



Komati Basin Water Authority

Annual Financial Statements
for the year ended 31 March 2016

Audited

Komati Basin Water Authority

Financial Statements for the year ended 31 March 2016

Index

The reports and statements set out below comprise the financial statements presented to the board of directors::

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Komati Basin Water Authority

Financial Statements for the year ended 31 March 2016

Directors' Responsibilities and Approval

The directors are required to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the basis of accounting as described in Note 1,

The financial statements are prepared in accordance with the basis of accounting as described in Note 1, and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

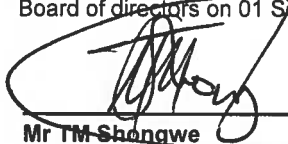
The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control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

The directors have reviewed the entity's cash flow forecast for the year to 31 March 2017 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

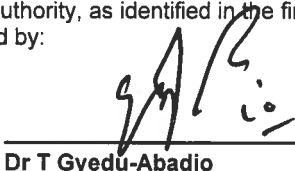
The auditor is responsible for reporting on whether the financial statements are presented in accordance with the basis of accounting as set out in the financial statements.

Approval of annual financial statements

The annual financial statements of Komati Basin Water Authority, as identified in the first paragraph, were approved by the Board of directors on 01 September 2016 and were signed by:



Mr TM Shongwe
Chairperson: KOBWA Board



Dr T Gyedu-Abadio
Chairperson: Risk & Audit Committee



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Independent Auditor's Report

We have audited the financial statements of Komati Basin Water Authority, which comprise the statement of financial position at 31 March 2016, and the summary income statement, statement of changes in government funding and statement of cash flows for the year then ended, and the notes to the financial statements which include the basis of accounting and other explanatory notes as set out on pages 5 to 17. These financial statements are prepared to meet the requirements of the Treaty.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and presentation of these financial statements in accordance with the basis of accounting as described in Note 1, for determining the acceptability of the basis of accounting and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to the financial statements.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 1 which describes the purpose of the financial statements and sets out the basis of accounting. As a result the financial statements may not be suitable for another purpose. Our report is intended solely for the directors.

KPMG Inc.

Per: **Jeremy van Niekerk**
Chartered Accountant (SA)
Registered Auditor
Director
10 November 2016

KPMG Inc is a company incorporated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG Inc is a Registered Auditor, in public practice, in terms of the Auditing Profession Act, 26 of 2005.

Registration number 1999/021543/21

Policy Board:
Chief Executive: TH Hoole

Executive Directors: M Letsitsi, SL Louw, NKS Malaba,
M Oddy, CAT Smit

Other Directors: ZA Beseti, LP Fourie, N Fubu,
AH Jaffer (Chairman of the Board), FA Karreem,
ME Magondo, F Mall, GM Pickering,
JN Pierce

The company's principal place of business is at KPMG Crescent,
85 Empire Road, Parktown, where a list of the directors' names is
available for inspection.

Komati Basin Water Authority

Financial Statements for the year ended 31 March 2016

Directors' Report

The directors have pleasure in submitting their report on the financial statements of Komati Basin Water Authority for the year ended 31 March 2016.

1. Review of financial results and activities

The Authority is engaged in design, construction, operation maintenance of water storage project comprising the Driekoppies dam on the Lomati river in the Republic of South Africa and on the Maguga dam on the Komati river in the Kingdom of Swaziland together with the ancillary works in accordance with the Treaty.

As disclosed in the accounting policies, the Komati Basin Water Authority receives no income in respect of water delivered. The prerogative for that lies with the Governments of Swaziland and South Africa, which as set in the policies, fund the operating and loan service costs.

The financial statements have been prepared in accordance with the basis of accounting as set out in the financial statements. The accounting policies have been applied consistently with the prior year.

Full details of the financial position, results of operations and cash flows of the entity are set out in these financial statements.

2. Constitution and Corporate Profile

The Komati Basin Water Authority is a statutory body establishment in terms of the Treaty on the Development and Utilisation of the water resources of the Komati River Basin entered into between the Government of the Republic of South Africa and the Government of the Kingdom of Swaziland in 1992.

