in lower average cash holdings over the financial year. Lower interest income was therefore earned as a result of the lower than anticipated cash holdings during the year to date, resulting in a budget variance of R409,794.

Levy income

The budget variance amounting to R3,104,206 in respect of the levy income for the 2018/19 financial year is as a result of the levy tariff increase not being approved by the Minister of Finance. This was as a direct consequence of the delay by the Department of Water and Sanitation in submitting the levy increase request by the WRC for the 2018/19 financial year.

Leverage income

The total leverage income budget variance, amounting to R3,182,617 for the 2018/19 financial year, is due to the following reasons:

- The Wader and Portfolio Management Unit (PMU) partnership contracts were signed later than anticipated, and new research contracts could only be instituted in February and March 2019, resulting in some deliverables not being realised as planned since final approvals within the national department required National Treasury approvals of the proposal for GBS funds.

- The South African Sanitation Technology Demonstration Programme (SASTEP) programme was redesigned, resulting in three to five planned demonstrations not being realised due to the need to advertise for new positions before starting any new research and development projects.

- Contracts with the Department of Environmental Affairs (DEA) were expected to be signed in December 2018, but were delayed as DEA was undertaken a review process and later advised that all new research and development contracts would be in the form of a Service Level Agreement (SLA) under goods and services within DEA. This process has subsequently been followed, and as of March 2019, the WRC was still awaiting approval of the proposal in the new DEA template format.

Table 8: Income indicators for the year under review compared to the previous financial year

INDICATOR	2018/19 (ACTUAL)	2017/18 (ACTUAL)
Levies as a percentage of total income	83%	77%
Other sources of income as a percentage of total income*	17%	23%

**Other sources of income include leverage income*

As can be seen from Table 8, levy income as a percentage of total income has increased from 77% to 83%. This is mainly due to leverage income received in the current year being lower than in the previous financial year as highlighted earlier. This, coupled with the zero-percentage increase in water research levies during the year under review, has placed some financial constraints on the WRC operations and, in particular, on some of its planned research activities. The potential impact was, however, mitigated by reprioritising and other cost containment measures. This is, however, not a sustainable practice given that research and innovation is a means for South Africa to achieve a competitive advantage and deal with many of its water related challenges.

Table 9: Expenditure: Comparison of Budget versus Actuals

2018/19			
Sources of revenue	Budget (R'000)	Actual expenditure (R'000)	(Over)/Under expenditure (R'000)
Fixed costs	12,479	12,973	(494)
Running costs	11,820	10,962	858
Human resources	92,254	87,386	4,868
Research and development funding	173,092	164,702	8,390
Corporate expenses	2,815	2,016	799
Capital expenditure	4,305	4,504	(199)
Total	**296,765**	**282,542**	**14,223**

EXPLANATIONS FOR THE 2018/19 FINANCIAL YEAR

Fixed costs

The budget variance of R493,713 in respect of fixed costs is mainly as a result of the expenses relating to the Marumati Building that we are still incurring up to the date of transfer.

Running costs

In line with cost-saving initiatives there were savings on the budget amounting to R857,610 during the 2018/19 financial year in respect of IT-related costs, professional fees and promotions and publicity.

Human resources costs

The budget variance of R4,868,203 in respect of human resources cost is mainly as a result of the following:

- As part of the WRC cost management activities planned, new appointments filled during the 2018/19 financial year was postponed and only finalised during the end of the 2018/19 financial year.
- New appointments planned to be filled during the 2018/19 year have been delayed in light of the non-approval of the WRC levy tariff increase request.
- Terminations during 2018/19 year resulted in the positions being vacant for a few months while the recruitment process was in progress.
- Merit bonuses paid during the 2018/19 financial year were lower than the budget amounting to R2,075,904 as per the Ministerial decision.

Research, development and innovation costs

The budget variance of R8,390,059 for the 2018/19 financial year in respect of research, development and innovation costs is mainly as a result of the following:

- The WRC's levy tariff increase request was denied for the 2018/19 financial year thus decreasing funds available for expenditure.
- Delays were experienced with the transfer of the property resulting in a shortage in funds available for expenditure.
- More stringent internal approval processes at leverage partners resulting in contracts being delayed. This impacted on the date for work to commence, including the achievement of deliverable targets and related leverage income.
- Successful cost saving measures, including innovative partnerships to share costs.

Corporate expenditure

The budget variance of R799,111 in respect of corporate expenditure is mainly as a result of internal audit costs being less than anticipated. This was mainly due to the postponement of the audit of the risk management process to the 2019/20 financial year.

Capital expenditure

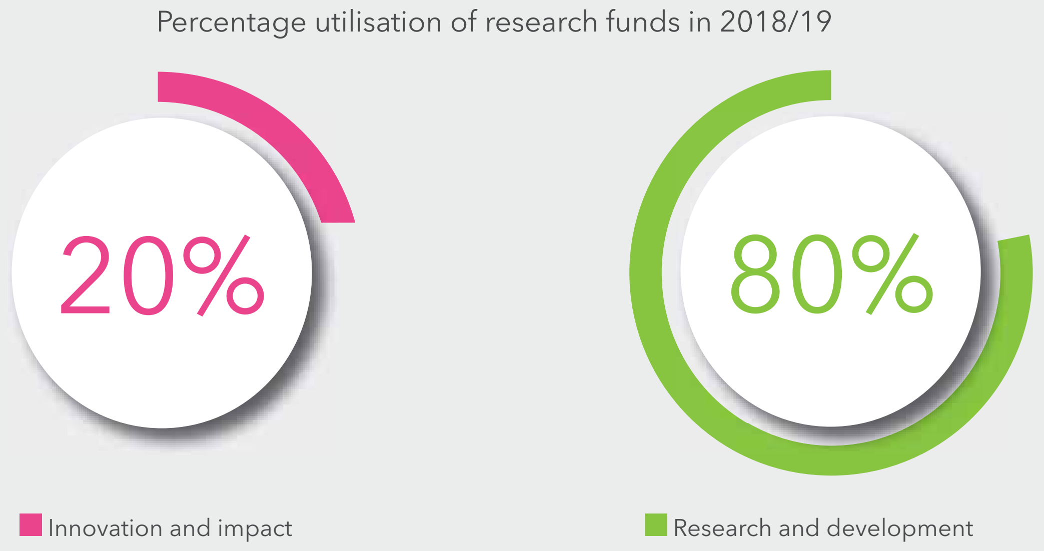
The budget variance of R198,610 for the 2018/19 financial year in respect of capital expenditure is mainly as a result of the costs incurred relating to website development.

Analysis of research and development expenditure

Table 10: Analysis of research, development and innovation (RDI) expenditure

INDICATOR	2018/19 (ACTUAL) (R'000)	2017/18 (ACTUAL) (R'000)
Research and Development	131,717	145,978
Innovation and Impact	32,985	42,546
Total	**164,702**	**188,524**

Figure 12: Utilisation of research funds



The percentage utilisation of RDI indicates that approximately 20% was invested in projects that focused on Innovation and Impact. The total actual amount spent on RDI decreased, however, from R189 million to R165 million as a result of reasons detailed above.

The WRC focuses on achieving impact. As a public entity, the Commission forms part of a Government that strives to improve the lives of its citizens. The WRC is increasing the emphasis on the need for evidence of economic and social returns from its investment in research. This has the potential to enhance social and economic wellbeing across all sections of society by means of:

- Improving the effectiveness and sustainability of public, private and third sector organisations
- Improving social welfare and cohesion
- Increasing economic prosperity, wealth, and job creation
- Enhancing cultural enrichment and quality of life

Moving to an increased impact portfolio means a major change in the investment strategy that involves pilots and demonstrations of new solutions, which requires larger scale equipment and technology investments at a much higher cost.

The impact focused projects included:

- FETWater programme has developed an operational framework for capacity building in water resources in South Africa;
- Wader was involved with the establishment of the Water Technology Demonstration Programme;
- The Empowerment project on water resources management contributes to the development of previously disadvantaged socio-economic researchers in water research management and contributes to the developmental agenda of catchment management agencies;
- The Women Empowerment programme that facilitated the design and implementation of a water mentorship and entrepreneurship incubator programme;
- The establishment of a portfolio management unit for the co-development and implementation of the water research, development and innovation roadmap; and
- The Transboundary Big Data Programme, which includes the implementation of an international support instrument and the implementation of the "Big Data Analytics and Transboundary Water Collaboration in Southern Africa" research programme in order to ensure water security in Southern Africa.

SECTION C

GOVERNANCE

The WRC Board is the accounting authority of the WRC, and is supported by the Company Secretary. The Chief Executive Officer (CEO) is the Accounting Officer and is accountable to the WRC Board. The Chief Financial Officer (CFO) and the Group Executives report directly to the CEO.

Further, the governance manuals relating to the activities of the Board and Board committees, the rules of procedure, terms of reference and other relevant governance matters are regularly reviewed and updated to ensure its continued relevance and compliance with legislative and governance requirements.

MEMBERS OF THE WRC BOARD

Dr Nozibele Mjoli (Chairperson)

Prof Sibusiso Vil-Nkomo (Vice-Chairperson)

Dr Aldo Stroebel

Dr Ntombifuthi Nala

Mr Imraan Patel

Dr Mosidi Makgae

Ms Nompumelelo Msezane

Ms Massaccha Khulekelwe Mbonambi

Mr Dhesigen Naidoo (CEO)

MEMBERS OF THE WRC EXECUTIVE

Mr Dhesigen Naidoo (CEO)

Mr Fazel Ismail (CFO)

Ms Reshmili Lutchman
(EM: Corporate Services)

Dr Mandla Msibi
(GE: Innovation and Impact)

Dr Stanley Liphadzi
(GE: Research and Development)

Mr Jay Bhagwan
(EM: Water Use and Waste Management)

Dr Shafick Adams
(EM: Water Resources and Ecosystems)

Dr Valerie Naidoo
(EM: Business Development and Innovation)

Dr Sylvester Mpandeli
(EM: Water Utilisation in Agriculture)

PORTFOLIO COMMITTEES

Table 11: WRC Board Portfolio Committees

BOARD & COMMITTEE	NO. OF MEETINGS HELD	NO. OF MEMBERS	NAME OF MEMBERS
Board	8	9	Dr Nozibele Mjoli (Chair) Prof Sibusiso Vil-Nkomo (Vice-Chair) Dr Aldo Stroebel Dr Mosidi Makgae Ms Nompumelelo Msezane Ms Masaccha Mbonambi Mr Imraan Patel Dr Ntombifuthi Nala Mr Dhesigen Naidoo (CEO)
Research and Innovation	4	8	Dr Mosidi Makgae (Chairperson) Dr Aldo Stroebel Ms Nompumelelo Msezane Dr Ntombifuthi Nala Mr Imraan Patel Dr Jannie Maree Dr Bethuel Sehlapelo Mr Dhesigen Naidoo (CEO)
Human Resources, Social and Ethics	4	5	Ms Nompumelelo Msezane (Chairperson) Dr Mosidi Makgae Dr Ntombifuthi Nala Prof Sibusiso Vil-Nkomo Mr Dhesigen Naidoo (CEO)
Board Executive Committee	1	6	Dr Nozibele Mjoli (Chairperson) Prof Sibusiso Vil-Nkomo Dr Mosidi Makgae Ms Nompumelelo Msezane Ms Masaccha Mbombambi Mr Dhesigen Naidoo (CEO)
Audit, Risk and Finance Committee	8	6	Ms Masaccha Mbonambi (Chairperson) Prof Sibusiso Vil-Nkomo Dr Aldo Stroebel Ms Shelly Thomas Mr Philani Dlamini

THE ACCOUNTING AUTHORITY/BOARD

The following section outlines the importance and purpose of the WRC Board as well as the Board's responsibilities.

ROLE OF THE BOARD

The Board is the Accounting Authority of the WRC, and in this respect provides oversight, fiduciary duties and responsibilities to the WRC as required by the PFMA, the Water Research Act, Treasury Regulations for Public Entities (2001, amended 2002) and the King Report on Corporate Governance in South Africa (2009).

During the year under review the WRC operated under the leadership of its Board. The Board members, who are appointed by the Minister of Water and Sanitation, are independent, non-executive directors. The CEO and the DWS representative are ex-officio members of the Board. The WRC Board provides leadership and governance to the WRC, overseeing that the WRC is true to its mandate and mission by:

- Promoting the creation, dissemination, sharing and application of water-centred knowledge
- Optimally using available resources (achieving the best return on investment)
- Striving to be financially sustainable and viable
- Promoting the relevance and effectiveness of water-centred knowledge inter alia through feedback from external reviews to be conducted periodically, at least every five years, at the discretion of the Board
- Taking cognisance of the short-, medium- and long-term research needs of the water sector
- Taking into account national and provincial policies, objectives and developments
- Acting in a transparent and fair manner

BOARD CHARTER

The Board Charter, which has been developed in alignment with King III, provides a concise overview of the fiduciary duties and responsibilities of the Board of the WRC, as well as the procedures and structures that will govern how the Board is to function in order to discharge its duties.

The Board Charter was last updated on 13 March 2018. The following Board Committees have been established:

1. Audit, Risk and Finance Committee
2. Board Executive Committee
3. Human Resources, Social and Ethics Committee
4. Research and Innovation Committee (RIC)

Table 12: The Board members

NAME OF MEMBER	DATE OF APPOINTMENT	BOARD MEETINGS (TOTAL: 8)	RESEARCH AND INNOVATION COMMITTEE (TOTAL: 4)	HR, SOCIAL & ETHICS COMMITTEE (TOTAL: 4)	BOARD EXECUTIVE COMMITTEE (TOTAL: 1)	AUDIT, RISK & FINANCE COMMITTEE (TOTAL: 8)
Dr Nozibele Mjoli (Chairperson of the Board)	1 February 2016	7	2		1	5
Prof Sibusiso Vil Nkomo (Vice Chairperson of the Board)	1 February 2016	7	2	2	1	6
Ms Nompumelelo Msezane (Chairperson of the HRSE Committee)	1 February 2016	7	4	4	1	
Mr Imraan Patel	29 May 2014	5	2			
Dr Ntombifuthi Nala	1 February 2016	7	4	4		
Dr Aldo Stroebel	1 February 2016	5	2			5
Ms Masaccha Mbonambi (Chairperson of the AR&F Committee)	1 February 2016	5			1	7
Dr Mosidi Makgae (Chairperson of the R&IC committee)	1 February 2016	7	4	4	1	
Mr Dhesigen Naidoo (CEO and Ex-officio member)	1 October 2011	6	4	3	1	8

Table 13: Co-opted Committee members

NAME OF MEMBER	DATE OF APPOINTMENT	BOARD MEETINGS (TOTAL: 8)	RESEARCH AND INNOVATION COMMITTEE (TOTAL: 4)	HR, SOCIAL & ETHICS COMMITTEE (TOTAL: 4)	BOARD EXECUTIVE COMMITTEE (TOTAL: 1)	AUDIT, RISK & FINANCE COMMITTEE (TOTAL: 8)
Shelley Thomas	1 November 2017					8
Philani Dlamini	30 January 2018					7
Dr Betheul Sehlapelo	31 January 2018		1			
Dr Johannes Maree	31 January 2018		3			

REMUNERATION OF BOARD MEMBERS

Members of the Board are paid an allowance in respect of the performance of their duties. The allowance is determined by the Minister of Water and Sanitation in consultation with the Minister of Finance. Members that are not remunerated are the CEO and the ex-officio member of DWS. Board members are also paid for travel expenses.

Table 14: The Board members

NAME	REMUNERATION (RATE PER MEETING	TOTAL (R)
Dr Nozibele Mjoli (Chairperson)	2,632	102,592
Prof Sibusiso Vil-Nkomo (Vice-Chairperson)	1,990	71,879
Ms Nompumelelo Msezane	1,990	57,626
Dr Mosidi Elizabeth Makgae	1,990	77,484
Dr Ntombifuthi Patience Nala	1,990	60,336
Dr Aldo Stroebel	1,990	48,184
Ms Masaccha Khulekelwe Mbonambi	1,990	47,718
Ms Shelley Thomas (Co-opted member of the ARFC)	1,990	30,316
Mr Philani Dlamini (Co-opted member of the ARFC)	1,990	30,316
Dr Betheul Sehlapelo (Co-opted member of the R&IC)	1,990	3,980
Dr Johannes Maree (Co-opted member of the R&IC)	1,990	11,940
Mr Imraan Patel	N/A	N/A
Mr Dhesigen Naidoo (CEO)	N/A	N/A

In addition to scheduled Board meetings, Board members attended 49 other meetings.

RISK MANAGEMENT

The WRC Board is accountable for the process of risk management, which is reviewed regularly. Risk management at the WRC is a continuous process. The WRC has established a risk management framework. The risks presented below have each been assessed in terms of impact and likelihood, i.e., inherent risk exposure. The WRC also identified the existing controls (mitigations) which are in place, and assessed the perceived control effectiveness of the identified controls. Each risk was allocated to a risk owner. These risks were also linked to the strategic objectives of the WRC. A risk rating was assigned from both an inherent risk and a residual risk exposure perspective.

Executive Management and the Board undertake the risk assessment annually in November, facilitated by the internal auditors. The WRC reviews the risk register on a quarterly basis and reports its progress to the Audit and Risk Committee.

The following risks have been collectively identified and assessed by Executive Management and the Board:

Table 15: Summary of WRC Risk Register

NAME	REMUNERATION (RATE PER MEETING
Inadequate availability, continuity and growth of adequate research expertise to deal with complexity in the water sector, both institutionally and externally	• To support human capacity building in the water sector • To enhance knowledge across the water knowledge and innovation cycle • To support community empowerment
Financial sustainability	• Financial sustainability and corporate wellbeing • To develop new products and services (new innovations) • To develop sustainable solutions
Constraints in keeping up with changes and trends in water research, development, innovation, implementation and impact	• To enhance knowledge across the water knowledge and innovation cycle • To develop sustainable solutions • To inform policy and decision making • To develop new products and services (new innovations) • To support community empowerment
Insufficient uptake of research, solutions and technology	• To enhance knowledge across the water knowledge and innovation cycle • To develop sustainable solutions • To inform policy and decision making • To develop new products and services • To support community empowerment
The role of the WRC in research, development and innovation within SADC, Africa and globally	• To develop sustainable solutions • Financial sustainability and corporate well-being
Inability to recover in the event of a disaster	• Financial sustainability and corporate well-being
Fraud and corruption	• Financial sustainability and corporate well-being
Losing competitive edge	• Financial sustainability and corporate well-being
Uncertainty within the tertiary education environment	• To enhance knowledge across the water knowledge and innovation cycle • To support human capacity building in the water sector • To enhance knowledge across the water knowledge and innovation cycle • To support community empowerment

INTERNAL CONTROL FUNCTION

To enable it to meet its responsibility to provide reliable financial information, the WRC maintains accounting systems and practices adequately supported by a system of internal controls. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management authority and that the assets are adequately safeguarded.

The internal audit function monitors the effectiveness and efficiency of the internal control systems, reports their findings and makes recommendations to management and the Audit Committee of the WRC Board, and monitors whether corrective action has been taken.

INTERNAL AUDIT AND AUDIT COMMITTEES

The WRC has an in-house internal audit function. The WRC in-house function has adopted formal terms of reference as its Internal Audit Charter. The in-house internal audit function prepared a rolling three-year internal audit plan, which on the recommendation of the Audit and Risk Committee was approved by the Board. The in-house internal audit function reports directly to the Audit and Risk Committee. For the 2018/19 financial year it performed the following audits:

- Levy income review
- Marketing and promotional stock review
- Supply chain management review
- Business continuity and disaster recovery review
- IT review – Corporate Governance of Information and Communication Technology Policy Framework (CGICTPF)
- Performance information review
- Follow-up reviews on previous internal audit reports issued and the Auditor-General report
- Ad-hoc: Supply chain management – Observation of bids closing and adjudication thereof for above R500 000

Table 16 discloses relevant information on the Audit Committee Members:

Table 16: Audit Committee Member Details

NAME	QUALIFICATIONS	INTERNAL/ EXTERNAL	DATE APPOINTED
Ms Khulekelwe Mbonambi (Chairperson)	B.Com Accounting, B.Com (Hons), a certificate in Board Governance, certificate in Enterprise Risk Management	External	1 February 2016
Ms Shelley Thomas	CA SA	External	1 November 2017
Mr Philani Dlamini	CA SA, CIA	External	1 November 2017
Prof Sibusiso Vil-Nkomo	PhD	External	1 February 2016
Dr Aldo Stroebel	PhD, Postdoctoral research at Wageningen University (The Netherlands)	External	1 February 2016

FRAUD AND CORRUPTION

The WRC has a zero-tolerance fraud and corruption policy. All fraud and corruption will be investigated and followed up. The application of all remedies falls within the full extent of the law and the implementation of appropriate prevention and detection controls. The WRC has an approved fraud prevention policy and whistle blowing policy to ensure that the Commission's tolerance to fraud and corruption is integrated into the day-to-day activities of the organisation. Further to that the WRC has a 24-hour ethics hotline hosted by an external service provider.

CODE OF ETHICS AND BUSINESS CONDUCT

The integrity of the employees underlies all of the WRC's relationships, including those with customers, suppliers and communities, as well as those between employees. The highest standards of ethical business conduct are required of employees of the WRC in fulfilling their WRC responsibilities, and this has been documented in the WRC's code of ethics and business conduct policy.

Employees may not engage in any activity that could raise questions as to the WRC's integrity, respect for diversity, impartiality or reputation. Ethical business conduct includes workplace relationships between employees in terms of the Constitution and requires respect for constitutional rights in employment, particularly with regard to human dignity, non-discrimination, and respect for diversity, impartiality and reputation.

COMPANY/BOARD SECRETARY

The Company Secretary is responsible for guiding the Board on the execution of their duties and responsibilities, and how such duties and responsibilities should be properly carried out in the best interests of the WRC. The Company Secretary also provides a central source of guidance and advice on matters of good governance and changes in legislation.

Responsibilities of the Company Secretary include:

- Ensuring that the procedures for appointment of the Board are properly carried out
- Assisting with the proper induction, orientation and on-going training and education of directors
- Assessing specific training needs of directors and executive management regarding fiduciary/ governance responsibilities
- Ensuring that the Board Charter and sub-committees terms of reference are kept up to date
- The proper compilation and timely circulation of documentation for the Board and committees
- Obtaining appropriate responses and feedback to specific agenda items or matters arising from prior meetings of the Board or committees
- Raising any matters that may warrant Board attention
- The proper recording of minutes of Board and committee meetings and seeing to the approval and timely circulation of the minutes to directors
- Liaising and assisting the Board Chairperson, committee chairs and the CEO with yearly work plans for Board meetings
- Assisting with the annual Board evaluation process (Board, directors and senior management)

SECTION D

WRC CONSOLIDATED FINANCIAL STATEMENTS

WATER RESEARCH COMMISSION (WRC) AND SUBSIDIARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT 2018/19

The Accounting Authority is responsible for the preparation of the public entity's Annual Financial Statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the Annual Financial Statements.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements of the public entity. The Annual Financial Statements for the year ended 31 March 2019 have been audited by the external auditors and their report is presented on pp. 71 to 74.

The financial statements set of pp. 76 to 135 which have been prepared on the going concern basis, were approved by the Board members on 30 July 2019 and were signed on its behalf by:

Dhesigen Naidoo
Chief Executive Officer

Dr Nozibele Mjoli
Chairperson of the Board

REPORT OF THE AUDIT AND RISK COMMITTEE

The report of the Audit and Risk Committee is required by Treasury regulations 27.1.7 and 27.1.10 of the Public Finance Management Act, Act 1 of 1999, as amended by Act 29 of 1999.

The Audit and Risk Committee reports that it has adopted formal terms of reference as its Audit and Risk Committee Charter and at it has discharged all of its responsibilities for the year, in compliance with the charter.

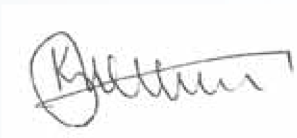
The Audit and Risk Committee is satisfied that an adequate system of internal control is in place to reduce significant risks faced by the organisation to an acceptable level, and that these controls have been effective during the period under review. The system is designed to manage, rather than eliminate the risk of failure and to maximise opportunities to achieve business objectives. This can provide only reasonable but not absolute assurance.

The Audit and Risk Committee is satisfied that the internal audit function has addressed the high risks pertinent to the entity in its audit.

The Audit and Risk Committee has:

- Reviewed the audited Annual Financial Statements
- Reviewed accounting policies
- Reviewed the Auditor-General's management letter and management's response thereto and is comfortable that management will address the findings adequately
- Reviewed adjustments resulting from the audit
- The Audit and Risk Committee accepts the Auditor-General's conclusions on the Annual Financial Statements, and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General.

The Audit and Risk Committee met with the Auditor-General and were assured that there were no unresolved issues of concern.



Ms MK Mbonambi
Chairperson of the Audit and Risk Committee

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE WATER RESEARCH COMMISSION

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

1. I have audited the consolidated and separate financial statements of the Water Research Commission (WRC) and its subsidiaries (the group) set out on pages 76 to 135, which comprise the consolidated and separate statement of financial position as at 31 March 2019, the consolidated and separate statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the WRC as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (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 Auditor-general's responsibilities for the audit of the consolidated and separate financial statements section of this auditor's report.

4. I am independent of the public entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* and the 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 codes.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

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

Restatement of comparative figures

7. As disclosed in note 41 and note 42 to the consolidated and separate financial statements, corresponding figures for 31 March 2018 were restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2019.

Disposal of Marumati building

8. As disclosed in note 6 and note 43 to the consolidated and separate financial statements, the disposal of the Marumati Building ("the Property"), owned by Erf 706 Rietfontein (Pty) Ltd, was approved by the Board and the Minister of Water and Sanitation on 22 February 2016 and 14 May 2016 respectively. The auctioneer was appointed on 7 April 2017 through a competitive bidding process to dispose of the property by means of an auction. The auction took place on 20 July 2017. The auctioneer received a written bid to the value of R9,750,000. The Board accepted the bid on 16 August 2017.

9. The transfer of the Marumati Building, owned by ERF 706, has been delayed by a number of events beyond the WRC's control. The transfer and registration was finalised at the Deeds office on 12 July 2019.

Responsibilities of the accounting authority for the financial statements

10. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

11. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the WRC'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 public entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the consolidated and separate financial statements

12. My objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

13. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

14. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected portfolios presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

15. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected portfolios presented in the annual performance report of the public entity for the year ended 31 March 2019:

Portfolio	Pages in annual performance report
Research, development and innovation portfolio	44 – 47
Impact portfolio	48 – 49
Partnership portfolio	49 – 50

17. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

18. I did not raise any material findings on the usefulness and reliability of the reported performance information for these portfolios.

Other matters

19. I draw attention to the matter below.

Achievement of planned targets

20. Refer to the annual performance report on pages 44 to 56 for information on the achievement of planned targets for the year and explanations provided for the over achievement of a significant number of targets.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

21. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

22. The material findings on compliance with specific matters in key legislations are as follows:

Expenditure management

23. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R1,234,755 as disclosed in note 36 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by extension of expired contracts without relevant prior approvals.

Consequence management

24. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into irregular expenditure.

OTHER INFORMATION

25. The accounting authority is responsible for the other information. The other information comprises the information included in the Annual Report which includes the Chairperson's report, and the CEO's report. The other information does not include the consolidated and separate financial statements, the Auditor's report and those selected portfolios presented in the annual performance report that have been specifically reported in this auditor's report.

26. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

27. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected portfolios presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

28. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

29. I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

30. The accounting authority did not ensure compliance with National Treasury Irregular Expenditure Framework and section 51(1)(b)(ii) of the PFMA to ensure that their respective public entity operate in accordance with the provisions of the applicable legislation. In particular, to conduct a determination test or analyse the particulars of non-compliance in order to establish the facts and losses, if any, related to the transaction in order to assess whether there are any suspected possibilities of fraudulent, corrupt or criminal acts emanating from the incurrence of irregular expenditure which need to be investigated.

31. Management did not ensure compliance with the internal controls implemented by the accounting authority to comply with the National Treasury Irregular expenditure framework and section 51(1)(b)(ii) of the PFMA.

32. Management did not report instances of irregular expenditure identified to the accounting authority on a timely manner in order to allow the accounting authority to institute the determination test within 30 days from the date that the irregular expenditure was reported to the accounting authority and to report confirmed cases of irregular expenditure to National Treasury within the stipulated timeframe.

OTHER REPORTS

33. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

34. An independent consultant investigated an allegation of possible fraudulent disposals of the public entity's assets at the request of the public entity, which covered the period April 2017 to May 2018. The investigation was concluded on 25 October 2018, and required management to institute the recommendations made by the consultant. This process was still in progress at the date of this auditor's report.

Auditor-General

Pretoria

31 July 2019

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. 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 portfolio and on the public entity's compliance with respect to the selected subject matters.

Financial statements

2. 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 public entity's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
- Conclude on the appropriateness of the [board of directors, which constitutes the accounting authority's 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 related to events or conditions that may cast significant doubt on the WRC and its subsidiaries' ability 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 the 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 public entity to cease continuing as a going concern
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion

Communication with those charged with governance

3. 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.

4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

INDEX:

WRC CONSOLIDATED FINANCIAL STATEMENTS

The financial statements set out on pages 76 to 135, which have been prepared on the going concern basis, were approved by the Board Members on 30 July 2019 and were signed on its behalf by:

Mr. DP Naidoo
Chief Executive Officer

Mr NP Mjoli
Chairperson of the Board

STATEMENT OF FINANCIAL POSITION

		Group		WRC	
	Note(s)	2019 R	2018 R	2019 R	2018 R
Assets					
Current assets					
Loans to wholly controlled entity	3	-	-	7 878 459	8 205 561
Receivables	4	45 352 057	43 823 732	45 430 275	43 846 954
Cash and cash equivalents	5	161 304 984	134 133 209	161 137 834	133 815 635
		206 657 041	**177 956 941**	**214 446 568**	**185 868 150**
Non-current assets					
Property, plant and equipment	6	11 735 229	14 866 548	11 735 229	14 866 548
Intangible assets	7	4 353 817	2 524 109	4 353 817	2 524 109
Investment in wholly controlled entity	8	-	-	1	1
Receivables	4	1 036 560	968 078	1 036 560	968 078
		17 125 606	**18 358 735**	**17 125 607**	**18 358 736**
Total assets		**223 782 647**	**196 315 676**	**231 572 175**	**204 226 886**
Liabilities					
Current liabilities					
Finance lease obligation	9	503 385	1 061 638	503 385	1 061 638
Operating lease liability	10	7 182 228	5 412 247	7 182 228	5 412 247
Payables	11	121 484 090	93 939 920	120 997 531	93 433 361
Accruals - leave and bonus	12	6 670 460	6 980 073	6 670 460	6 980 073
Provision	13	-	637 500	-	637 500
Revolving credit facility	5	372 288	272 600	372 288	272 600
		136 212 451	**108 303 978**	**135 705 892**	**107 797 419**
Non-current liabilities					
Finance lease obligation	9	-	497 179	-	497 179
Employee benefit obligation	14	5 333 109	6 201 425	5 333 109	6 201 425
		5 333 109	**6 698 604**	**5 333 109**	**6 698 604**
Total liabilities		**141 545 560**	**115 002 582**	**141 039 001**	**114 496 023**
Net assets		**82 237 087**	**81 313 094**	**90 533 174**	**89 730 863**
Accumulated surplus		82 237 087	81 313 094	90 533 174	89 730 863

STATEMENT OF FINANCIAL PERFORMANCE

		Group		WRC	
		2019	2018	2019	2018
	Note(s)	R	R	R	R
Revenue					
Revenue from exchange transactions					
Rental received	15	151 246	151 246	-	-
Recovery of expenditure	15	6 899	6 899	-	-
Other income	15	214 245	407 205	214 245	407 205
Interest received	16	5 048 537	6 398 352	5 048 537	7 156 418
Total revenue from exchange transactions		**5 420 927**	**6 963 702**	**5 262 782**	**7 563 623**
Revenue from non-exchange transactions					
Water research levies	17	236 607 699	224 692 702	236 607 699	224 692 702
Miscellaneous income	17	-	5 480	-	5 480
Leverage income	17	42 269 973	61 118 070	42 269 973	61 118 070
Total revenue from non-exchange transactions		**278 877 672**	**285 816 252**	**278 877 672**	**285 816 252**
Total revenue		**284 298 599**	**292 779 954**	**284 140 454**	**293 379 875**
Expenditure					
Depreciation, amortisation and impairment	18	4 573 576	5 050 741	4 573 576	4 552 787
Employee related costs	19	83 243 988	73 868 994	83 243 988	73 868 994
Finance costs	20	534 980	710 167	534 980	710 167
General expenses	21	16 987 464	17 874 461	16 985 055	17 386 001
Impairment loss on financial assets carried at amortised costs	22	-	-	72 102	20 639 392
Lease rentals on operating lease	23	11 036 538	10 964 775	11 036 538	10 964 775
Research, development and innovation costs	24	163 134 320	186 792 800	163 134 320	186 792 800
Repairs and maintenance		1 276 958	1 245 470	1 183 980	1 157 904
Receivable derecognised	25	13 178	-	-	-
Total expenditure		**280 801 002**	**296 507 408**	**280 764 539**	**316 072 820**
Operating surplus / (deficit)	26	**3 497 591**	**(3 727 454)**	**3 375 915**	**(22 692 945)**
Gain/loss on disposal of assets and liabilities		(157 346)	19 481	(157 346)	19 481
Actuarial gains/losses	14	(2 416 258)	(1 975 571)	(2 416 258)	(1 975 571)
		(2 573 604)	**(1 956 090)**	**(2 573 604)**	**(1 956 090)**
Surplus/ (deficit) for the year		**923 993**	**(5 683 544)**	**802 311**	**(24 649 035)**

STATEMENT OF CHANGES IN NET ASSETS

	Accumulated surplus	Total net assets
	R	R
Group		
Opening balance as previously reported	85 934 892	85 934 892
Correction of errors	1 061 746	1 061 746
Balance at 1 April 2017 as restated*	**86 996 638**	**86 996 638**
Changes in net assets		
Surplus / (deficit) for the year restated	(5 683 544)	(5 683 544)
Total changes	(5 683 544)	(5 683 544)
Balance at 1 April 2018	**81 313 094**	**81 313 094**
Changes in net assets		
Surplus / (deficit) for the year	923 993	923 993
Total changes	923 993	923 993
Balance at 31 March 2019	**82 237 087**	**82 237 087**
WRC		
Opening balance as previously reported	113 318 152	113 318 152
Correction of errors	1 061 746	1 061 746
Balance at 1 April 2017 as restated*	**114 379 898**	**114 379 898**
Changes in net assets		
Surplus / (deficit) for the year restated	(24 649 035)	(24 649 035)
Total changes	(24 649 035)	(24 649 035)
Balance at 1 April 2018	**89 730 863**	**89 730 863**
Changes in net assets		
Surplus / (deficit) for the year	802 311	802 311
Total changes	802 311	802 311
Balance at 31 March 2019	**90 533 174**	**90 533 174**

CASH FLOW STATEMENT

	Note(s)	Group 2019 R	Group 2018 R	WRC 2019 R	WRC 2018 R
Cash flows from operating activities					
Receipts					
Cash receipts from customers		302 568 291	249 764 416	302 315 928	249 456 786
Interest income		5 368 587	6 859 742	5 368 587	6 859 742
		307 936 878	256 624 158	307 684 515	256 316 528
Payments					
Cash paid to suppliers		(276 998 823)	(272 667 531)	(276 851 036)	(272 523 150)
Net cash flows from operating activities	29	**30 938 055**	**(16 043 373)**	**30 833 479**	**(16 206 622)**
Cash flows from investing activities					
Purchase of property, plant and equipment	6	(1 041 613)	(250 990)	(1 041 613)	(250 990)
Proceeds from sale of property, plant and equipment	6	-	20 370	-	20 370
Purchase of other intangible assets	7	(2 387 697)	(1 630 932)	(2 387 697)	(1 630 932)
Loans to wholly controlled entity repaid		-	-	255 000	1 020 000
Net cash flows from investing activities		**(3 429 310)**	**(1 861 552)**	**(3 174 310)**	**(841 552)**
Cash flows from financing activities					
Employee benefit obligation		(3 732 973)	(1 277 677)	(3 732 973)	(1 277 677)
Finance lease payments		(1 193 154)	(1 156 215)	(1 193 154)	(1 156 215)
Net cash flows from financing activities		**(4 926 127)**	**(2 433 892)**	**(4 926 127)**	**(2 433 892)**
Net increase/(decrease) in cash and cash equivalents		**22 582 617**	**(20 338 817)**	**22 733 042**	**(19 482 066)**
Cash and cash equivalents at the beginning of the year		133 860 609	155 333 825	133 543 035	154 159 500
Effect of exchange rate movement on cash balances		4 489 469	(1 134 399)	4 489 469	(1 134 399)
Cash and cash equivalents at the end of the year	5	**160 932 696**	**133 860 609**	**160 765 546**	**133 543 035**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R
Revenue					
Revenue from exchange transactions					
Other income	309 126	5 833 186	**6 142 312**	372 390	**(5 769 922)**
Interest and dividends received - investment	7 758 331	(2 300 000)	**5 458 331**	5 048 537	**(409 794)**
Total revenue from exchange transactions	**8 067 457**	**3 533 186**	**11 600 643**	**5 420 927**	**(6 179 716)**
Revenue from non-exchange transactions					
Water research levies	239 711 905	-	**239 711 905**	236 607 699	**(3 104 206)**
Leverage income	78 251 637	(32 799 047)	**45 452 590**	42 269 973	**(3 182 617)**
Total revenue from non-exchange transactions	**317 963 542**	**(32 799 047)**	**285 164 495**	**278 877 672**	**(6 286 823)**
Total Revenue	**326 030 999**	**(29 265 861)**	**296 765 138**	**284 298 599**	**(12 466 539)**
Expenditure					
Fixed costs	12 348 419	130 868	**12 479 287**	12 973 000	**493 713**
Running Costs	12 141 088	(321 302)	**11 819 786**	10 962 176	**(857 610)**
Capital expenditure	1 783 147	2 522 269	**4 305 416**	4 504 026	**198 610**
Human resource costs	92 253 879	-	**92 253 879**	87 385 676	**(4 868 203)**
Research, development and innovation costs	204 222 042	(31 129 996)	**173 092 046**	164 701 987	**(8 390 059)**
Corporate expenditure	3 282 424	(467 700)	**2 814 724**	2 015 613	**(799 111)**
Total expenditure	**326 030 999**	**(29 265 861)**	**296 765 138**	**282 542 478**	**(14 222 660)**
Actual amount on comparable basis as presented in the budget and actual comparative statement	-	-	-	**1 756 121**	**1 756 121**

Refer to note 38 for explanations for material differences between budget and actual amounts, and for explanations regarding the movement from the approved budget to the final budget.

Refer to note 39 for a reconciliation of budget surplus/deficit with the surplus/deficit in the Statement of Financial Performance.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999) (PFMA).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 CONSOLIDATION

Basis of consolidation

Consolidated financial statements are the financial statements of the economic entity presented as those of a single entity.

The consolidated financial statements incorporate the financial statements of the controlling entity and the controlled entity, including special purpose entities, which are controlled by the controlling entity.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The revenue and expenses of a controlled entity are included in the consolidated financial statements from the transfer date or acquisition date as defined in the Standards of GRAP on transfer of functions between entities under common control or transfer of functions between entities not under common control. The revenue and expenses of the controlled entity are based on the values of the assets and liabilities recognised in the controlling entity's financial statements at the acquisition date.