3. Directorate

The directors in office at the date of this report are as follows:

Directors	Office	Designation	Nationality	Changes
Ms N Mabuza - Mkhabela	Member	Non-executive	Swaziland	
Professor BL Mwaka	Member	Non-executive	South African	Resigned 30 November 2015
Mr TM Shongwe	Chairperson	Non-executive	Swaziland	
Chairperson: KOBWA Board				
Mrs V Pillay	Member	Non-executive	South African	Resigned 30 November 2015
Mr T Masina	Member	Non-executive	Swaziland	
Mr B Singwane	Vice Chairperson	Non-executive	South African	Appointed 01 December 2015
Mr A Thobejane	Member	Non-executive	South African	Appointed 01 December 2015
Dr T Gyedu-Abadio	Member	Non-executive	South African	Appointed 01 December 2015
Chairperson: Risk & Audit Committee				

4. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

5. Going concern

As at reporting date the entity's current liabilities exceeded the current assets by R 71 352 258 (2015: R60 949 233). However, the two governments have always honoured their commitment to the operations of the entity and have ensured timely contribution of their subventions. The directors have satisfied themselves that the entity is in a sound financial position and its foreseeable cash requirements for operational costs and loans repayments are guaranteed by the two governments as disclosed in the notes to the financial statements. The directors are not aware of any new material changes that may adversely impact the entity. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the entity. Accordingly, the financial statements have been prepared on a going concern basis.

6. Auditors

KPMG continued in office as auditors for the entity for 2016.

Komati Basin Water Authority

Financial Statements for the year ended 31 March 2016

Statement of Financial Position at 31 March 2016

Figures in Rand / Emalangen	Note(s)	2016	2015
Assets			
Non-Current Assets			
Water Management and assets	2	21 275 593	20 275 606
Maguga Dam	3	1 073 052 255	1 070 920 212
Driekoppies Dam	4	649 758 265	646 948 835
Capitalised interest on loans	5	1 344 750 344	1 344 750 344
		3 088 836 457	3 082 894 997
Current Assets			
Trade and other receivables	6	23 820 398	23 607 864
Cash and cash equivalents	7	61 435 094	60 314 005
		85 255 492	83 921 869
Total Assets		3 174 091 949	3 166 816 866
Equity and Liabilities			
Equity			
Government funding	8	2 259 304 778	2 148 068 911
Maintenance Reserves	9	5 532 330	5 532 330
Administration funding		41 191 810	36 396 292
		2 306 028 918	2 189 997 533
Liabilities			
Non-Current Liabilities			
Borrowings - Maguga Dam	11	548 314 016	631 443 899
Borrowings - Driekoppies Dam	12	163 011 091	200 374 160
Designated funds	21	130 172	130 172
		711 455 279	831 948 231
Current Liabilities			
Trade and other payables	13	26 418 502	24 533 902
Borrowings - Maguga Dam	11	87 521 755	81 234 066
Accruals	22	646 871	711 097
Provisions	10	2 697 363	2 352 860
Borrowings - Driekoppies	12	39 323 261	36 039 177
		156 607 752	144 871 102
Total Liabilities		868 063 031	976 819 333
Total Equity and Liabilities		3 174 091 949	3 166 816 866

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Komati Basin Water Authority
 Financial Statements for the year ended 31 March 2016

Summary Income Statement

Figures in Rand / Emalangen	Note(s)	2016	2015
Grant Received	14	146 937 370	155 842 218
Direct Costs	15	(10 796 873)	(9 214 276)
		136 140 497	146 627 942
Other income	16	899 527	994 578
Operating expenses		(25 060 901)	(22 765 576)
Operating surplus		111 979 123	124 856 944
Interest income	17	4 371 198	4 507 189
Finance costs	18	(111 554 803)	(123 015 808)
Surplus for the year		4 795 518	6 348 325
Other comprehensive income		-	-
Total comprehensive income for the year		4 795 518	6 348 325

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Komati Basin Water Authority

Financial Statements for the year ended 31 March 2016

Statement of Changes in Government Funding

Figures in Rand / Emalangeneni	Republic of South Africa	Kingdom of Swaziland	Administration Funding	SubTotal	Maintenance Reserve	Total Funding
Balance at 01 April 2014	1 552 514 052	495 400 120	30 047 967	2 077 962 139	5 532 330	2 083 494 469
Surplus for the year	-	-	6 348 325	6 348 325	-	6 348 325
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	6 348 325	6 348 325	-	6 348 325
Capital funding provided by Governments	74 624 127	25 530 612	-	100 154 739	-	100 154 739
Total changes	74 624 127	25 530 612	6 348 325	106 503 064	-	106 503 064
Balance at 01 April 2015	1 627 138 179	520 930 732	36 396 292	2 184 465 203	5 532 330	2 189 997 533
Profit for the year	-	-	4 795 518	4 795 518	-	4 795 518
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	4 795 518	4 795 518	-	4 795 518
Capital funding provided by Governments	82 374 238	28 861 629	-	111 235 867	-	111 235 867
Balance at 31 March 2016	1 709 512 417	549 792 361	41 191 810	2 300 496 588	5 532 330	2 306 028 918