The financial statements of the controlling entity and its controlled entity used in the preparation of the consolidated financial statements are prepared as of the same date.

When the end of the reporting dates of the controlling entity is different from that of a controlled entity, the controlled entity prepares, for consolidation purposes, additional financial statements as of the same date as the financial statements of the controlling entity unless it is impractical to do so. When the financial statements of a controlled entity used in the preparation of consolidated financial statements are prepared as of a date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity's financial statements. In any case, the difference between the end of the reporting date of the controlled entity and that of the controlling entity is no more than three months. The length of the reporting periods and any difference between the ends of the reporting dates is the same from period to period.

Adjustments are made when necessary to the financial statements of the controlled entity to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.
Non-controlling interest in the net assets of the economic

entity are identified and recognised separately from the controlling entity's interest therein and are recognised within net assets.

Changes in a controlling entity's ownership interest in a controlled entity that do not result in a loss of control are accounted for as transactions that affect net assets.

A Special Purpose Entity is consolidated when the substance of the relationship between the economic entity and the Special Purpose Entity indicates that the Special Purpose Entity is controlled by the economic entity.

1.2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Receivables

The economic entity assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Where impairment indicators arise, these receivables are individually assessed for impairment. Accounts outstanding for 120 days and more are fully impaired. Whilst these accounts are being followed up, past experience has indicated that accounts outstanding for such long periods are seldom recovered.

All other receivables which are not individually assessed and do not fall in the category of 120 days and more, are grouped together and assessed.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available for sale securities) is based on quoted market prices at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the economic entity for similar financial instruments.

Impairment testing

The entity assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is any observable data indicating a measurable decrease in the estimated future cash flows from the financial asset.

The economic entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Useful lives and residual values

The entity reassesses the useful lives and residual values of property, plant and equipment on an annual basis. In re-assessing the useful lives and residual values of property, plant and equipment management considers the condition and uses of the individual assets, to determine the remaining period over which the asset can and will be used.

Employee benefit obligations (Medical aid scheme)

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The appropriate discount rate is determined at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post-retirement obligations. The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post-retirement obligations are based on current market conditions. Additional information is disclosed in Note 14.

Effective interest rate

The economic entity used the prime interest rate to discount future cash flows.

Impairment of receivables

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 PROPERTY, PLANT AND EQUIPMENT

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

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

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

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition. Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Item	Depreciation method	Average useful life
Buildings	Straight Line	30 years
Furniture and fixtures	Straight Line	3 - 10 years
Motor vehicles	Straight Line	5 years
Office equipment	Straight Line	3 - 5 years
Computer equipment	Straight Line	3 - 10 years
Leasehold improvements	Straight Line	Years according to lease term
Finance lease assets	Straight Line	Years according to lease term

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The residual value, useful life and depreciation method applied to an asset is reviewed at least at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in an accounting estimate.

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 INTANGIBLE ASSETS

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date. Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight Line	3 - 10 years

Intangible assets are derecognised:

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

1.5 INVESTMENT IN WHOLLY CONTROLLED ENTITY

Group financial statements

Investments in controlled entity are consolidated in the economic entity financial statements. Refer to the accounting policy on Consolidations (Note 1.1).

WRC financial statements

In the entity's separate financial statements, the investment in wholly controlled entity are carried at cost less any accumulated impairment in accordance with the Standard of GRAP on Financial Instruments.

The cost of an investment in a controlled entity is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the entity; plus

- any costs directly attributable to the purchase of the controlled entity

The entity applies the same accounting for each category of investment. The entity recognises a dividend or similar distribution in surplus or deficit in its separate financial statements when its right to receive the dividend or similar distribution is established.

Investments in the controlled entity that are accounted for in accordance with the Accounting Policy on Financial Instruments in the consolidated financial statements, are accounted for in the same way in the controlling entity's separate financial statements.

1.6 FINANCIAL INSTRUMENTS

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

A financial asset is:

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities.

Classification

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

Class	Category
Loans to economic entities	Financial asset measured at amortised cost
Receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

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

Class	Category
Payables	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Accruals	Financial liability measured at amortised cost

Initial recognition

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

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Financial Instruments at fair value

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Financial instruments at amortised cost

Loans

These include loans to and from wholly controlled entities and loans to employees. It is recognised initially at fair value plus direct transaction costs and subsequently measured at amortised cost.

Receivables

Receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Payables

Payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Fair value measurement considerations

The fair values of listed investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

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

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account.

The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

Financial liabilities

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

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Offsetting of financial instruments

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.7 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate on debt owing to the lessor.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability.

The finance charge is allocated to each period during the lease term so as to produce a constant periodic interest rate on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 IMPAIRMENT OF ASSETS

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

Identification

The economic entity assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the economic entity estimates the recoverable amount of the asset (for all cash-generating assets) and recovery service amount (for all non-cash generating assets).

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit.

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

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

1.9 EMPLOYEE BENEFITS

Employee benefits are all forms of consideration given by the entity in exchange for service rendered by employees.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees rendered the related service.

When an employee has rendered a service to the entity during a reporting period, the entity recognises the cost in the period in which the service was rendered equal to the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance-related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered a service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The present value of a defined benefit obligation is the present value, without deducting any plan assets (if any), of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus, any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan (if any) or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above are recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets (if any) with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and

- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan (if any). The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan, when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets (if any).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - » those changes were enacted before the reporting date;
  - » past history, or other reliable evidence, indicates that those stated benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.10 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense. A provision is used only for expenditures for which the provision was originally recognised.

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

Contingent assets and contingent liabilities are not recognised.

1.11 REVENUE FROM EXCHANGE TRANSACTIONS

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

Revenue from exchange transactions refers to revenue that accrued to the entity directly in return for services rendered/ goods sold, the value of which approximates the considerations received or receivable. An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net trade discounts and volume rebates, and value added tax.

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the economic entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the economic entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;

- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest, royalties, dividends and rental income

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

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Rental income is recognised on the accrual basis in accordance with the substance of the relevant agreements.

1.12 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

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

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

The Department of Water and Sanitation, Rand Water and Umgeni Water Boards collect levy income on behalf of the WRC. The rate of the levy is approved by the Minister of Water and Sanitation on an annual basis. Revenue recognition of levy income represents invoiced amounts receivable from the Department of Water and Sanitation, Rand Water and Umgeni Water Boards. Provision is made for estimated uncollectable levies by way of an impairment charge.

The WRC receives leverage income from various sources which is used for research. This revenue is recognised in the accounting period in which the research expenditure is incurred.

1.13 BORROWING COSTS

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

1.14 TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in South African Rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in South African Rands by applying to the foreign currency amount the exchange rate between the South African Rand and the foreign currency at the date of the cash flow.

1.15 RESEARCH AND DEVELOPMENT EXPENDITURE

Expenditure on research and development is recognised as an expense when incurred.

1.16 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure is incurred.

1.17 IRREGULAR EXPENDITURE

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of; or that is not in accordance with a requirement of any applicable legislation, including:

(a) the PFMA; or
(b) WRC supply chain management policy; or
(c) National Treasury Regulations.

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year-end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year-end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure is incurred.

1.18 CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.19 INCOME TAX EXPENSE

WRC is exempt from income tax in terms of section 10(1)(cA)(ii) of the Income Tax Act, 1962 (No 58 of 1962).

1.20 BUDGET INFORMATION

The financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget has been included in the financial statements. Refer to note 39.

1.21 RELATED PARTIES

The economic entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Key management are those individuals responsible for planning, directing and controlling the activities of the economic entity, including those charged with the governance of the economic entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the economic entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are required to be disclosed.

1.22 EVENTS AFTER REPORTING DATE

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

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

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

The economic entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

OTHER EXPLANATORY NOTES

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

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

- GRAP 17: Property, Plant and Equipment
- GRAP 21: Impairment of Non-cash Generating assets
- GRAP 26: Impairment of Cash generating assets
- GRAP 31: Intangible assets

These amendments were adopted and did not have a material impact on the Annual Financial Statements.

2.2 STANDARDS AND INTERPRETATIONS EARLY ADOPTED

The economic entity has chosen to early adopt the following standards and interpretations:

- GRAP 20: Related parties – Effective from 1 April 2019
- GRAP 104: Financial Instruments – Effective from 1 April 2019
- GRAP 34: Separate Financial Statements – Effective from 1 April 2020
- GRAP 35: Consolidated Financial Statements – Effective from 1 April 2020
- GRAP 38: Disclosure of interest in Other Entities – Effective from 1 April 2020
- IGRAP 20: Accounting for adjustments to revenue – Effective from 1 April 2020

These amendments did not have a material impact on the Annual Financial Statements.

3. LOANS TO WHOLLY CONTROLLED ENTITY

	Group		WRC	
	2019 R	2018 R	2019 R	2018 R
Controlled entity				
Erf 706 Rietfontein (Pty) Ltd — Loan 1	-	-	27 743 769	27 923 769
The unsecured loan bears interest at 0% (2018:15%). The interest on the loan was suspended from 1 June 2017. The loan is repayable in equal monthly installments of not less than R60,000. The capital repayments were suspended effective 1 July 2018. The capital sum and any interest thereon must be repaid in full subsequent to the disposal of the Marumati building.				
Erf 706 Rietfontein (Pty) Ltd — Loan 2	-	-	2 264 810	2 339 810
The unsecured loan bears interest at 0% (2018:Prime plus 2%). The interest on the loans was suspended from 1 June 2017. The capital repayments were suspended effective 1 July 2018. The capital sum and any interest thereon must be repaid in full subsequent to the disposal of the Marumati building.				
			30 008 579	30 263 579
Allowance for impairment	-	-	(22 130 120)	(22 058 018)
	-	**-**	**7 878 459**	**8 205 561**
Non-current assets	-	-	-	-
Current assets	-	-	7 878 459	8 205 561
	-	**-**	**7 878 459**	**8 205 561**

Credit quality of loans to wholly controlled entity

The terms and conditions of the loans were renegotiated. The WRC Board members approved the amendment of the loan agreements which allows ERF 706 to repay the loan after the disposal of the Maramuti building, as well as the suspension of any further interest up to the date of the disposal. This amendment was approved and effective from 1 June 2017. The capital repayments was suspended effective 1 July 2018.

The auction of the Marumati Building situated at Erf 706 Rietfontein took place on 20 July 2017. The auctioneer received a written bid to the value of R 9,750,000. The WRC Board accepted the bid on 16 August 2017. The bid price obtained is a clear indication that Erf 706 Rietfontein (Pty) Ltd will not be able to settle in full the intercompany loans and therefore the loans were impaired. The carrying amount of the intercompany loan is now reflected at the amount that is expected to be received from ERF 706 Rietfontein (Pty) Ltd after all liabilities, including tax on the disposal, has been settled. The maximum exposure to credit risk at the reporting date is the fair value of the loan mentioned above. The fair value approximates the carrying amount of the loans.

Since the going concern assumption is no longer appropriate for ERF 706 Rietfontein (Pty) Ltd and the transfer of the Marumati building situated at Erf 706 Rietfontein was finalised on 12 July 2019, all loans are classified as current.

The entity has not reclassified the categories of the above financial assets during the financial year.

Fair value of loans to and from wholly controlled entity

The fair value of the loans is determined as the net amount that is expected to be received from ERF 706 Rietfontein (Pty) Ltd after all liabilities, including tax on the disposal, has been settled.

Loans to controlled entities past due but not impaired

Loans to economic entities were not past due at reporting date.

4. RECEIVABLES

	Group		WRC	
	2019 R	2018 R	2019 R	2018 R
Receivables from non-exchange transactions				
Receivables: Water Research Levies	31 999 358	39 471 813	31 999 358	39 471 813
Receivables from exchange transactions				
Receivables: Other	10 114 524	3 962 059	10 201 007	4 010 364
Deposits	1 043 865	975 383	1 036 560	968 078
Prepaid expenses	3 229 910	359 882	3 229 910	359 882
Recoverable fruitless and wasteful expenditure	-	4 895	-	4 895
Provision for impairment loss	-	-	-	-
VAT receivable	960	17 778	-	-
	46 388 617	**44 791 810**	**46 466 835**	**44 815 032**

Non-current assets	1 036 560	968 078	1 036 560	968 078
Current assets	45 352 057	43 823 732	45 430 275	43 846 954
	46 388 617	**44 791 810**	**46 466 835**	**44 815 032**

The comparative year has been restated as a result of a prior period misstatement. Refer to the correction of error (note 42) for further details.

VAT receivable (for both the current and comparative financial year) is now included as part of receivables.

Receivables pledged as security

No receivables were pledged as security for any financial liability.

Credit quality of receivables

None of the receivables defaulted during the year under review. Management considers that all of the above financial assets are of good credit quality. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The fair value approximates the carrying amount of the balances due to their short-term maturity.

Receivables

All the receivables as reflected above represent receivables from exchange transactions, except for Receivables: Water research levies which represents receivables from non-exchange transactions.

Where impairment indicators arise, these receivables are individually assessed for impairment.

During the evaluation of recoverability of receivables, it became apparent that the full amount will be recoverable for the respective debtors. The fair value is thus equal to the full amount receivable as at year-end.

The recoverable amount of the debtors is equal to their fair value.

None of the financial assets that are fully performing have been renegotiated in the last year.

The economic entity has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

Receivables past due but not impaired

Receivables are all considered for impairment. At 31 March 2019, R NIL (2018: R NIL) were past due but not impaired, whereas for the economic entity it was R NIL (2018: R NIL).

Receivables impaired

As at 31 March 2019, receivables of R NIL (2018: R NIL) were (reversed) / impaired and provided for in the WRC, whereas for the economic entity it was R NIL (2018: R NIL).

The amount of the provision was NIL as at 31 March 2019 (2018: R NIL) for the WRC, whereas for the economic entity it was NIL (2018: R NIL).

Reconciliation of provision for impairment losses on receivables

There was no movement in the provision for impaired receivables. Receivables are generally written off when there is no expectation of recovery.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The economic entity does not hold any collateral as security.

GRAP 104 states that a financial asset is past due when a counterparty has failed to make a payment when contractually due. None of the receivables listed above are past due. As a result, no provision has been made for impairment.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	Group		WRC	
	2019 R	2018 R	2019 R	2018 R
Cash on hand	1 001	1 384	1 001	1 384
Bank balances	113 576 276	79 099 616	113 409 126	78 782 042
Short-term deposits	47 727 707	55 032 209	47 727 707	55 032 209
Revolving credit facility	(372 288)	(272 600)	(372 288)	(272 600)
	160 932 696	**133 860 609**	**160 765 546**	**133 543 035**
Current assets	161 304 984	134 133 209	161 137 834	133 815 635
Current liabilities	(372 288)	(272 600)	(372 288)	(272 600)
	160 932 696	**133 860 609**	**160 765 546**	**133 543 035**

A reclassification was made to the prior year cash and cash equivalent disclosure. The revolving credit facility is now reflected separately as a current liability and is not offset against the current asset. Refer to the correction of error (note 42) for further details.

Credit quality of bank balances and short term deposits, excluding cash on hand

Management considers that all of the above cash and cash equivalents categories are of good quality by reference to external credit ratings. The maximum exposure to credit risk at the reporting date is the fair value of each class of cash and cash equivalents mentioned above. The fair value approximates the carrying amount of the balances.

All cash and cash equivalents held by the entity are available for use.

The cash and cash equivalents are not pledged as security for financial liabilities.

Financial assets at fair value
The entity has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

Fair value hierarchy of financial assets at fair value
For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

The fair value hierarchy have the following levels:

- Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.
- Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 applies inputs which are not based on observable market data.

Level 1				
Cash and cash equivalents	161 304 984	134 133 209	161 137 834	133 815 635

6. PROPERTY, PLANT AND EQUIPMENT

GROUP	2019			2018		
	Cost R	Accumulated depreciation and accumulated impairment R	Carrying value R	Cost R	Accumulated depreciation and accumulated impairment R	Carrying value R
Buildings	8 691 522	(8 691 522)	-	8 691 522	(8 691 522)	-
Furniture and fixtures	4 462 672	(2 325 286)	2 137 386	4 468 378	(1 527 241)	2 941 137
Motor vehicles	300 391	(300 391)	-	300 391	(242 452)	57 939
Office equipment	1 507 244	(1 271 856)	235 388	1 852 854	(1 325 220)	527 634
IT equipment	7 230 886	(5 257 241)	1 973 645	6 533 070	(3 603 155)	2 929 915
Leasehold improvements	10 103 126	(2 714 316)	7 388 810	10 069 526	(1 659 603)	8 409 923
Total	**32 295 841**	**(20 560 612)**	**11 735 229**	**31 915 741**	**(17 049 193)**	**14 866 548**

WRC	2019			2018		
	Cost R	Accumulated depreciation and accumulated impairment R	Carrying value R	Cost R	Accumulated depreciation and accumulated impairment R	Carrying value R
Furniture and fixtures	4 462 672	(2 325 286)	2 137 386	4 468 378	(1 527 241)	2 941 137
Motor vehicles	300 391	(300 391)	-	300 391	(242 452)	57 939
Office equipment	1 507 244	(1 271 856)	235 388	1 852 854	(1 325 220)	527 634
IT equipment	7 230 886	(5 257 241)	1 973 645	6 533 070	(3 603 155)	2 929 915
Leasehold improvements	10 103 126	(2 714 316)	7 388 810	10 069 526	(1 659 603)	8 409 923
Total	**23 604 319**	**(11 869 090)**	**11 735 229**	**23 224 219**	**(8 357 671)**	**14 866 548**

The comparative year has been restated as a result of a prior period misstatement. Refer to the correction of error (note 42) for further details.

Reconciliation of property, plant and equipment - Group - 2019

	Opening Balance R	Additions R	Disposals R	Depreciation R	Impairment loss/write off R	Total R
Furniture and fixtures	2 941 137	65 443	-	(866 193)	(3 001)	2 137 386
Motor vehicles	57 939	-	-	(57 939)	-	-
Office equipment	527 634	62 173	-	(354 419)	-	235 388
IT equipment	2 929 915	880 397	(13 756)	(1 822 911)	-	1 973 645
Leasehold improvements	8 409 923	33 600	-	(1 054 713)	-	7 388 810
Total	**14 866 548**	**1 041 613**	**(13 756)**	**(4 156 175)**	**(3 001)**	**11 735 229**

The impairment loss amounting to R3,001 for the economic entity and the WRC is in respect of assets that were broken.

The disposal amounting to R13,756 for the economic entity and the WRC is in respect of leased laptops that were stolen, and an assurance claim was lodged.

During the 2018/19 financial year, the balance of the redundant furnitures and fixtures located at Marumati building with a carrying value of zero were disposed of through donations to non-profit organisations.

Reconciliation of property, plant and equipment - Group - 2018

	Opening Balance R	Additions R	Disposals R	Impairment loss/write off R	Depreciation R	Total R
Buildings	497 955	-	-	-	(497 955)	-
Furniture and fixtures	3 719 046	71 438	(6 567)	-	(842 780)	2 941 137
Motor vehicles	118 016	-	-	-	(60 077)	57 939
Office equipment	827 053	49 850	-	-	(349 269)	527 634
IT equipment	4 636 044	123 731	-	(38 792)	(1 791 068)	2 929 915
Leasehold improvements	9 453 716	5 971	-	-	(1 049 764)	8 409 923
Total	**19 251 830**	**250 990**	**(6 567)**	**(38 792)**	**(4 590 913)**	**14 866 548**

During the 2017/18 financial year, redundant furnitures and fixtures located at the Marumati building with a carrying value of zero were disposed of, either through donations to non-profit organisations or auction to staff members, resulting in proceeds amounting to R19,481.

Reconciliation of property, plant and equipment - WRC - 2019

	Opening Balance R	Additions R	Disposals R	Depretiation R	Impairment loss/write off R	Total R
Furniture and fixtures	2 941 137	65 443	-	(866 193)	(3 001)	2 137 386
Motor vehicles	57 939	-	-	(57 939)	-	-
Office equipment	527 634	62 173	-	(354 419)	-	235 388
IT equipment	2 929 915	880 397	(13 756)	(1 822 911)	-	1 973 645
Leasehold improvements	8 409 923	33 600	-	(1 054 713)	-	7 388 810
	14 866 548	**1 041 613**	**(13 756)**	**(4 156 175)**	**(3 001)**	**11 735 229**

Reconciliation of property, plant and equipment - WRC - 2018

	Opening Balance R	Additions R	Disposals R	Depreciation R	Impairment loss/write off R	Total R
Furniture and fixtures	3 719 046	71 438	(6 567)	(842 780)	-	2 941 137
Motor vehicles	118 016	-	-	(60 077)	-	57 939
Office equipment	827 053	49 850	-	(349 269)	-	527 634
IT equipment	4 636 044	123 731	-	(1 791 068)	(38 792)	2 929 915
Leasehold improvements	9 453 716	5 971	-	(1 049 764)	-	8 409 923
	18 753 875	**250 990**	**(6 567)**	**(4 092 958)**	**(38 792)**	**14 866 548**

Pledged as security

None of the assets were or are pledged as security.

Assets subject to finance lease (net carrying value)

IT equipment	426 656	1 422 387	426 656	1 422 387

Details of valuation of building

In terms of GRAP 16, the fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The disposal of the Marumati building ("the Property") owned by Erf 706 Rietfontein (Pty) Ltd was approved by the Board and the Minister of Water and Sanitation on 22 February 2016 and 14 May 2016 respectively. Cahi Auctioneers was appointed on 7 April 2017 through a competitive bidding process to dispose of the property by means of an auction. The auction took place on 20 July 2017. The auctioneer received a written bid to the value of R9,750,000. The Board accepted the bid on 16 August 2017. The fair value of the property is based on the approved bid of R9,750,000 resulting in the fair value of investment property reflecting the market conditions at the reporting date in accordance with GRAP 16.51.

	Group		WRC	
	2019 R	2018 R	2019 R	2018 R
Property, plant and equipment fully depreciated and still in use (Cost)				
Furniture and fixtures	137 365	144 961	137 365	144 961
Office equipment	387 587	790 817	387 587	790 817
IT equipment	783 753	844 856	783 753	844 856
Building	8 691 522	8 691 522	-	-
Motor Vehicles	300 391	-	300 391	-
	10 300 618	**10 472 156**	**1 609 096**	**1 780 634**

The comparative prior year disclosure has been amended as a result of a prior period misstatement. Refer to the correction of error (note 42) for further details.

Classification of property, plant and equipment into non-current and current

	Group		WRC	
	2019 R	2018 R	2019 R	2018 R
Property, plant and equipment				
Non-current assets	11 735 229	14 866 548	11 735 229	14 866 548
Current assets	-	-	-	-
	11 735 229	**14 866 548**	**11 735 229**	**14 866 548**

The auctioneer received a written bid for the acquisition of the Marumati nuilding situated at Erf 706 Rietfontein to the value of R9,750,000. The Board granted approval for the acceptance of the bid on 16 August 2017.

The transfer of the Marumati building situated at Erf 706 Rietfontein was finalised on 12 July 2019, as a result the building (with a carrying value of R NIL) is classified as a current asset.

Details of properties

	Group		WRC	
	2019 R	2018 R	2019 R	2018 R
Erf 706 Rietfontein				
– Purchase price	615 855	615 855	-	-
– Additions since purchase or valuation	8 075 667	8 075 667	-	-
	8 691 522	**8 691 522**	**-**	**-**

A register containing the information required by the PFMA is available for inspection.

7. INTANGIBLE ASSETS

	2019			2018		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
GROUP	R	R	R	R	R	R
Computer software, other	8 021 431	(3 667 614)	4 353 817	5 867 500	(3 343 391)	2 524 109

	2019			2018		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
WRC						
Computer software, other	8 021 431	(3 667 614)	4 353 817	5 867 500	(3 343 391)	2 524 109

Reconciliation of intangible assets

	Opening Balance	Additions	Disposals	Amortisation	Total
GROUP – 2019					
Computer software, other	2 524 109	2 387 697	(143 589)	(414 400)	4 353 817
GROUP – 2018					
Computer software, other	1 314 213	1 630 932	-	(421 036)	2 524 109

The disposal amounting to R143,589 for the economic entity and the WRC is in respect of assets that are no longer in use.

	Opening Balance	Additions	Disposals	Amortisation	Total
WRC – 2019					
Computer software, other	2 524 109	2 387 697	(143 589)	(414 400)	4 353 817
WRC – 2018					
Computer software, other	1 314 213	1 630 932	-	(421 036)	2 524 109

Pledged as security

None of the intangible assets are pledged as security.

Amortisation of Intangible Assets is included in Depreciation, Amortisation and Impairment as reflected in the Statement of Financial Performance.

Other information

	Group		WRC	
	2019	2018	2019	2018
	R	R	R	R
Fully amortised intangible assets still in use	3 004 207	26 202	3 004 207	26 202

8. INVESTMENT IN WHOLLY CONTROLLED ENTITY

Name of company	WRC Carrying amount 2019 R	WRC Carrying amount 2018 R
An ordinary share in Erf 706 Rietfontein (Pty) Ltd (100% holding)	**1**	**1**

The carrying amount of the controlled entity is shown net of impairment losses.

The WRC holds 100% of the ordinary shares in Erf 706 Rietfontein (Pty) Ltd, a property company. Erf 706 Rietfontein (Pty) Ltd owns one property as disclosed in note 6.

The disposal of the Marumati building ("the Property") owned by Erf 706 Rietfontein (Pty) Ltd was approved by the Board and the Minister of Water and Sanitation on 22 February 2016 and 14 May 2016 respectively. Cahi Auctioneers was appointed on 7 April 2017 through a competitive bidding process to dispose of the property by means of an auction. The auction took place on 20 July 2017. The auctioneer received a written bid to the value of R9,750,000. The Board accepted the bid on 16 August 2017.

The bid price obtained is a clear indication that Erf 706 Rietfontein (Pty) Ltd will not be able to settle in full the intercompany loans and, therefore, the loans were impaired (See note 3). Similarly, the investment in Erf 706 Rietfontein (Pty) Ltd will not be realised since Erf 706 Rietfontein (Pty) Ltd's liabilities exceeds its assets as at 31 March 2019. In line with GRAP an impairment loss was recognised and the carrying amount of the investment is now reflected at its nominal share capital value of R1.

Controlled entity pledged as security

The investment is not pledged as security.

9. FINANCE LEASE OBLIGATION

	Group		WRC	
	2019 R	2018 R	2019 R	2018 R
Minimum lease payments due				
- within one year	514 121	1 187 492	514 121	1 187 492
- in second to fifth year	-	509 652	-	509 652
	514 121	1 697 144	514 121	1 697 144
less: future finance charges	(10 736)	(138 327)	(10 736)	(138 327)
Present value of minimum lease payments	**503 385**	**1 558 817**	**503 385**	**1 558 817**
Present value of minimum lease payments due				
- within one year	503 385	1 061 638	503 385	1 061 638
- in second to fifth year	-	497 179	-	497 179
	503 385	**1 558 817**	**503 385**	**1 558 817**
Non-current liabilities	-	497 179	-	497 179
Current liabilities	503 385	1 061 638	503 385	1 061 638
Present value of minimum lease payments	**503 385**	**1 558 817**	**503 385**	**1 558 817**

Effective from 1 April 2018, VAT levied on services and goods changed from 14% to 15%. This resulted in the finance lease liability increasing on 1 April 2018 with an amount of R19,285 (consisting of R13,079 for the first 12 months and R6,206 for the remainder of the lease agreement).

It is the economic entity's policy to lease certain IT equipment under finance leases. The finance leases are effective for a period of thirty-six (36) months.

The average lease term is 3 years and the average effective borrowing rate is 12% (2018: 13%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

Defaults and breaches

The entity did not default on any interest or capital portions in respect of any of the finance leases.

10. OPERATING LEASE LIABILITY

	Group		WRC	
	2019 R	2018 R	2019 R	2018 R
Balance at year end				
Operating lease liability	7 182 228	5 412 247	7 182 228	5 412 247
Minimum operating lease liability payments				
Within 12 months	8 431 890	7 833 746	8 431 890	7 833 746
Between 12 - 60 months	40 678 541	37 791 874	40 678 541	37 791 874
Longer than 60 months	25 297 889	36 616 446	25 297 889	36 616 446
	74 408 320	**82 242 066**	**74 408 320**	**82 242 066**

There was a reclassification of the ageing of the minimum operating lease payments for the comparative year.

The WRC entered into a ten-year lease agreement during the 2016/17 financial year with Lynnwood Bridge Office Park (Pty) Ltd whereafter the tenancy is subject to renewal at the landlord's discretion. The monthly lease payments comprise the following based on area occupied:

- rental of the two (2) floors in the building escalated at 7,5% per annum over the lease period
- rental of ninety (90) parking bays escalated at 7,5% per annum over the lease period
- operating costs escalated at 8.5% per annum over the lease period
- rates and taxes pro-rated according to area occupied.

No contingent rent is payable and there are no restrictions on the lease.

11. PAYABLES

	Group 2019 R	Group 2018 R	WRC 2019 R	WRC 2018 R
Payables from non-exchange transactions				
Income received in advance	88 908 745	70 602 476	88 908 745	70 602 476
Payables from exchange transactions				
Payables	20 310 891	15 271 217	20 301 478	15 271 216
Accruals	12 252 956	8 045 318	11 767 307	7 559 669
Deposits received	11 498	20 910	-	-
	121 484 090	**93 939 920**	**120 977 531**	**93 433 361**

The comparative year has been restated as a result of a prior period misstatement. Refer to the correction of error (note 42) for further details.

Income received in advanced is recognised as leverage income in the statement of financial performance when research deliverables are realised and achieved in respect of projects funded by leverage funded partners.

All the payables as reflected above represent payables from exchange transactions, except for Income received in advance which represents payables from non-exchange transactions.

The entity did not default on interest or capital on any payables. None of the items attached to the payables were re-negotiated during the period under review.

The maximum exposure to credit risk at the reporting date is the fair value of the payables above. The fair value of the payables approximates the carrying amount of the balances due to their short-term maturity.

12. ACCRUALS - LEAVE AND BONUS

Reconciliation of accruals — leave and bonus

GROUP - 2019	Opening Balance	Additions	Utilised during the year	Payments during the year	Re-measurement	Total
Accruals for leave	6 962 881	7 654 006	(6 491 853)	(1 882 428)	408 815	6 651 421
Accruals for bonuses	17 192	19 039	-	(34 327)	17 135	19 039
	6 980 073	**7 673 045**	**(6 491 853)**	**(1 916 755)**	**425 950**	**6 670 460**

GROUP - 2018	Opening Balance	Additions	Utilised during the year	Payments during the year	Re-measurement	Total
Accruals for leave	5 145 166	6 656 277	(5 129 444)	(1 478 896)	1 769 778	6 962 881
Accruals for bonuses	15 487	17 192	-	(30 982)	15 495	17 192
	5 160 653	**6 673 469**	**(5 129 444)**	**(1 509 878)**	**1 785 273**	**6 980 073**

WRC - 2019	Opening Balance	Additions	Utilised during the year	Payments during the year	Re-measurement	Total
Accruals for leave	6 962 881	7 654 006	(6 491 853)	(1 882 428)	408 815	6 651 421
Accruals for bonuses	17 192	19 039	-	(34 327)	17 135	19 039
	6 980 073	**7 673 045**	**(6 491 853)**	**(1 916 755)**	**425 950**	**6 670 460**

WRC - 2018	Opening Balance	Additions	Utilised during the year	Payments during the year	Re-measurement	Total
Accruals for leave	5 145 166	6 656 277	(5 129 444)	(1 478 896)	1 769 778	6 962 881
Accruals for bonuses	15 487	17 192	-	(30 982)	15 495	17 192
	5 160 653	**6 673 469**	**(5 129 444)**	**(1 509 878)**	**1 785 273**	**6 980 073**

Accruals are made for possible leave that will be taken or paid out in cash. This is based on the number of days accumulated at the reporting date.

Three (3) employees were appointed on a cost plus benefits basis. These employees are entitled to a service bonus (13th cheque). Accruals are made for the payment of service bonuses which are paid to employees on their respective birthdays.

There are uncertainties regarding the amount and timing of the cash outflows relating to the accrual for leave. Leave days may be accumulated by employees and there are uncertainties related to the amount of leave days that will be taken in the next 12 months and what the cost of the leave days taken will amount to due to possible increases in salaries in the next 12 months. Accumulated leave days may be paid out in cash in terms of the policy of the WRC. There is, however, uncertainty regarding how many employees would request a leave pay-out (due to resignations or due to accumulated leave reaching the upper limit before capitalisation is required). The cost of the actual payout will further be affected by possible increases in salaries in the next 12 months.

There are no uncertainties regarding the timing of the cash outflows relating to the accrual for bonuses since the WRC pays employees a service bonus in the month of their respective birthdays as stipulated in the policy. There are uncertainties regarding the amount of the cash outflows due to possible increases in salaries in the next 12 months.

There is no expected reimbursement in respect of these provisions for leave and bonus.

13. PROVISION

	Group		WRC	
	2019	2018	2019	2018
	R	R	R	R
Legal proceedings	-	637 500	-	637 500

During the 2017/18 financial year a former employee of the WRC took the entity to the Commission for Conciliation, Mediation and Arbitration (CCMA) on the grounds of unfair dismissal. On 23 April 2018, the CCMA issued an award of R637,500 in favour of the dismissed employee. This amount was paid in the 2018/19 financial year.

14. EMPLOYEE BENEFIT ASSET/(OBLIGATION)

Medical aid scheme

Defined benefit plan:

The WRC has made provision for a medical aid scheme covering retired employees and active employees before 1 April 2008. These funds are actuarially valued at intervals of not more than three years using the projected unit credit method. The Scheme was last actuarially valued at 31 March 2019.

The WRC carries the legal and related financial obligation to subsidise (100% subsidy level) the medical aid benefit of certain employees in retirement. As such, the WRC's post-retirement medical aid obligation represents a long dated, uncapped and unfunded liability which, if not pro-actively managed represents a significant systematic employee benefit and financial risk to the institution. It is on this basis and in terms of prudent practice, that the management of the WRC initiated a formal strategy in 2008 to manage the long dated, uncapped and unfunded costs and risks associated with its post-retirement medical aid liability as follows:

- The WRC closed the subsidy/benefit to new recruits to the WRC as of 1 April 2008.
- The WRC employed the professional services of an independent consultant and actuary to value the quantum of the liability fund (i.e. risk ring fencing) and/or buyout (i.e. liability capping) the disclosed liability in order to manage the WRC's exposure to the associated costs and risks. In the 2010/11 financial year, the WRC offered voluntary buyouts to all in service members. Members that did not accept the buyout offer and the pensioners already receiving the benefit have had the liability ringfenced through an insurance cover administered by Momentum Group Limited.

The amounts recognised in the statement of financial position are as follows:

	Group		WRC	
	2019 R	2018 R	2019 R	2018 R
Carrying value				
Present value of the defined benefit obligation-partly funded	(42 477 696)	(40 030 373)	(42 477 696)	(40 030 373)
Fair value of plan assets	37 144 587	33 828 948	37 144 587	33 828 948
Employee benefit asset/ (obligation) recognised	**(5 333 109)**	**(6 201 425)**	**(5 333 109)**	**(6 201 425)**
Movement for the year - medical aid fund				
Opening balance	(6 201 425)	(5 039 926)	(6 201 425)	(5 039 926)
Contributions by employer	3 732 973	1 277 677	3 732 973	1 277 677
Net expense recognised in the statement of financial performance	(2 864 657)	(2 439 176)	(2 864 657)	(2 439 176)
	(5 333 109)	**(6 201 425)**	**(5 333 109)**	**(6 201 425)**
Net expense recognised in the statement of financial performance - medical aid fund				
Current service cost	65 953	65 621	65 953	65 621
Interest cost	3 338 698	2 907 359	3 338 698	2 907 359
Actuarial (gains)/losses	2 416 258	1 975 571	2 416 258	1 975 571
Expected return on plan assets	(2 956 252)	(2 509 375)	(2 956 252)	(2 509 375)
	2 864 657	**2 439 176**	**2 864 657**	**2 439 176**

The current service cost represents the cost of one additional year of service for current employees.

The interest cost reflects the reducing discounting period from one year to the next (i.e. the unwinding of the discount rate over time) and allows for actual benefit payments.

The expected return on plan assets is restated for actual benefit payments from the plan assets and contributions from the company.

Actuarial gains and losses arise when actual experience differs from the assumptions made at the previous valuation (e.g. actual medical contribution increases higher than those assumed will lead to an actuarial loss).

	Group		WRC	
	2019 R	2018 R	2019 R	2018 R
Reconciliation of the defined benefit obligation				
Opening balance	40 030 373	34 055 937	40 030 373	34 055 937
Current service cost	65 953	65 621	65 953	65 621
Interest cost	3 338 698	2 907 359	3 338 698	2 907 359
Benefits paid	(3 264 718)	(2 982 540)	(3 264 718)	(2 982 540)
Net actuarial losses/ (gains)	2 307 390	5 983 996	2 307 390	5 983 996
	42 477 696	**40 030 373**	**42 477 696**	**40 030 373**

The liabilities were valued using the Projected Unit Credit Method.

The liability in respect of current continuation members is fully accounted for.

It is assumed that the continuation members will remain on the Discovery Health Classic Saver plan post retirement.

The net actuarial losses/gains consist of

	2019 R
Economic/financial assumptions	(R169,462)
Retirement of active member	R301,096
Medical subsidy increase	R965,126
Interest cost	(R1,594)
Other experience	R1,212,225
Total	**R2,307,390**

Actuarial (gain)/loss on the economic/financial assumptions
The difference in the liability resulting from financial valuation assumptions is an actuarial gain of R169 462.

Actuarial (gain)/loss on the retirement a member
The difference between the expected and actual liability for the newly retired member resulted in a loss of R301 096.

Actuarial (gain)/loss on the medical subsidy increase rate
The total average subsidy increase is higher than that previously expected on long-term assumptions, resulting in an actuarial loss of R965 126.

Actuarial (gain)/loss on the interest cost
The current interest cost is lower than that previously expected on long-term assumptions, resulting in an actuarial gain of R1 594.

Actuarial (gain)/loss on other experience items
The difference in exit experience and other items resulted in an actuarial loss of R1 212 225.

Reconciliation of the plan assets

	Group		WRC	
	2019	2018	2019	2018
	R	R	R	R
Opening balance	33 828 948	29 016 011	33 828 948	29 016 011
Expected return	2 956 252	2 509 375	2 956 252	2 509 375
Actuarial gains (losses)	(108 868)	4 008 425	(108 868)	4 008 425
Contributions by employer	3 732 973	1 277 677	3 732 973	1 277 677
Benefits paid	(3 264 718)	(2 982 540)	(3 264 718)	(2 982 540)
	37 144 587	**33 828 948**	**37 144 587**	**33 828 948**

The Company holds an annuity insurance policy with Momentum in respect of the benefits, which guarantees CPI increases to benefits in payment under the policy.

The Company has a partially funded plan. The balance is to be funded by the Company through a Company contribution.

This policy meets the definition of a "qualifying insurance policy" stated in paragraph .115 of GRAP 25, which sets out that the fair value of the policy is deemed to be the present value of the related obligations.

The plan asset was valued using the same methodology as the liabilities for continuation members, but assuming increases equal to inflation only, as this represents the obligation that is covered by the policy.

This is the same methodology as per the previous valuation.