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Financial Statements for the year ended 31 March 2016

Statement of Cash Flows

Figures in Rand / Emalangeni	Note(s)	2016	2015
Cash flows from operating activities			
Cash generated from operations	19	115 022 719	124 177 691
Interest income		4 371 198	4 507 189
Finance costs		(111 554 803)	(123 015 808)
Net cash from operating activities		7 839 114	5 669 072
Cash flows from investing activities			
Additions to Property, Plant and Equipment and Water Management	2	(2 091 240)	(2 523 150)
Sale of water management and assets	2	-	113 952
Additions to Maguga Dam Project	3	(2 132 043)	(263 498)
Additions to Driekoppies Dam Project	4	(2 809 430)	(5 751 931)
Net cash from investing activities		(7 032 713)	(8 424 627)
Cash flows from financing activities			
Capital funding Republic of SA	8	82 374 238	74 624 127
Movement in borrowings - Maguga dam		(76 842 194)	(68 518 283)
Movement in borrowings - Driekoppies dam		(34 078 985)	(30 965 262)
Capital funding Government of Swaziland		28 861 629	25 530 612
Net cash from financing activities		314 688	671 194
Total cash movement for the year		1 121 089	(2 084 361)
Cash at the beginning of the year		60 314 005	62 398 366
Total cash at end of the year	7	61 435 094	60 314 005

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Komati Basin Water Authority

Financial Statements for the year ended 31 March 2016

Accounting Policies

1. Purpose of Financial Statements and Basis of Preparation

These financial statements are prepared to meet the requirements of the Treaty.

Basis of Preparation

The financial statements are prepared in accordance with the basis set out below. The Directors consider this basis suitable to meet the financial provisions of the Treaty.

Presentation of Annual Financial Statements

The annual financial statements have been prepared on a historical cost basis and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous year.

Underlying Concepts

By arrangement between the parties, administration expenditure, net of interest earned from excess revenue funding in the current accounts, shall be financed by the Governments of South Africa and Swaziland. The South African Government is allocated the administrative expenses of Driekoppies dam and 60% of the administrative expenses of Maguga dam. The Swaziland Government is allocated 40% of the administrative expenses of Maguga dam. This is an interim arrangement until both dams are fully operational and capital investment in the Relocation Action Programme ("RAP") and the Comprehensive Mitigation Plans are finalised, whereafter it will be dealt with in terms of the Treaty.

Cost allocation including borrowing cost

Up to 31 March 2006 interest payments on loans have been capitalised to the cost of the project, while repayments reduce the borrowings. Repayments (Capital and Interest) net of capital interest earned on investments are the responsibility of the two Governments. The South African Government is allocated the total net interest and capital repayment in respect of the Driekoppies Dam. The net interest and capital repayments in respect of the Maguga dam are allocated between South Africa and Swaziland in the provisionally approved ratio of 60:40. This ratio is based on estimated total costs and water allocations and subject to a final adjustment which will be based on actual cost.

Incidental income received from interest accrued on the temporary investing of surplus funds is recognised in the Income statement while the sale of surplus assets is deducted from the dam construction costs during construction.

1.1 Water Management and assets

All direct costs, including interest paid on related loans, incurred on constructing the dams, are capitalised. Direct costs include resettlement and compensation expenditure. Cost does not include the estimated cost of dismantling and removing the asset.

Dam assets are not depreciated

Movable assets which are attached to or form part of Driekoppies or Maguga dams are capitalised to the cost of the projects. No depreciation is provided on these assets as they are maintained in full working order in accordance with the Treaty.

Other movable assets are depreciated on straight line basis over their estimated useful lives. The estimated useful lives are as follows;

Item	Depreciation rate
Immovable assets	0%
Implements	20%
Furniture and fixtures	20%
Motor vehicles	20%
Mobile units	20%
Computer equipment	33.3%

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.

Komati Basin Water Authority

Financial Statements for the year ended 31 March 2016

Accounting Policies

1.1 Water Management and assets (continued)

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss in the period.