Key assumptions used

The financial assumptions, which is the same for the economic entity and the WRC, at the current and previous valuation dates are shown below:

	2019	2018
	R	R
Financial Valuation Assumptions		
Discount rates used	9.13%	8.68%
Medical contribution inflation	7.16%	-7.75%
Net discount rate for calculating liabilities	**1.84%**	**0.86%**
Expected return on assets	9.13%	8.68%
Inflation	5.66%	6.25%
Net discount rate for calculating assets	**3.29%**	**2.29%**

Financial valuation assumptions

GRAP 25 requires that the financial assumptions shall be based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The assumptions used are based on statistics and market data as at 31 March 2019 and are consistent with the requirements of GRAP 25.

Discount rate assumption

The discount rate required by GRAP 25 should be set with reference to the market yield on government bonds. GRAP 25 places emphasis on matching the discount rate to the duration of the liabilities.

The discount rate was determined by taking the yield from the zero-coupon SA Government bond curve with a duration of 9 years. The recommended discount rate as at 31 March 2019 is 9.13%. The source is the Johannesburg Stock Exchange through Inet BFA data service.

The duration for the previous valuation was 10 years which resulted in a discount rate of 8.68%.

Future inflation assumption

The general inflation assumption is used to estimate the base rate for determining the rate at which the future healthcare subsidies will increase.

The market's pricing of inflation was determined by comparing the yields on nominal bonds to the yields on real bonds on the yield curve for bonds with a duration of 9 years. The implied inflation assumption is therefore 5.66% per annum for future inflation. The source is the Johannesburg Stock Exchange through Inet BFA data service.

The inflation assumption used for the previous valuation was 6.25%

Future medical subsidy inflation assumption

It was assumed that medical inflation will exceed general inflation by 1.5% per annum. The implied medical inflation assumption is therefore 7.16% per annum. A gap of between 1.5% and 2.0% is generally considered acceptable.

This is consistent with the assumptions of the previous valuation.

Net discount rate to value liabilities

The net discount rate for medical subsidy inflation is assumed to be 1.84% p.a. (Derived from a discount rate of 9.13% and the expected medical subsidy inflation rate of 7.16%).

The net discount rate as per the previous valuation was 0.86% per annum.

Net discount rate to value assets

The net discount rate for general inflation is assumed to be 3.29% per annum. (Derived from a discount rate of 9.13% and the expected general inflation rate of 5.66%).

The net discount rate as per the previous valuation was 2.29% per annum.

Demographic valuation assumptions

Estimates (actuarial valuation assumptions) are also required to be made about demographic variables (such as employee turnover and mortality) that will influence the cost of the benefit discounting that benefit using the Projected Unit Credit Method.

The demographic assumptions were retained from the previous year's valuation. These assumptions are as follows:

- **Post-retirement mortality:** The post-retirement mortality assumption is based on the PA (90) mortality tables, rated down two years. This assumption is consistent with that of the previous valuation.

- **Age of spouse:** We have assumed that the male spouse will be three years older than the female spouse. This is consistent with the previous valuation assumption.

Continuation of membership and family profile

The two eligible children were over age 21. We have assumed that their subsidies will cease if they are not full-time students or at the latest at age 25 (they are currently age 23).

Sensitivity analysis

The results of the valuation are dependent on the underlying assumptions made. The assumptions present the best-estimate view of future experience. The actual cost of the long-service award benefits will, however, be dependent on the actual experience.

The tables below illustrate the likely impact on results after certain changes to the underlying assumptions. These values are determined by assuming all other relevant assumptions remain constant. These tables set out the impact on results relating to changes of the following assumptions (in isolation) – all other assumptions are to be held constant:

- The discount rate (1% increase and decrease);
- The post-retirement age-rating assumptions (1-year increase and decrease); and
- The general inflation rate and hence the medical subsidy inflation rate (1% increase and decrease).

The sensitivity analysis is the same for the economic entity and the WRC.

Discount Rate	Discount rate (R)	Discount rate -1% (R)	Discount rate +1% (R)
Defined Benefit Obligation	(5 333 109)	(6 361 448)	(4 543 072)
(Cost)/saving	0	(1 028 340)	790 037
Projected interest cost	(3 710 617)	(3 657 881)	(3 752 168)
Projected return on assets	3 458 203	3 361 033	3 539 408

Post-retirement mortality rate	PA (90) - 2 R	PA (90) - 3 R	PA (90) - 1 R
Defined Benefit Obligation	(5 333 109)	(5 664 493)	(5 015 872)
(Cost)/saving	0	331 385	(317 237)
Projected interest cost	(3 710 617)	(3 862 158)	(3 561 494)
Projected return on assets	3 458 203	3 592 769	3 325 219

General inflation rate	Inflation rate R	Inflation rate -1% R	Inflation rate +1% R
Defined Benefit Obligation	(5 333 109)	(4 561 723)	(5 015 872)
(Cost)/saving	0	771 386	(987 367)
Projected interest cost	(3 710 617)	(3 374 253)	(4 110 826)
Projected return on assets	3 458 203	3 129 366	3 842 940

Comparison of Liability Results

Employee Statistics

Total liability split into active and continuation member	31 March 2019 R	31 March 2018 R
Active employees	-	1 844 984
Continuation	42 477 696	38 185 389
	42 477 696	**40 030 373**

	31 March 2019	31 March 2018	Change
Active employees			
Number	0	1	-1
Average Age	-	64.2	-
Average service	-	23.2	-
Continuation members			
Number	41	40	1
Average Age	72	71.2	0.8
Average Subsidy (R per month)	7 328	6 614	714

Developments since the previous valuation:

The one active member as per the previous report has retired over the valuation period January 2019 and is now a pensioner of the fund.

There were no other significant developments over the valuation period relating to the benefits or membership.

Amounts for the current and previous four years for the economic entity and the WRC are as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Defined benefit obligation	(42 477 696)	(40 030 373)	(34 055 937)	(32 854 000)	(33 968 815)
Plan assets	37 144 587	33 828 948	29 016 011	25 994 000	29 466 200
Net employee benefit asset/(liability)	(5 333 109)	(6 201 425)	(5 039 936)	(6 860 000)	(4 502 615)
Net expense recognised in the statement of financial performance	2 864 657	2 439 176	3 546 777	4 683 164	494 509

15. REVENUE FROM EXCHANGE TRANSACTIONS

	Group		WRC	
	2019 R	2018 R	2019 R	2018 R
Other income	214 245	407 205	214 245	407 205
Rental received	151 246	151 246	-	-
Recovery of expenditure	6 899	6 899	-	-
	372 390	**565 350**	**214 245**	**407 205**

The comparative year has been restated as a result of a prior period misstatement. Refer to the correction of error (note 42) for further details.

Investment revenue is disclosed separately in note 16.

16. INVESTMENT REVENUE

	Group		WRC	
	2019	2018	2019	2018
Interest revenue	R	R	R	R
Bank and fixed deposits	5 047 344	6 397 720	5 047 344	6 397 720
Staff loans	1 193	632	1 193	632
Loans to wholly controlled entity	-	-	-	758 066
	5 048 537	**6 398 352**	**5 048 537**	**7 156 418**

The comparative year has been restated as a result of a prior period misstatement. Refer to the correction of error (note 42) for further details.

The decline in interest revenue on loans to wholly controlled entities is due to the suspension of the interest on the loans to ERF 706 Rietfontein. The Board members approved the amendment of the loan agreements which allows ERF 706 to repay the loan after the disposal of the Marumati building, as well as the suspension of any further interest up to the date of disposal. This amendment was effective from 1 June 2017. No further interest was charged from 1 June 2017.

17. REVENUE FROM NON-EXCHANGE TRANSACTIONS

	Group		WRC	
	2019	2018	2019	2018
	R	R	R	R
Water research levies	236 607 699	224 692 702	236 607 699	224 692 702
Leverage income	42 269 973	61 118 070	42 269 973	61 118 070
Miscellaneous Income	-	5 480	-	5 480
	278 877 672	**285 816 252**	**278 877 672**	**285 816 252**

Leverage income is recognised on the basis of research deliverables being realised in respect of projects funded by leverage funded partners.

The comparative year has been restated as a result of a prior period misstatement. Refer to the correction of error (note 42) for further details.

18. DEPRECIATION, AMORTISATION AND IMPAIRMENT

	Group		WRC	
	2019	2018	2019	2018
	R	R	R	R
Property, plant and equipment – Depreciation	4 156 175	4 590 913	4 156 175	4 092 959
Property, plant and equipment – Impairment loss	3 001	38 792	3 001	38 792
Intangible assets - amortisation	414 400	421 036	414 400	421 036
	4 573 576	**5 050 741**	**4 573 576**	**4 552 787**

The comparative figures have been restated as a result of a prior period misstatement. Refer to the correction of error (note 42) for further details.

19. EMPLOYEE RELATED COSTS

	Group		WRC	
	2019	2018	2019	2018
	R	R	R	R
Basic salary	72 760 385	63 133 730	72 760 385	63 133 730
Merit bonus	6 191 707	5 213 875	6 191 707	5 213 875
Directors emoluments	542 371	482 944	542 371	482 944
Workmen's compensation- Department of Labour	384 718	373 882	384 718	373 882
Skills development levies	826 832	661 962	826 832	661 962
Company contributions – UIF	158 558	146 793	158 558	146 793
Company contributions – other	188 865	172 508	188 865	172 508
Post-employment medical aid	65 953	65 621	65 953	65 621
Leave and bonus provision	1 607 143	3 329 299	1 607 143	3 329 299
Staff bursaries	517 456	288 380	517 456	288 380
	83 243 988	**73 868 994**	**83 243 988**	**73 868 994**

20. FINANCE COSTS

	Group		WRC	
	2019	2018	2019	2018
	R	R	R	R
Finance leases	123 192	312 183	123 192	312 183
Interest on legal proceedings	29 342	-	29 342	-
Employee benefit obligations	382 446	397 984	382 446	397 984
	534 980	**710 167**	**534 980**	**710 167**

During the 2017/18 financial year a former employee of the WRC took the entity to the Commission for Conciliation, Mediation and Arbitration (CCMA) on the grounds of unfair dismissal. On 23 April 2018, the CCMA issued an award of R637,500 in favour of the dismissed employee. Upon review of the award it was concluded that all merits of the case were not considered by the Commissioner and a decision was taken that the matter be taken to Labour Court. It was later recommended that the WRC accept the award issued by the CCMA. This review resulted in a delay in payment within the time period specified in the CCMA award with interest amounting to R29 342 as a consequence.

21. GENERAL EXPENSES

	Note(s)	Group 2019 R	Group 2018 R	WRC 2019 R	WRC 2018 R
Auditors remuneration	28	1 224 502	1 554 085	1 224 502	1 554 085
Bank charges		91 438	78 865	89 624	76 624
Commission paid		-	485 649	-	-
Catering costs (including costs associated with reference group meetings)		626 277	674 713	626 277	674 713
Consumables		62 709	34 392	62 709	34 392
Contingent rent		19 285	-	19 285	-
Corporate social responsibility		97 300	73 625	97 300	73 625
Insurance		345 445	337 770	345 445	337 770
IT expenses		3 379 209	2 494 785	3 379 209	2 494 785
Leadership development, including training		165 055	945 222	165 055	945 222
Motor vehicle expenses		7 539	10 631	7 539	10 631
Postage and courier		127 404	183 298	127 404	183 298
Professional fees		812 239	1 085 665	811 644	1 085 095
Promotions		268 430	717 227	268 430	717 227
Recruitment costs		104 394	61 561	104 394	61 561
Staff welfare		48 852	37 838	48 852	37 838
Stationery and other purchases		175 466	262 558	175 466	262 558
Subscriptions and membership fees		763 533	354 161	763 533	354 161
Telephone and fax		970 349	845 462	970 349	845 462
Travel – local (including costs associated with reference group meetings)		3 987 284	3 636 991	3 987 284	3 636 991
Travel – overseas		2 398 307	2 198 632	2 398 307	2 198 632
Utilities		1 312 447	1 163 831	1 312 447	1 163 831
Settlement fees		-	637 500	-	637 500
		16 987 464	**17 874 461**	**16 985 055**	**17 386 001**

The comparative figures have been restated as a result of a prior period misstatement. Refer to the correction of error (note 42) for further details.

22. IMPAIRMENT OF ASSETS

	Group 2019 R	Group 2018 R	WRC 2019 R	WRC 2018 R
Impairments				
Investment in wholly controlled entity	-	-	-	755 938
Loans to wholly controlled entity	-	-	72 102	19 883 454
	-	**-**	**72 102**	**20 639 392**

23. LEASE RENTALS ON OPERATING LEASE

	Group		WRC	
	2019	2018	2019	2018
	R	R	R	R
Rent payable under operating lease	9 191 059	8 404 895	9 191 059	8 404 895
Operating lease liability – Straight-lining of lease	1 769 981	2 479 076	1 769 981	2 479 076
Rental of equipment	75 498	80 804	75 498	80 804
	11 036 538	**10 964 775**	**11 036 538**	**10 964 775**

24. RESEARCH, DEVELOPMENT AND INNOVATION

	Group		WRC	
	2019	2018	2019	2018
	R	R	R	R
Research, development and innovation costs	146 020 904	165 037 203	146 020 904	165 037 203
Media and marketing (printing and publishing)	4 962 893	6 106 064	4 962 893	6 106 064
Workshops and conferences	5 822 151	13 460 695	5 822 151	13 460 695
Other research related costs	5 977 831	2 091 285	5 977 831	2 091 285
Patent registrations	350 541	97 553	350 541	97 553
	163 134 320	**186 792 800**	**163 134 320**	**186 792 800**

25. RECEIVABLE DERECOGNISED

	Group		WRC	
	2019	2018	2019	2018
	R	R	R	R
Receivable - interest and penalties	13 178	-	-	-

Refer to "Interest and penalties - SARS VAT" in the fruitless and wasteful expenditure note (note 37) for further details.

26. OPERATING SURPLUS

Operating surplus for the year is stated after accounting for the following:

	Group		WRC	
	2019	2018	2019	2018
	R	R	R	R
Operating lease charges				
Premises				
• Contractual amounts	10 961 040	10 883 971	10 961 040	10 883 971
Equipment				
• Contractual amounts	75 498	80 804	75 498	80 804
	11 036 538	**10 964 775**	**11 036 538**	**10 964 775**
(Loss)/Gain on sale of property, plant and equipment	(157 346)	19 481	(157 346)	19 481
Impairment on investment in wholly controlled entity	-	-	-	755 938
Impairment on loans to economic entities	-	-	72 102	19 883 454
Amortisation on intangible assets	414 400	421 036	414 400	421 036
Depreciation and impairment losses on property, plant and equipment	4 159 176	4 629 705	4 159 176	4 131 751
Employee costs	83 243 988	73 868 994	83 243 988	73 868 994
Research, development and innovation costs	163 134 320	186 792 800	163 134 320	186 792 800

27. TAXATION

No provision has been made for income taxation as the economic entity is exempt from company income tax in terms of Section 10(1)(cA)(i) of the Income Tax Act.

28. AUDITORS' REMUNERATION

	Group		WRC	
	2019 R	2018 R	2019 R	2018 R
Fees – external auditors	1 046 362	1 177 774	1 046 362	1 177 774
Fees – internal auditors	178 140	376 311	178 140	376 311
	1 224 502	**1 554 085**	**1 224 502**	**1 554 085**

29. CASH GENERATED FROM (USED IN) OPERATIONS

	Group		WRC	
	2019 R	2018 R	2019 R	2018 R
Surplus/(Deficit)	923 993	(5 683 544)	802 311	(24 649 035)
Adjustments for:				
Depreciation, amortisation and impairment	4 573 576	5 050 741	4 573 576	4 552 787
Gain/loss on disposal of assets and liabilities	157 346	(19 481)	157 346	(19 481)
Finance costs – Finance leases	123 192	312 183	123 192	312 183
Finance costs – retirement benefit	382 446	397 984	382 446	397 984
Impairment on wholly controlled entity loans and investment	-	-	72 102	20 639 392
Movements in operating lease assets and accruals	1 769 981	2 479 076	1 769 981	2 479 076
Other movements in retirement benefit assets and liabilities	65 953	65 621	65 953	65 621
Movements in provisions	(309 613)	1 819 420	(309 613)	1 819 420
Interest on intercompany loans	-	-	-	(758 066)
Non-cash movement of finance lease	14 530	(163 482)	14 530	(163 482)
Actuarial gains and losses	2 416 258	1 975 571	2 416 258	1 975 571
Receivable	13 178	-	-	-
Foreign exchange (profit)/loss on foreign bank accounts	(4 489 469)	1 134 399	(4 489 469)	1 134 399
Changes in working capital:				
Receivables	(1 609 991)	(5 504 472)	(1 651 804)	(5 602 095)
Payables	27 544 175	(18 544 889)	27 544 170	(19 028 396)
Provision	(637 500)	637 500	(637 500)	637 500
	30 938 054	**(16 043 373)**	**30 833 479**	**(16 206 622)**

30. COMMITMENTS

	Group		WRC	
	2019 R	2018 R	2019 R	2018 R
Commitments				
• General	7 428 278	11 832 796	7 428 278	11 832 796
Commitments				
• Research projects	240 354 689	295 249 153	240 354 689	295 249 153
Total capital commitments				
General commitments	7 428 278	11 832 796	7 428 278	11 832 796
Research project commitments	240 354 689	295 249 153	240 354 689	295 249 153
	247 782 967	**307 081 949**	**247 782 967**	**307 081 949**

General commitments relate to contractual obligations that the WRC entered into before 31 March 2019. General commitments for the comparative year has been restated with an amount of R2,885,745. At year end, research project commitments comprise of projects approved by the executive management and include those for which contracts have been signed at year end and those that at year end are in the process of being signed by all contracting parties.

As at 31 March 2019 commitments relating to research projects with signed contracts amounted to R194,183,120 (2018: R266,167,926) and projects for which contracts are in the process of signing amount to R46,171,569 (2018: R29,081,228).

31. RELATED PARTIES

	Group		WRC	
	2019 R	2018 R	2019 R	2018 R
Relationships				
Controlled entity – Erf 706 Rietfontein (Pty) Ltd			Refer to note 8	
Related party balanes				
Loan accounts – Owing (to) by related parties				
Erf 706 Rietfontein (Proprietary) Limited			7 878 459	8 205 561
Amounts included in Receivables (Payables) regarding related parties				
Erf 706 Rietfontein (Proprietary) Limited			86 483	48 305
Outstanding levy income (Debtor at year end)				
Department of Water and Sanitation			-	9 097 958
Rand Water Board			25 231 032	24 132 457
Umgeni Water Board			6 768 323	6 241 393
Related party transactions				
Interest paid to (received from) related parties				
Erf 706 Rietfontein (Proprietary) Limited			-	(758 066)
Utilities paid on behalf of related parties				
Erf 706 Rietfontein (Proprietary) Limited			552 092	550 865
Levy Income				
Department of Water and Sanitation			109 175 500	107 440 081
Rand Water Board			99 317 212	92 770 166
Umgeni Water Board			28 114 987	24 482 456
Impairment Loss				
Erf 706 Rietfontein (Pty Ltd)			72 102	20 639 392

WRC derives its main source of income (Water research levy) from the Department of Water and Sanitation and the two Water Boards in terms of the Water Research Act. The Department of Water and Sanitation, Rand Water and Umgeni Water Board collect levy income on behalf of the WRC. The rate of the levy is approved by the Minister of Water and Sanitation on an annual basis.

The Department of Water and Sanitation pays WRC the water research levy on a monthly basis in accordance with the agreement. The two Waterboards are invoiced bi-annually upon which they pay the WRC.

WRC and Department of Water and Sanitation reports to the Minister of Water and Sanitation as their Executive Authority.

The WRC and Erf 706 Rietfontein (Pty) Ltd terminated their lease agreement during the 2016/17 financial year. A condition of the early termination of the lease agreement was that no rent will be payable by the WRC as from 1 April 2016 until the time of disposal of the building. In lieu thereof the WRC will be liable for the expenditure incurred by Erf 706 Rietfontein (Pty) Ltd in respect of the maintenance and operations (including all security and utility costs) of the property.

Compensation to directors and other key management are disclosed separately in note 32.

32. EMOLUMENTS OF EXECUTIVE MANAGEMENT, BOARD OF DIRECTORS (NON-EXECUTIVE) AND CO-OPTED BOARD SUB- COMMITTEES MEMBERS

The emoluments are the same for the economic entity and the WRC.

	Group		WRC	
	2019 R	2018 R	2019 R	2018 R
Total emoluments				
Fees for services as non-executive directors	487 704	480 488	487 704	480 488
Fees for co-opted board sub-committee members	82 566	36 400	82 566	36 400
Basic salary	19 183 212	17 561 474	19 183 213	17 561 474
Bonuses and performance payments	1 484 353	2 288 819	1 484 352	2 288 819
Travel allowance	777 000	780 000	777 000	780 000
	22 014 835	**21 147 181**	**22 014 835**	**21 147 181**

	Basic salary R	Bonuses and performance payments R	Travel allowance R	Total R
Executive				
2019				
Mr DP Naidoo (CEO)	3 425 421	258 857	-	3 684 278
Mr F Ismail (CFO)	1 964 174	182 210	420 000	2 566 384
Dr MS Liphadzi	2 261 312	180 157	96 000	2 537 469
Ms R Lutchman	2 140 827	163 612	-	2 304 439
Dr M Msibi	2 098 586	105 240	81 000	2 284 826
Dr S Adams	1 961 380	149 898	-	2 111 278
Dr G Backeberg (Retired January 2019)	1 474 422	135 172	-	1 609 594
Mr JN Bhagwan	1 991 009	166 592	180 000	2 337 601
Dr V Naidoo	1 866 081	142 615	-	2 008 696
	19 183 212	**1 484 353**	**777 000**	**21 444 565**

	Basic salary R	Bonuses and performance payments R	Travel allowance R	Total R
Executive				
2018				
Mr DP Naidoo (CEO)	3 034 003	410 893	-	3 444 896
Mr F Ismail (CFO)	1 742 565	289 228	420 000	2 451 793
Dr MS Liphadzi	2 042 200	285 969	96 000	2 424 169
Ms R Lutchman	1 941 837	259 707	-	2 201 544
Dr M Msibi	1 921 785	174 326	84 000	2 180 111
Dr S Adams	1 779 070	237 938	-	2 017 008
Dr G Backeberg	1 610 173	139 943	-	1 750 116
Mr JN Bhagwan	1 797 212	264 438	180 000	2 241 650
Dr V Naidoo	1 692 629	226 377	-	1 919 006
	17 561 474	**2 288 819**	**780 000**	**20 630 293**

	Members' fees R	Other fees R	Total R
Non-executive			
2019			
Dr NP Mjoli (Chairperson)	102 592	2 765	105 357
Prof SV Nkomo (Deputy Chairperson)	71 879	1 416	73 295
Dr ME Makgae	77 484	5 035	82 519
Ms MK Mbonambi	47 718	6 007	53 725
Ms N Msezane	57 626	2 332	59 958
Dr NP Nala	60 336	3 596	63 932
Dr A Stroebel	48 184	734	48 918
	465 819	**21 885**	**487 704**
2018			
Dr NP Mjoli (Chairperson)	101 024	2 606	103 630
Prof SV Nkomo (Deputy Chairperson)	74 648	3 322	77 970
Dr ME Makgae	71 176	4 969	76 145
Ms MK Mbonambi	38 192	7 716	45 908
Ms N Msezane	59 024	3 207	62 231
Dr NP Nala	53 816	5 412	59 228
Mr M Ndhlovu	8 680	384	9 064
Dr A Stroebel	43 400	2 912	46 312
	449 960	**30 528**	**480 488**

	Members' fees R	Other fees R	Total R
Co-opted board sub-committee members			
2019			
Mr P Dlamini	30 316	2 279	32 595
Ms S Thomas	30 316	3 689	34 005
Dr J Maree	11 940	46	11 986
Dr B Sehlapelo	3 980	-	3 980
	76 552	**6 014**	**82 566**
2018			
Mr P Dlamini	17 360	2 017	19 377
Ms S Thomas	15 624	1 399	17 023
	32 984	**3 416**	**36 400**

33. FINANCIAL INSTRUMENTS DISCLOSURE

Categories of financial instruments

GROUP - 2019	At fair value R	At amortised cost R	Total R
Financial assets			
Receivables	-	43 157 748	43 157 748
Cash and cash equivalents	161 304 984	-	161 304 984
	161 304 984	**43 157 748**	**204 462 732**
Financial liabilities			
Payables	-	121 484 090	121 484 089
Revolving credit facility	372 288	-	372 288
Finance lease obligation	-	503 385	503 385
Accruals – leave and bonus	-	6 670 460	6 670 460
	372 288	**128 657 935**	**129 030 222**

GROUP - 2018	At fair value R	At amortised cost R	Total R
Financial assets			
Receivables	-	44 414 150	44 414 150
Cash and cash equivalents	134 133 209	-	134 133 209
	134 133 209	**44 414 150**	**178 547 359**
Financial liabilities			
Payables	-	93 939 920	93 939 920
Revolving credit facility	272 600	-	272 600
Finance lease obligation	-	1 558 817	1 558 817
Accruals – leave and bonus	-	6 980 073	6 980 073
	272 600	**102 478 810**	**102 751 410**

WRC - 2019	At fair value R	At amortised cost R	Total R
Financial assets			
Loans to wholly controlled entity	-	7 878 459	7 878 459
Receivables	-	43 236 925	43 236 925
Cash and cash equivalents	161 137 834	-	161 137 834
	161 137 834	**51 115 384**	**212 253 218**
Financial liabilities			
Payables	-	120 977 531	120 977 531
Revolving credit facility	372 288	-	372 288
Finance lease obligation	-	503 385	503 385
Accruals – leave and bonus	-	6 670 460	6 670 460
	372 288	**128 151 375**	**128 523 663**

WRC - 2018	At fair value R	At amortised cost R	Total R
Financial assets			
Loans to wholly controlled entity	-	8 205 561	8 205 561
Receivables	-	44 455 150	44 455 150
Cash and cash equivalents	133 815 635	-	133 815 635
	133 815 635	**52 660 711**	**186 476 346**
Financial liabilities			
Payables	-	93 433 361	93 433 361
Revolving credit facility	272 600	-	272 600
Finance lease obligation	-	1 558 817	1 558 817
Accruals – leave and bonus	-	6 980 073	6 980 073
	272 600	**101 972 251**	**102 244 851**

Receivables above do not include prepayments due to the fact that it is not a financial asset.

34. RISK MANAGEMENT

Liquidity risk

The economic entity's risk to liquidity is a result of the funds available to cover future commitments. The economic entity manages liquidity risk through an ongoing review of future commitments and credit facilities. The table below analyses the economic entity's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

GROUP	Less than 1 year R	Between 1 and 2 years R	Between 2 and 5 years R	Over 5 years R
At 31 March 2019				
Trade and other payables	121 484 089	-	-	-
Finance lease oblibation	503 385	-	-	-
At 31 March 2018				
Trade and other payables	93 939 920	-	-	-
Finance lease oblibation	1 061 638	497 179	-	-

WRC	Less than 1 year R	Between 1 and 2 years R	Between 2 and 5 years R	Over 5 years R
At 31 March 2019				
Trade and other payables	120 977 530	-	-	-
Finance lease oblibation	503 385	-	-	-
At 31 March 2018				
Trade and other payables	93 433 361	-	-	-
Finance lease oblibation	1 061 638	497 179	-	-

Interest rate risk

Due to the nature and extent of the economic entity's investments, the economic entity is not unduly exposed to interest rate risks.

Deposits attract interest at rates that vary with prime. The entity's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the financial results.

At year end, financial instruments exposed to interest rate risk were as follows:
- Balances with banks
- Deposits with the Corporation for Public Deposits.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The entity only deposits cash with major banks with high-quality credit standing and limits exposure to any one counterparty.

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

	Group		WRC	
	2019 R	2018 R	2019 R	2018 R
Financial instrument				
Corporation for Public Deposits	47 727 707	55 032 209	47 727 707	55 032 210
Bank balances	113 576 276	79 099 616	113 409 126	78 782 041

These balances represent the maximum exposure to credit risk.

Foreign exchange risk

The economic entity does not hedge foreign accounts receivables, foreign accounts payables or derivative market instruments.

The bank accounts below denominated in foreign currency are held on behalf of leverage funded partners who assume any foreign currency risk. The WRC is therefore not exposed to any foreign currency risk as at the reporting date.

Foreign currency exposure at statement of financial position date

	Group		WRC	
	2019 R	2018 R	2019 R	2018 R
Current assets				
Cash and cash equivalents, USD 987,150 (2018: 1,059,453)	14 103 912	12 337 329	14 103 912	12 337 329
Cash and cash equivalents, Euro 904,492 (2018: 250,777)	14 495 755	3 596 845	14 495 755	3 596 845

Price risk

Due to the nature and extent of the economic entity's investments, the economic entity is not unduly exposed to price risks as investments are held in trusts, cash and deposits.

35. DEFINED CONTRIBUTION PLANS

	Group		WRC	
	2019 R	2018 R	2019 R	2018 R
Medical fund scheme				
Contributions	3 923 474	3 549 656	3 923 474	3 549 656

Defined contribution plan – Medical fund:

All eligible employees are members of the defined contribution scheme. The funds are governed by the Medical Schemes Act, 1998 (Act No 131 of 1998). No plan assets are held by the entity to fund this obligation. The above contributions have been included as part of the personnel cost expense.

Included in the contributions above is an amount of R121,423 (2018: R111,629) that was contributed by the WRC (employer) to the medical fund scheme. These contributions are in respect of the employees that have been appointed on the cost plus benefits basis.

	Group		WRC	
	2019 R	2018 R	2019 R	2018 R
Pension and provident fund scheme				
Contributions	6 820 431	6 353 881	6 820 431	6 353 881

Defined contribution plan – Pension and provident fund:

The WRC has pension and provident fund schemes covering all employees. Until 31 March 2005 all eligible employees were members of the defined benefit funds administered by ABSA Consultants and Actuaries. As at 1 April 2005 both the pension fund and provident fund converted to a defined contribution fund for current employees. The effect of this is that the WRC has no liability other than the defined contributions payable to the fund on a monthly basis. No liability can arise due to any adverse market conditions. However, all pensioners remained entitled to their benefits in terms of the old dispensation. This afore-mentioned liability was outsourced to Old Mutual during the 2012/13 financial year. The above contributions have been included as part of the personnel cost expense.

Included in the contributions above is an amount of R64,195 (2018: R57,944) that was contributed by the WRC (employer) to the pension and provident fund scheme. These contributions are in respect of the employees that have been appointed on the cost plus benefits basis.

36. IRREGULAR EXPENDITURE

	Group		WRC	
	2019 R	2018 R	2019 R	2018 R
Opening balance	1 278 757	534 289	1 198 105	534 289
Add: Irregular expenditure – current year	1 327 733	744 468	1 234 755	663 816
Less: Amounts condoned	(534 289)	-	(534 289)	-
	2 072 201	**1 278 757**	**1 898 571**	**1 198 105**
Analysis of expenditure awaiting condonation per age classification				
Current year	1 327 733	744 468	1 234 755	663 816
Prior years	744 468	534 289	663 816	534 289
	2 072 201	**1 278 757**	**1 898 571**	**1 198 105**
Details of irregular expenditure for the year				
Incident				
Delays in transfer of Marumati Building (expired contracts)	854 714	366 414	854 714	366 414
Other payments in respect of expired contracts	473 019	378 054	380 041	297 402
	1 327 733	**744 468**	**1 234 755**	**663 816**

Delays in respect of transfer of Marumati Building (Expired Contracts)

The transfer of the Marumati building owned by Erf 706 Rietfontein was delayed by a number of events beyond the WRC's control. The required Ministerial and Board approvals for the disposal was finalised on 16 August 2017 and there was an expectation that the transfer would be finalised within three months (by November 2017). The WRC thus ensured that the important contracts related to essential services remained in place and were valid up to the date of transfer. These include security, cleaning and hygiene services that are required to continue until ownership is transferred. This was regarded as a necessity otherwise the building will be at risk of being vandalised if there is no security. There was also cleaning and hygiene services that needed to be provided to the tenants.

The delays related to the transfer were caused by the Purchaser who experienced challenges to provide all the required funding guarantees to the Conveyancing attorneys. Further, SARS challenged the VAT status of the transaction resulting in the Purchaser being responsible for paying VAT causing further financial strain and delay, obtaining municipality clearance certificates was delayed due to meter reading issues within the municipality.

The WRC was unable to issue a public invitation for the acquisition of security cleaning and hygiene services as there was uncertainty regarding the contract terms that would be applicable due to the uncertainty in the timing of the change of ownership. There was also a risk of entering into a contract with the possibility of early termination and then facing legal challenges from service providers. Potential service providers also indicated their reluctance to bid for a contract and incur set up costs in respect of a contract that may be terminated at any time.

After negotiation with the current service providers, the WRC have managed to contract the services on a month-to-month basis and obtained deviation approval, thus regularising these expenditures until the transfer is complete.

Other payments in respect of expired contracts

Prior to the expiry of some of the critical IT services related to cloud hosting, supply chain management (SCM) processes were followed to obtain competitive bids. However, during the evaluation and adjudication process it was found that the Bidders who submitted bids did not meet the required minimum technical standards, resulting in the procurement process being restarted and delaying the regularising of contracts. Subsequent SCM processes resulted in the qualifying Bidders pricing being significantly higher than the WRC's available budget allocated for these services. One of the Service Providers subsequent to winning the bid for cloud hosting was unable to successfully migrate the services and eventually the WRC had to terminate their contract. Due to the critical nature of the cloud hosting services for the WRC operations it is paramount that the services are not interrupted and therefore whilst the WRC was facing challenges with appointing a qualifying and capable service provider these services had to be continued.

Other payments in respect of expired contracts - Maintenance of the elevators in the Marumati Building owned by Erf 706 Rietfontein (Pty) Ltd

During the current and prior financial years payments were made in respect of maintenance of the elevators in the Marumati Building owned by Erf 706 Rietfontein (Pty) Ltd without a valid contract as the original supplier contract had expired. This was a sole source supplier.

In line with the guideline on Irregular Expenditure an investigation was undertaken in respect of the irregular expenditure incurred in prior year 2013/14. The results of the investigation were presented to the Accounting Authority (WRC Board). The Accounting Authority (WRC Board), after consideration of the results of the investigation, granted approval for the condonement of the irregular expenditure incurred during the prior financial year (2013/14) consisting of expenditure amounting to R534 289.

A detailed investigation will be undertaken, in line with the National Treasury Framework on Irregular Expenditure, and a report prepared for consideration by the Accounting Authority (WRC Board) in respect of the irregular expenditure incurred during the 2017/18 and 2018/19 financial years amounting to R744,468 and R1,327,733 respectively.

37. FRUITLESS AND WASTEFUL EXPENDITURE

	Group		WRC	
	2019 R	2018 R	2019 R	2018 R
Opening balance	13 176	12 084	-	12 084
Add: Fruitless and wasteful expenditure – current year	29 342	17 675	29 342	4 499
Less: Amounts transferred to receivables due to recoverability	-	(4 214)	-	(4 214)
Less: Amounts already recovered	-	(12 369)	-	(12 369)
Less: Amounts written off	(13 176)	-	-	-
	29 342	**13 176**	**29 342**	**-**
Interest and penalties	29 342	13 176	29 342	-
Expenditure incurred forfeited	-	4 499	-	4 499
	29 342	**17 675**	**29 342**	**4 499**

Interest and Penalties - SARS VAT (R13 176)

During the 2017/18 financial year, the South African Revenue Services (SARS) performed an audit on the VAT matters of Erf 706 Rietfontein (Pty) Ltd and determined that the entity was claiming input VAT on invoices from City of Tshwane which did not reflect the entity's VAT number. SARS initially disallowed the claims and levied penalties and interest. Erf 706 Rietfontein (Pty) Ltd objected and the claims were refunded, but the interest and penalties were not reversed.

The WRC, on behalf of Erf 706 Rietfontein engaged various officials at the City of Tshwane and, after intense and often frustrating interactions, was able to obtain revised invoices from them that contained the required VAT number for submission to SARS.

Erf 706 Rietfontein submitted numerous objections and appeals to SARS to have the interest and penalties waived and refunded. In terms of section 223(3) of the Tax Administration Act No.28 of 2011 SARS indicated that they only waive penalties and interest for a "substantial understatement". Therefore, the SARS Objection Committee ruled that the penalty did not relate to a "substantial understatement" and thus the amount is considered irrecoverable and was written off.

Interest paid on settlement

During the 2017/18 financial year a former employee of the WRC took the entity to the Commission for Conciliation, Mediation and Arbitration (CCMA) on the grounds of unfair dismissal. On 23 April 2018, the CCMA issued an award of R637,500 in favour of the dismissed employee. Upon assessment of the award it was concluded that all merits of the case were not considered by the Commissioner and a decision was taken that the matter be taken to Labour Court. The Board recommended that the WRC accept the award issued by the CCMA. This assessment resulted in a delay in payment within the time period specified in the CCMA award with interest amounting to R29 342 as a consequence.

38. BUDGET DIFFERENCES

Material differences between budget and actual amounts

Income

Other income

The budget variance amounting to R5,769,922 in respect of other income is as a result of the disposal of the Marumati building situated at Erf 706 Rietfontein (Pty) Ltd. The auction took place on 20 July 2017. The auctioneer received a written bid to the value of R9,750,000. According to GRAP, revenue from the sale of goods is only recognised when the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods; and the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. As a result, the income associated with the disposal could not be recognised since the transfer of the property and receipt of purchase price has not yet materialised as at the financial year end. The transfer of the Marumati building situated at Erf 706 Rietfontein was finalised on 12 July 2019, all loans are classified as current.

Interest income

During the 2018/19 financial year the funds from leverage funded partners were only received during the second half of the financial year resulting in lower average cash holdings over the financial year. Lower interest income was therefore earned as a result of the lower than anticipated cash holdings during the year, resulting in a budget variance of R409,794.

Levy income

The budget variance amounting to R3,104,206 in respect of the levy income for the 2018/19 financial year is as a result of the levy tariff increase not being approved by the Minister of Finance. This was as a direct consequence of the delay by the Department of Water and Sanitation in submitting the levy increase request by the WRC for the 2018/19 financial year.

Leverage income

The total leverage income budget for the 2018/19 financial year amounted to R45,452,590, however, due to a number of project related challenges the WRC's actual leverage income for the year amounted to R42,269,973 resulting in a R3,182,617 variance.

The main reasons are as follows:

- The WADER and PMU partnership contracts were signed later than anticipated and new research contracts could only be instituted in February and March 2019 respectively, resulting in some deliverables not being realised as planned since final approvals within the national department required National Treasury approvals of the proposal for GBS funds.
- The SASTEP programme was redesigned, resulting in 3 to 5 planned demonstrations not being realised due to the need to advertise for new positions before starting any new research and development projects.
- DEA contracts were expected to be signed in December 2018, but were delayed as DEA were going through a review process and later advised that all new research and development contracts would be in the form of an SLA under goods and services within DEA. This process has been followed and as at March 2019, the WRC was still awaiting approval of the proposal in the new DEA template format.

Expenditure

Fixed costs

The budget variance of R493,713 in respect of fixed costs is mainly as a result of the expenses relating to the Marumati building that we are still incurring up to the date of transfer.

Running costs

In line with cost saving initiatives there were savings on the budget amounting to R857,610 during the 2018/19 financial year in respect of IT related costs, professional fees and promotions and publicity.

Human resources costs

The budget variance of R4,868,203 in respect of human resources cost is mainly as a result of the following:

- New appointments planned to be filled during the 2018/19 year, whilst many were only filled during the end of the 2018/19 financial year.
- New appointments planned to be filled during the 2018/19 year kept on hold as a result of the delay in the approval of the levy tariff increase request.
- Terminations during the 2018/19 year, resulting in the positions being vacant for a few months whilst the recruitment process is in progress.
- Merit bonuses paid during the 2018/19 financial year which is lower than the budget amounting to R2,075,904 as per the Ministerial decision.

Research, development and innovation costs

The budget variance of R8,390,059 for the 2018/19 financial year in respect of research, development and innovation costs is mainly as a result of the following:

- Levy tariff increase request denied for the 2018/19 financial year decreasing funds available for expenditure.
- Delays experienced with the transfer of the property resulting in a shortage in funds available for expenditure.
- Delays experienced in achieving leverage deliverable targets related to the R2,872,657 lower than budgeted leverage income results.
- Successful cost saving measures, including smart partnerships to defray costs.

Corporate expenditure

The budget variance of R799,111 in respect of corporate expenditure is mainly as a result of internal audit costs being less than anticipated. This was mainly due to the postponement of the audit of the risk management process to the 2019/20 financial year. Except for the above, there were no other material differences between the final budget and the actual amounts.

Capital expenditure

The budget variance of R198,610 for the 2018/19 financial year in respect of capital expenditure is mainly as a result of the costs incurred relating to website development.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters.

39. RECONCILIATION BETWEEN BUDGET AND STATEMENT OF FINANCIAL PERFORMANCE

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

	R
Net surplus per the statement of financial performance	923 943
Adjusted for:	
Depreciation, amortisation and impairment	4 573 576
Employee benefit obligation	448 399
Employee benefit payments	(3 732 973)
Accrual - leave and bonus	1 607 143
Actual leave payout	(1 916 755)
Actuarial (gains)/losses	2 416 258
Write off	13 178
Operating lease: Movement in straight lining of operating leases	1 769 981
Capital expenditure incurred	(4 504 026)
Loss on derecognition of assets	157 346
	1 756 121

The budget is approved on a cash basis by nature classification. The approved budget covers the fiscal period from 1 April 2018 to 31 March 2019 and is in respect of the WRC and its subsidiary.

The above reconciling items is as a result of the financial statements being prepared on an accrual basis, whilst the budget is prepared on a cash basis.

A reconciliation between the actual amounts on a comparable basis as presented in the Statement of Budget and Actual Amounts and the actual amounts in the Statement of Financial Performance for the period ended 31 March 2019 is presented above. The Financial Statements and budget documents are prepared for the same reporting period.

40. GOING CONCERN

Attention is drawn to the fact that as at 31 March 2019, the economic entity had an accumulated surplus and that the entity's total assets exceed its liabilities by R82,237,087.

Attention is further drawn to the fact that as at 31 March 2019, the WRC had an accumulated surplus and that the entity's total assets exceed its liabilities by R90,533,175.

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

41. COMPARATIVE FIGURES

Certain comparative figures have been restated as a result of prior period errors.

42. PRIOR PERIOD ERRORS

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

GROUP 2019	Note	As previously reported	Correction of error	Restated
Receivables	4	43 456 872	366 860	43 823 732
Accumulated surplus		(81 992 086)	678 992	(81 313 094)
Cash and cash equivalents	5	133 860 609	272 600	134 133 209
Revolving credit facility	5	-	(272 600)	(272 600)
Property, plant and equipment	6	15 225 872	(359 324)	14 866 548
Payables	11	(93 253 392)	(686 528)	(93 939 920)

WRC 2019	Note	As previously reported	Correction of error	Restated
Receivables	4	43 480 094	366 860	43 846 954
Accumulated surplus		(90 409 855)	678 992	(89 730 863)
Cash and cash equivalents	5	133 543 035	272 600	133 815 635
Revolving credit facility	5	-	(272 600)	(272 600)
Property, plant and equipment	6	15 225 872	(359 324)	14 866 548
Payables	11	(92 746 834)	(686 528)	(93 433 362)

Statement of financial performance

GROUP 2019	Note	As previously reported	Correction of error	Restated
Revenue from exchange transactions: Other income	15	(535 016)	(30 334)	(565 350)
Revenue from exchange transactions: Interest received	16	(6 418 631)	20 279	(6 398 352)
Revenue from non-exchange transactions	17	(287 813 969)	1 997 717	(285 816 252)
Depreciation, amortisation and impairment	18	5 523 124	(472 383)	5 050 741
General expenses	21	17 655 570	218 891	17 874 461
Loss/gain on disposal of assets and liabilities		(26 049)	6 567	(19 482)

WRC 2019	Note	As previously reported	Correction of error	Restated
Revenue from exchange transactions: Other income	15	(376 871)	(30 334)	(407 205)
Revenue from exchange transactions: Interest received	16	(7 176 697)	20 279	(7 156 418)
Revenue from non-exchange transactions	17	(287 813 969)	1 997 717	(285 816 252)
Depreciation, amortisation and impairment	18	5 025 170	(472 383)	4 552 787
General expenses	21	17 167 110	218 891	17 386 001
Loss/gain on disposal of assets and liabilities		(26 049)	6 567	(19 482)

Errors

The details of the prior period errors are summarised below:

Accrued debtors: study grants

The policy of the WRC states that an employee who receives a study grant must immediately repay the full amount paid by the WRC on dismissal by the WRC, failure of examinations, without the option to repeat a course; abandonment of study; or being absent for exams. The study grant agreements further stipulate that the employees must also pay interest on such amount, calculated at the prime rate per annum.

During the 2017/18 financial year, two employees did not adhere to their study grant agreement and had to repay the WRC. They commenced with the repayments during the 2017/18 financial year. The debtor and the associated income and interest revenue was erroneously not raised during 2017/18.

	R
Statement of Financial Position Items:	
Receivables other	R30,966
Statement of Financial Performance:	
Miscellaneous Income	(R30,334)
Interest received – Investment	(R632)

Payables – Accruals and related software license expenses

During the current year transactions were identified in respect of IT costs that related to the 2017/18 financial year for which an accrual should have been raised. This omission in the accruals list for the 2017/18 financial year is a direct consequence of the delays in the invoicing by the service providers for services rendered. The process of monthly follow-up with service providers to ensure timeous invoicing and payment occurs in an ongoing process and this was an isolated occurrence.

The impact of the above can be summarised as folllows:

	R
Statement of Financial Position Items:	
Accruals (payables)	(R218,891)
Statement of Financial Performance:	
IT expenses	R218,891

Leverage income

During the current financial year transactions were identified that related to previous financial years for which leverage income was erroneously not recognised.These transactions were identified during the detail review process of leverage income and income received in advance for the 2018/19 financial year which included a reconciliation process between the transactions reflected in the foreign bank and the amount reflected in the income received in advance account including a detailed analysis of funding arrangements with funders

The leverage funded contracts are complex in nature and the contract terms are often subject to interpretations by the parties which is only finalised during the reconciliations towards the closure of projects. This often results in prior period adjustments as a consequence of the different interpretations of the contract terms over the contract period.

The processes and controls in place in respect of the management of leverage funded projects, and the recognition of the associated leverage income are continuously improved where internal control deficiencies are identified.

The impact of the above can be summarised as folllows:

	R
Statement of Financial Position Items:	
Income received in advance (Payables)	(R467,637)
Accumulated Surplus	(R1,886,884)
Receivables other	R335,893
Statement of Financial Performance:	
Leverage income	R1,997,718
Interest received	R20,910

Property, plant and equipment

During the 2017/18 financial year audit, there was an unresolved finding related to assets that resulted from the incorrect/ inconsistent approach followed in respect of the review of useful lives and this impacted the calculation of depreciation/amortisation.

The assets acquired prior to the financial year ended 31 March 2016 would have been fully depreciated if the assets were depreciated on a straight-line basis rather than using revised estimated useful lives as determined during the annual revision of the remaining useful lives. These assets are mainly used for administrative purposes and is not used primarily in the production of income and in the main not considered significant to the entity's operations. In line with GRAP, the determination of the useful life at acquisition of these assets was fair and considered appropriate as all available information was considered and therefore there was no need to adjust the remaining useful lives during the annual reviews. The fact that the assets was still in use even if fully depreciated, is permitted and is appropriate in the WRC environment as explained above.

The WRC inconsistently followed the approach in respect of the review of useful lives in the past. This resulted in some assets remaining useful life being reassessed while others were shown as fully depreciated assets still in use.

The impact of the above can be summarised as folllows:

	R
Statement of Financial Position Items:	
PPE: Cost and Accumulated Depreciation	(R359,324)
Accumulated Surplus	R825,140
Statement of Financial Performance:	
Depreciation	(R472,383)
Loss/gain on disposal of assets and liabilities	R6,567

Cash and cash equivalent

During the current financial year, a reclassification was made to the prior year cash and cash equivalent disclosure. The revolving credit facility is now reflected separately as a current liability and is not offset against the current asset.

The impact of the above can be summarised as folllows:

	R
Statement of Financial Position Items:	
Cash and cash equivalent (Asset)	R272,600
Revolving credit facility (Liability)	(R272,600)

43. EVENTS AFTER THE REPORTING PERIOD

The bid to the value of R9,750,000 in respect of the disposal of the Marumati Building ("the Property") owned by Erf 706 Rietfontein (Pty) Ltd was approved by the Board on 16 August 2017. The transfer and registration was finalised at the Deeds office on 12 July 2019.

No further events after the reporting date were identified that require adjustment or disclosure in the financial statements.

SECTION E

ERF SEWE-NUL-SES RIETFONTEIN (PTY) LTD
ANNUAL FINANCIAL STATEMENTS

GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE
South Africa

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES
The main business of the company is to own the immovable property known as Erf 706 Rietfontein and supplementary to the aim of the Water Research Commission to place the property at the disposal of the WRC as their main place of business.

DIRECTORS
Mr DP Naidoo

Dr N Mjoli (Chairperson)

REGISTERED OFFICE
Marumati Building

491 18th Avenue

Rietfontein

Pretoria

0084

CONTROLLING ENTITY
Water Research Commission

AUDITORS
Auditor-General of South Africa

COMPANY REGISTRATION NUMBER
1984/003566/07

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON ERF SEWE NUL SES RIETFONTEIN (PROPRIETARY) LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. I have audited the financial statements of the ERF 706 Rietfontein (Pty) Ltd set out on pages 142 to 166, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as the 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 ERF 706 Reitfontein (Pty) Ltd as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with Standard of Generally Recognised Accounting Practise (GRAP) and the requirements of the Public Finance Management Act (Act no. 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 Auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

4. I am independent of the company in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) and the 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 codes.

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.

Disposal of Investment property

7. As disclosed in note 3 to the financial statements, the disposal of the Marumati Building ("the Property"), owned by Erf 706 Rietfontein (Pty) Ltd, was approved by the Board and the Minister of Water and Sanitation on 22 February 2016 and 14 May 2016 respectively. The auctioneer was appointed on 7 April 2017 through a competitive bidding process to dispose of the property by means of an auction. The auction took place on 20 July 2017. The auctioneer received a written bid to the value of R9,750,000. The Board accepted the bid on 16 August 2017.

8. The transfer of the Marumati Building, owned by ERF 706, has been delayed by a number of events beyond the company's control. The transfer and registration was finalised at the Deeds office on 12 July 2019. The financial statements have therefore been prepared on a liquidation basis.

Responsibilities of the accounting authority for the financial statements

9. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standard of Generally Recognised Accounting Practise (GRAP) and the requirements of the Public Finance Management Act (Act no. 1 of 1999) (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.

10. In preparing the financial statements, the accounting authority is responsible for assessing the ERF 706 Rietfontein (Pty) Ltd.'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 company or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

11. 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.

12. 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

13. In terms of section 55(2)(a) of the PFMA, the company is required to prepare an annual performance report. The performance information of the company was reported in the annual performance report of Water Research Commission. The usefulness and reliability of the reported performance information was tested as part of the audit of Water Research Commission (WRC) and any audit findings are included in the management and Auditor's reports of the WRC.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

14. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the company with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

15. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

OTHER INFORMATION

16. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the chairperson's report. The other information does not include the financial statements.

17. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

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

19. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

20. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

Auditor-General

Pretoria

31 July 2019

AUDITOR-GENERAL SOUTH AFRICA

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. 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 portfolios and on the company's compliance with respect to the selected subject matters.

Financial statements

2. 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 [consolidated and separate] 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 company's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
- Conclude on the appropriateness of the board of directors, which constitutes the accounting authority's 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 related to events or conditions that may cast significant doubt on the ERF 706 Reitfontein (Pty) Ltd ability 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 the 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 company to cease continuing as a going concern
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. 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.

4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

INDEX:

ERF SEWE NUL SES RIETFONTEIN (PROPRIETARY) LIMITED FINANCIAL STATEMENTS

The reports and statements set out below comprise the financial statements presented to the shareholders:

The financial statements set out on pages 142 to 163, which have been prepared on a liquidation basis, were approved by the Board of Directors on and were signed on 30 May 2019 its behalf by:

Mr DP Naidoo
Chief Executive Officer

Dr NP Mjoli
Chairperson of the Board

DIRECTORS' REPORT

1. GENERAL REVIEW

In order for stakeholders to review the business and operations of the company for the reporting period in general, the Directors draw attention to the statements of financial position, financial performance, changes in net assets and cash flows attached. These statements clearly reflect the business of the company, its results and state of affairs.

The Companies Act, Act no. 71 of 2008 requires that the Directors report on any material facts or circumstances which occurred between the reporting date and the date of their report. The material matters and circumstances that occurred during the period under review are contained in the specific matters below.

2. SPECIFIC MATTERS

The main aim of the company is that of owning immovable property known as Erf 706 Rietfontein, including all permanent improvements, and to use the property for the purpose of promoting the operations of the Water Research Commission (WRC).

The Board of the WRC approved its relocation to new premises on 28 September 2015 whereafter a letter was submitted to the Minister of Water and Sanitation for the approval of the relocation. On 2 January 2016 the WRC obtained official written approval from the Minister of Water and Sanitation to relocate to new premises in the Pretoria East vicinity within the Science precinct. Following Ministerial approval to relocate to the new premises, the disposal of the Marumati building ("the Property") owned by Erf 706 Rietfontein (Pty) Ltd was approved by the Board and the Minister of Water and Sanitation on 22 February 2016 and 14 May 2016 respectively.

Cahi Auctioneers was appointed on 7 April 2017 through a competitive bidding process to dispose of the property by means of an auction. The auction took place on 20 July 2017. The auctioneer received a written bid to the value of R9,750,000. The Board accepted the bid on 16 August 2017. This disposal of the property effectively means that the company is not able to continue its main business of renting property for use by the WRC.

The transfer of the Marumati building has been delayed by a number of events beyond the entity's control. The delays related to the transfer resulted from challenges experienced by the Purchaser, including providing all the required funding guarantees to the Conveyancing attorneys, SARS challenged the VAT status of the transaction causing further financial strain on the transaction and obtaining the municipality clearance certificate was delayed due to meter reading issues within the municipality.

The transfer of the Marumati building situated at Erf 706 Rietfontein was finalised on 12 July 2019. This has been disclosed in the notes to the annual financial statements as an event after the reporting period.

No shares were allotted or issued by the company during the period under review. The entity is wholly owned by the WRC.

No dividends were paid or declared during the period under review and we have no recommendation to make in respect of dividends.

3. DIRECTORS

Directors and certain members of staff of the WRC managed the business of the company. No third person was involved in managing the entity.

The names of the directors are shown below:

- Mr DP Naidoo
- Dr N Mjoli

There were no changes in Directors during the period under review.

4. COMPANY SECRETARY

The company's secretary is Rene Vorster.

STATEMENT OF FINANCIAL POSITION

	Note(s)	2019 R	2018 R
Assets			
Current assets			
Investment property	3	9 750 000	9 750 000
Receivables from exchange transactions	4	8 265	25 083
Cash and cash equivalents	5	167 150	317 574
		9 925 415	**10 092 657**
Non-current assets			
Deferred tax	6	5 599 682	5 495 573
Total Assets		**15 525 097**	**15 588 230**
Liabilities			
Current liabilities			
Other financial liabilities	7	30 008 580	30 263 580
Payables from exchange transactions	8	593 042	554 864
		30 601 622	**30 818 444**
Non-current liabilities			
Deferred tax	6	1 453 913	1 332 231
Total liabilities		**32 055 535**	**32 150 675**
Net assets		**(16 530 438)**	**(16 562 445)**
Share capital	9	1	1
Accumulated surplus / (deficit)		(16 530 439)	(16 562 446)
Total net assets		**(16 530 438)**	**(16 562 445)**

STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2019 R	2018 R
Revenue			
Revenue from exchange transactions			
Other income	10	158 145	158 145
Expenditure			
Finance costs	11	-	(758 066)
Receivable derecognised	12	(13 178)	-
General expenses	13	(2 409)	(488 460)
Repairs and maintenance		(92 978)	(87 566)
Total expenditure		**(108 565)**	**(1 334 092)**
Operating surplus/(deficit)		**49 580**	**(1 175 947)**
Fair value adjustments	14	-	(17 450 000)
Surplus/(deficit) before taxation		**49 580**	**(18 625 947)**
Taxation	15	(17 573)	4 238 065
Surplus/(Deficit) for the year		**32 007**	**(14 387 882)**

STATEMENT OF CHANGES IN NET ASSETS

	Share capital R	Accumulated surplus R	Total net assets R
Balance at 1 April 2017	**1**	**(2 174 564)**	**(2 174 563)**
Changes in net liabilities			
Surplus / (Deficit) for the year	-	(14 387 882)	(14 387 882)
Total changes	-	(14 387 882)	(14 387 882)
Balance at 1 April 2018	**1**	**(16 562 446)**	**(16 562 445)**
Changes in net liabilities			
Surplus / (Deficit) for the year	-	32 007	32 007
Total changes	-	32 007	32 007
Balance at 31 March 2019	**1**	**(16 530 439)**	**(16 530 438)**
Note	9		

CASH FLOW STATEMENT

	Note(s)	2019 R	2018 R
Cash flows from operating activities			
Receipts			
Cash receipts from customers		214 181	270 153
Payments			
Cash paid to suppliers		(109 605)	(106 903)
Net cash flows from operating activities	**16**	**104 576**	**163 250**
Cash flows from financing activities			
Repayments of other financial liabilities		(255 000)	(1 020 000)
Net cash flows from financing activities		(255 000)	**(1 020 000)**
Net increase/(decrease) in cash and cash equivalents		**(150 424)**	**(856 750)**
Cash and cash equivalents at the beginning of the year		317 574	1 174 324
Cash and cash equivalents at the end of the year	**5**	**167 150**	**317 574**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the accounting policies below which considers the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) with regard to the basic recognition, measurement and disclosure requirements, taking into account the circumstances that will impact the amounts that will be recovered or settled, where relevant.

The company has disposed of its immovable property and, as a result, will not be able to continue as a going concern. The auction took place on 20 July 2017. The auctioneer received a written bid to the value of R9,750,000. The Board approved the bid on 16 August 2017. The transfer of the Marumati building has been delayed by a number of events beyond the WRC's control. The delays related to the transfer resulted from challenges experienced by the Purchaser, including providing all the required funding guarantees to the Conveyancing attorneys, SARS challenged the VAT status of the transaction causing further financial strain on the transaction and obtaining the municipality clearance certificate was delayed due to meter reading issues within the municipality. The transfer of the Marumati building, situated at Erf 706 Rietfontein, was finalised on 12 July 2019. These financial statements have therefore been prepared on a liquidation basis of accounting and are in accordance with the historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

1.1 Going concern assumption

These financial statements were prepared based on the expectation that the entity will not be able to continue to operate as a going concern for at least the next 12 months. Accordingly, assets are measured at their liquidation values (representing the impaired values thereof) and liabilities are measured at their exit values.

The going concern difficulties faced by the entity are further explained in note 21.

Judgement is required in determining whether a change in the carrying value of assets and liabilities is needed. When the going concern assumption is no longer appropriate, it is also necessary to consider whether the change in circumstances leads to the creation of additional liabilities or triggers clauses in debt contracts leading to the reclassification of certain debts as current liabilities.

The financial statements are prepared on a basis that takes into account the circumstances that will impact the amount that will be recovered or settled upon disposal of the property.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Receivables / Held to maturity investments and/or loans and receivables

The entity assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available for sale securities) is based on quoted market prices at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

Impairment testing

The entity assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in estimated future cash flows from financial assets.

The recoverable amounts of individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Expected manner of realisation for deferred tax

Deferred tax is provided for on the fair value and depreciation of investment properties based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax asset/ liability. Refer to note 6 – Deferred tax.

1.3 Investment property

Investment property is property (land or a building – or part of a building – or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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

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

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

Subsequent to initial measurement investment property is measured at fair value. The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

1.4 Financial instruments

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

Financial instruments at fair value

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Financial instruments at amortised cost

Receivables

Receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Payables

Payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Fair value measurement considerations

The fair values of listed investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

Impairment and uncollectibility of financial assets

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

All financial assets measured at amortised cost, or cost, are subject to an impairment review. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

Financial liabilities

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

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit.

1.5 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that a taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction and at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in the statement of financial performance.

1.7 Share capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.8 Contingencies

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 18.

1.9 Revenue from exchange transactions

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

Revenue from exchange transactions refers to revenue that accrued to the entity directly in return for services rendered/goods sold, the value of which approximates the considerations received or receivable. An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net trade discounts and volume rebates, and value added tax.

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest, rental income, royalties and dividends

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

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Rental income is recognised on the accrual basis in accordance with the substance of the relevant agreements.

1.10 Borrowing costs

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

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

1.11 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.12 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

The entity follows the guidance of GRAP 20 to identify related party relationships, transactions and balances and the disclosures on those identified.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

1.13 Events after reporting date

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

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

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

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

OTHER EXPLANATORY NOTES

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

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

The following standards had amendments that are effective from 1 April 2018:

- GRAP 16: Investment Property
- GRAP 21: Impairment of Non-cash Generating Assets
- GRAP 26: Impairment of Cash-generating assets

These amendments were adopted and did not have a material impact on the Annual Financial Statements.

2.2 Standards and Interpretations early adopted

The entity has chosen to early adopt the following standards and interpretations:

- GRAP 20: Related parties – Effective from 1 April 2019
- GRAP 104: Financial Instruments – Effective from 1 April 2019
- GRAP 34: Separate Financial Statements – Effective from 1 April 2020

These amendments did not have a material impact on the Annual Financial Statements.

3. INVESTMENT PROPERTY

	2019			2018		
	Valuation R	Accumulated depreciation and accumulated impairment R	Carrying value R	Valuation R	Accumulated depreciation and accumulated impairment R	Carrying value R
Investment property	9 750 000	-	9 750 000	9 750 000	-	9 750 000

Reconciliation of investment property - 2019

	Opening balance R	Total R
Investment property	9 750 000	9 750 000

Reconciliation of investment property - 2018

	Opening balance R	Fair value adjustments R	Total R
Investment property	27 200 000	(17 450 000)	9 750 000

Fair value of investment properties	9 750 000	9 750 000

	2019 R	2018 R
Details of property		
ERF 706 RIETFONTEIN, PRETORIA		
- Purchase price	615 855	615 855
- Additions since purchase	8 075 667	8 075 667
- Fair value adjustments	1 058 478	1 058 478
	9 750 000	**9 750 000**

A register containing the information required by the PFMA is available for inspection.

Details of valuation

In terms of GRAP 16, the fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The disposal of the Marumati building ("the Property") owned by Erf 706 Rietfontein (Pty) Ltd was approved by the Board and the Minister of Water and Sanitation on 22 February 2016 and 14 May 2016 respectively. Cahi Auctioneers was appointed on 7 April 2017 through a competitive bidding process to dispose of the property by means of an auction. The auction took place on 20 July 2017. The auctioneer received a written bid to the value of R9,750,000. The Board accepted the bid on 16 August 2017. The fair value of the property is based on the approved bid of R9,750,000 resulting in the fair value of investment property reflecting the market conditions at the reporting date in accordance with GRAP 16.51.

Amounts recognised in surplus and deficit for the year:

	2019 R	2018 R
Rental revenue from investment property (including recovery of expenditure)	158 145	158 145
Current assets	9 750 000	9 750 000

The transfer of the Marumati building situated at Erf 706 Rietfontein was finalised on 12 July 2019, as a result the building has been classified as a current asset.

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2019 R	2018 R
Deposits	7 305	7 305
VAT receivables	960	17 778
	8 265	**25 083**

Receivables pledged as security

No receivables were pledged as security for any financial liability.

Credit quality of receivables

Management considers that all the above financial assets are of good credit quality. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

The fair value of the receivables approximates the carrying amount of the balances due to their short-term maturity. The receivables represent deposits that will become due and receivable on demand and therefore no change is required in the carrying value of the assets.

None of the receivables that are fully performing have been renegotiated in the last year.

Receivables past due but not impaired

Receivables are all considered for impairment. At 31 March 2019, R NIL (2018: R NIL) were past due but not impaired.

Receivables impaired

As of 31 March 2019, receivables of R NIL (2018: R NIL) were impaired and provided for. The amount of the provision was R NIL as of 31 March 2019 (2018: R NIL).

GRAP 104 states that a financial asset is past due when a counterparty has failed to make a payment when contractually due. None of the receivables listed above is past due. As a result, no provision has been made for impairment.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2019 R	2018 R
Bank balances	167 150	317 574

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

The fair value hierarchy has the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.
Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 applies inputs which are not based on observable market data.

Level 1

Cash and Cash Equivalents	167 150	317 574

Credit quality of bank balances and short-term deposits, excluding cash on hand

Management considers that the above cash and cash equivalents category is of good credit quality. The maximum exposure to credit risk at the reporting date is the fair value of the cash and cash equivalents mentioned above.

The fair value of the cash and cash equivalents approximates the carrying amount of the balances. This balance represents highly liquid funds that is available for use by the entity at any point in time.
The entire cash and cash equivalents balance held by the entity is available for use.

The entity has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

Cash and cash equivalents pledged as collateral

The cash and cash equivalents are not pledged as security for any financial liabilities.

6. DEFERRED TAX

	2019 R	2018 R
Deferred tax liability		
Investment property	(1 453 913)	(1 332 231)
Deferred tax asset		
Tax losses available for set off against future taxable income	5 599 682	5 495 573
Deferred tax liability	(1 453 913)	(1 332 231)
Deferred tax asset	5 599 682	5 495 573
Total net deferred tax asset (liability)	**4 145 769**	**4 163 342**
Reconciliation of deferred tax asset \ (liability)		
At beginning of year	4 163 342	(74 723)
Increase (decrease) in tax loss available for set off against future taxable income – gross of valuation allowance	104 109	450 947
Deferred tax on fair value adjustments on investment property	(121 682)	3 787 118
	4 145 769	**4 163 342**

Use and sales rate

The deferred tax rate applied to the fair value adjustments is determined by the expected manner of recovery. Where the expected recovery is through sale the capital gains tax rate of 22,40% (2018: 22,40%) is used. If the expected manner of recovery is through indefinite use the normal tax rate of 28% (2018: 28%) is applied. If the manner of recovery is partly through use and partly through sale, a combination of capital gains rate and normal tax rate is used.

The deferred tax on the fair value adjustments comprises of:
R1 058 478 (2018: R 1 058 478) at the capital gains tax rate
R4 345 761 (2018: R 3 911 185) at the normal tax rate.

7. OTHER FINANCIAL LIABILITIES

	2019 R	2018 R
At amortised cost		
Loan No. 1 – Water Research Commission	27 743 769	27 923 769
The unsecured loan bears interest at 0% (2018:15%). The interest on the loan was suspended from 1 June 2017. The capital repayments were suspended effective 1 July 2018. The capital sum and any interest thereon must be repaid in full subsequent to the disposal of the Marumati building.		
Loan No. 2 – Water Research Commission	2 264 811	2 339 811
The unsecured loan bears interest at 0% (2018:prime plus 2%). The interest on the loan was suspended from 1 June 2017. The capital repayments was suspended effective 1 July 2018. The capital sum and any interest thereon must be repaid in full subsequent to the disposal of the Marumati building.		
Total other financial liabilities	**30 008 580**	**30 263 580**
Current liabilities		
At amortised cost	30 008 580	30 263 580

The maximum exposure to credit risk at the reporting date is the fair value of the loan mentioned above.

The entity did not default on capital repayments on loans during the year under review. The terms and conditions of the loans were renegotiated. The Board members approved the amendment of the loan agreements which allows Erf 706 Rietfontein to repay the loan after the disposal of the Marumati building, as well as the suspension of any further interest up to the date of disposal. This amendment was effective from 1 June 2017. The capital repayments was suspended effective 1 July 2018.

Since the going concern assumption is no longer appropriate and the transfer of the Marumati building situated at Erf 706 Rietfontein was finalised on 12 July 2019, the loans are classified as current liabilities.

8. PAYABLES FROM EXCHANGE TRANSACTIONS

	2019 R	2018 R
Trade payables	95 895	48 305
Accrued expenses	485 648	485 648
Deposits received	11 499	20 911
	593 042	**554 864**

The maximum exposure to credit risk at the reporting date is the fair value of the payables above. The fair value of the payables approximates the carrying amount of the balances due to their short-term maturity.

The entity did not default on interest or capital on any payables.

None of the terms attached to the payables were renegotiated in the period under review. The entity has not reclassified the categories of any financial liabilities during the financial year.

9. SHARE CAPITAL

	2019 R	2018 R
Authorised		
4 000 Ordinary shares of R1 each	4 000	4 000
Issued		
1 Ordinary share of R1 each	1	1

100% of the shares are owned by the Water Research Commission.

10. REVENUE

	2019 R	2018 R
Rental received	151 246	151 246
Recovery of expenditure	6 899	6 899
	158 145	**158 145**

There is an agreement in place, that the remaining tenant will occupy the building and continue to pay lease rentals up until disposal of the building.

11. FINANCE COSTS

	2019 R	2018 R
Current borrowings	-	758 066

The significant decline in the finance charges is due to the suspension of the interest on the loans from the WRC. The Board members approved the amendment of the loan agreements which allows Erf 706 Rietfontein to repay the loans after the disposal of the Marumati building, as well as the suspension of any further interest up to the date of disposal. This amendment was effective from 1 June 2017. No further interest was charged from 1 June 2017.

12. RECEIVABLE DERECOGNISED

	2019 R	2018 R
Receivable – interest and penalties	13 178	-

Refer to "Interest and penalties - SARS VAT" in the fruitless and wasteful expenditure note (note 22) for further details.

13. GENERAL EXPENSES

	2019 R	2018 R
Bank charges	1 814	2 241
Commission and marketing related costs	-	485 649
Professional fees	595	570
	2 409	**488 460**

The commission and marketing related costs incurred in 2018 were in respect of Cahi Auctioneers. Cahi Auctioneers was appointed on 7 April 2017 through a competitive bidding process to dispose of the property by means of an auction. The auction took place on 20 July 2017.

14. FAIR VALUE ADJUSTMENTS

	2019 R	2018 R
Investment property (Fair value model)	-	(17 450 000)

15. TAXATION

	2019 R	2018 R
Major components of taxation		
Deferred		
Originating and reversing temporary differences	17 573	(4 238 065)

No provision has been made for 2019 tax as the entity has no taxable income.

16. CASH GENERATED FROM OPERATIONS

	2019 R	2018 R
Surplus/ (deficit)	32 007	(14 387 882)
Adjustments for:		
Fair value adjustments	-	17 450 000
Debt impairment	13 178	-
Annual charge for deferred tax	17 573	(4 238 065)
Finance cost on other financial liabilities	-	758 066
Changes in working capital:		
Receivables from exchange transactions	3 640	60 146
Payables from exchange transactions	38 178	520 985
	104 576	**163 250**

17. RELATED PARTIES

	2019 R	2018 R
Relationships		
Holding company: Water Research Commission		
Related party balances		
Loan accounts – Owing (to) by related parties		
Water Research Commission	(30 008 580)	(30 263 580)
Amounts included in Receivables (Payables) regarding related parties		
Water Research Commission: Payable	(86 483)	(48 305)
Related party transactions		
Interest paid to (received from) related parties		
Water Research Commission	-	758 066
Utilities paid by related parties		
Water Research Commission	(552 092)	(550 865)

The Board members approved an amendment to the loan agreements which allows Erf 706 Rietfontein to repay the loan after the disposal of the Marumati building, as well as the suspension of any further interest up to the date of disposal. This amendment was approved and is effective from 1 June 2017. The interest on the loans were suspended from 1 June 2017.

The WRC and Erf 706 Rietfontein (Pty) Ltd terminated their lease agreement during the 2016/17 financial year. A condition of the early termination of the lease agreement was that no rent will be payable by the WRC as from 1 April 2016 until the time of disposal of the building. In lieu thereof the WRC will be liable for the expenditure incurred by Erf 706 Rietfontein (Pty) Ltd in respect of the maintenance and operations (including all security and utility costs) of the property.

18. CONTINGENCIES

No contingencies existed at year end of which management were aware.

19. FINANCIAL INSTRUMENTS DISCLOSURE

Categories of financial instruments

	At Fair Value R	At amortised cost R	Total R
2019			
Financial assets			
Receivables from exchange transactions	-	7 305	7 305
Cash and cash equivalents	167 150	-	167 150
	167 150	**7 305**	**174 455**

	At amortised cost R	Total R
Financial liabilities		
Other financial liabilities	30 008 580	30 008 580
Payables from exchange transactions	593 042	593 042
	30 601 622	**30 601 622**

	At Fair Value R	At amortised cost R	Total R
2018			
Financial assets			
Receivables from exchange transactions	-	7 305	7 305
Cash and cash equivalents	317 574	-	317 574
	317 574	**7 305**	**324 879**

	At amortised cost R	Total R
Financial liabilities		
Other financial liabilities	30 263 580	30 263 580
Payables from exchange transactions	554 864	554 864
	30 818 444	**30 818 444**

The entity has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

VAT payable/receivable is not included in the disclosure above due to the fact that it is not a financial asset/liability.

20. RISK MANAGEMENT

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, entity treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. Liquidity risk is the risk that a company may be unable to meet short term financial demands. The entities current liabilities exceeds its current assets indicating that there will not be sufficient funds to settle all liabilities. The entity is not a going concern thus it is unlikely that the liquidity position will change in the future.

The table below provides an analysis of the entity's financial liabilities into relevant maturity groupings based on the remaining period at the date of statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year R	Between 1 and 2 years R	Between 2 and 5 years R	Over 5 years R
At 31 March 2019				
Payables	593 042	-	-	-
Loan 1: Water Research Commission	27 743 769	-	-	-
Loan 2: Water Research Commission	2 264 811	-	-	-
At 31 March 2018				
Payables	554 864	-	-	-
Loan 1: Water Research Commission	27 923 769	-	-	-
Loan 2: Water Research Commission	2 339 811	-	-	-

In the prior period the loans were classified as current, as there was an expectation that the Marumati building would be disposed of and the loan repaid, within a period of 12 months after year end. The auction of the building took place on 20 July 2017. The auctioneer received a written bid to the value of R9,750,000. The Board granted approval for the disposal of the Marumati Building situated at Erf 706 Rietfontein (Pty) Ltd on 16 August 2017. The bid price obtained is a clear indication that there is an expectation that there will not be sufficient funds to settle all the entities liabilities.

The transfer of the Marumati Building owned by Erf 706 Rietfontein has been delayed by a number of events beyond the WRC control. The loan remains classified as current as there exists an expectation that the delays will be resolved, the building transferred to the new owner and the loan repaid within the next 12 months.

Interest rate risk

As the entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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

	2019 R	2018 R
Financial instrument		
ABSA Bank	167 150	317 574
Receivables	7 305	7 305

21. GOING CONCERN

We draw attention to the fact that at 31 March 2019, the entity had an accumulated surplus (deficit) of R (16 530 439) and that the entity's total liabilities exceed its assets by R (16 530 438).

These financial statements were not prepared based on the expectation that the entity will be able to continue to operate as a going concern. The disposal of the primary source of income, the immovable property known as ERF 706 Rietfontein was finalised on 12 July 2019 and, as a result, the going concern assumption is no longer appropriate. Accordingly, assets are measured at their liquidation values (representing the impaired values thereof) and liabilities are measured at their exit values.

22. FRUITLESS AND WASTEFUL EXPENDITURE

	2019 R	2018 R
Opening balance	13 176	-
Add: Fruitless and wasteful expenditure - current year	-	13 176
Less: Expenditure written off	(13 176)	-
Closing balance	**-**	**13 176**
Interest and penalties - SARS	-	13 176

During the 2016/17 financial year, the South African Revenue Services (SARS) performed an audit on the VAT matters of Erf 706 Rietfontein (Pty) Ltd and determined that the entity was claiming input VAT on invoices from City of Tshwane which did not reflect the entity's VAT number. SARS initially disallowed the claims and levied penalties and interest. Erf 706 Rietfontein (Pty) Ltd objected and the claims were refunded but the interest and penalties were not reversed.

The WRC on behalf of Erf 706 Rietfontein engaged various officials at the City of Tshwane and after intense and often frustrating interactions was able to obtain revised invoices from them that contained the required Erf 706 Rietfontein VAT number for submission to SARS.

Erf 706 Rietfontein submitted numerous objections and appeals to SARS to have the interest and penalties waived and refunded. In terms of section 223(3) of the Tax Administration Act No.28 of 2011 SARS indicated that they only waive penalties and interest for a "substantial understatement". Therefore, SARS Objection Committee ruled that the penalty did not relate to a "substantial understatement" and thus the amount is considered irrecoverable and was written off.

All City of Tshwane invoices now include VAT numbers.

23. IRREGULAR EXPENDITURE

	2019 R	2018 R
Opening balance	80 652	-
Add: Irregular Expenditure - current year	92 978	80 652
	173 630	**80 652**
Analysis of expenditure awaiting condonation per age classification		
Current year	92 978	80 652
Prior years	80 652	-
	173 630	**80 652**
Details of irregular expenditure for the year		
Incident		
Payments in respect of expired contract	**92 978**	**80 652**

During the current and prior financial years payments were made in respect of maintenance of the elevators in the Marumati building owned by Erf 706 Rietfontein (Pty) Ltd without a valid contract as the original supplier contract had expired. This was a sole supplier.

24. EVENTS AFTER THE REPORTING DATE

The bid to the value of R9,750,000 in respect of the disposal of the Marumati building ("the Property") owned by Erf 706 Rietfontein (Pty) Ltd was approved by the Board on 16 August 2017. The transfer and registration was finalised at the Deeds office on 12 July 2019.

No further events after the reporting date were identified that require adjustment or disclosure in the financial statements.

TAX COMPUTATION

	R
Net income per income statement	49 580
Temporary differences	
Section 13 quin allowance	(434 576
Impairment of VAT receivable	13 178
	(421 398)
Tax loss carried forward	**(371 818)**
Tax thereon @ 28%	-

WATER RESEARCH COMMISSION (WRC)

Tel: +27 (0)12 761 9300
Fax: +27 (0)12 331 2565
Email: info@wrc.org.za
Web: www.wrc.org.za

Physical address: Lynnwood Bridge Office Park, Bloukrans Building, 2nd Floor, 4 Daventry Street, Lynnwood Manor, Pretoria

Postal address: Private Bag X03, Gezina, 0031, Pretoria, South Africa

WATER
RESEARCH
COMMISSION