1.2 Financial Instruments

Initial measurement

Financial instruments are initially measured at the transaction price. This includes transaction cost.

Financial instruments at amortised cost

The entity classifies financial instruments, or their components, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the entity's statement of financial position when the entity becomes party to the contractual provision of the instrument.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest method. Appropriate allowance for estimated irrecoverable amounts are recognised in profit or loss 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 and other receivables are 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 rate computed at initial recognition.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measure at amortised cost, using the effective interest method.

Cash and Cash equivalents

Cash and cash equivalents comprised of cash on hand and demand deposits, other-short term highly liquid investments are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are measured at cost.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal repayments and amortisations.

1.3 Leases

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

Operating Leases- Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term except in cases where another systematic basis is representative of the time pattern of the benefit from the leased asset, even if the receipt of payments is not on that basis, or where the payments are structured to increase in line with expected general inflation.

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

Komati Basin Water Authority

Financial Statements for the year ended 31 March 2016

Accounting Policies

1.4 Impairment of assets

The entity assesses at each reporting date whether there is any indication that an asset may be impaired.

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

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in surplus or deficit.

1.5 Maintenance reserve

The maintenance reserve comprises of funds contributed to a rehabilitation fund for the dams. Interest earned on the funds invested had been credited directly to the reserve account up to 18 April 2010. From 19 April 2010, interest earned is recognised in surplus or deficit. Funds utilised for rehabilitation purposes are debited from the maintenance reserve account.

1.6 Provisions and contingencies

Provisions are recognised when:

- the entity has an obligation at the reporting date as a result of a past event;
- it is probable that the entity will be required to transfer economic benefits in settlement; and
- the amount of obligation can be estimated reliably.

Contingent assets and liabilities are not recognised.

1.7 Government grants

Grants received other than those related to specific projects are acknowledged as income in the income statement. Interest grants are reflected in the same period as the related costs are incurred. Capital grants received represent grants received from the respective governments in respect of funding for specific capital expenditure.

1.8 Borrowing costs

Up until 31 March 2006 interest payments on loans were capitalised to the cost of the project, while repayments reduce the borrowings. Subsequent to this date, borrowing costs are recognised in surplus or deficit

1.9 Related Parties

Various transactions are entered into by the Authority during the year with related parties. The related parties are the Governments of the republic of South Africa and the Kingdom of Swaziland.

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Komati Basin Water Authority

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand / Emalangen

2016

2015

2. Water Management and assets

	2016			2015		
	Cost	Accumulated depreciation and impairments	Carrying value	Cost	Accumulated depreciation and impairments	Carrying value
Implements	1 158 129	(1 100 452)	57 677	1 150 129	(1 080 271)	69 858
Furniture, fixtures and Computers	8 428 251	(6 455 110)	1 973 141	7 502 826	(5 636 403)	1 866 423
Motor vehicles	2 313 936	(1 601 794)	712 142	1 816 036	(1 349 429)	466 607
Computer software	175 252	(175 245)	7	175 252	(175 245)	7
Mobile Units	792 964	(792 936)	28	792 964	(792 936)	28
Water Management	18 532 598	-	18 532 598	17 872 683	-	17 872 683
Total	31 401 130	(10 125 537)	21 275 593	29 309 890	(9 034 284)	20 275 606

Reconciliation of water management and assets - 2016

	Opening balance	Additions	Depreciation	Total
Implements	69 858	8 000	(20 181)	57 677
Furniture, fixtures and Computers	1 866 423	925 425	(818 707)	1 973 141
Motor vehicles	466 607	497 900	(252 365)	712 142
Computer software	7	-	-	7
Mobile Units	28	-	-	28
Water management	17 872 683	659 915	-	18 532 598
	20 275 606	2 091 240	(1 091 253)	21 275 593

Reconciliation of water management and assets - 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Plant and machinery	29 676	52 664	-	(12 482)	69 858
Furniture and fixtures	1 834 231	833 979	-	(801 787)	1 866 423
Motor vehicles	619 384	238 227	(113 952)	(277 052)	466 607
Computer software	7	-	-	-	7
Mobile Units	28	-	-	-	28
Water Management	16 474 403	1 398 280	-	-	17 872 683
	18 957 729	2 523 150	(113 952)	(1 091 321)	20 275 606

3. Maguga Dam

	2016		2015	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Maguga Dam	1 073 052 255	-	1 070 920 212	-

Reconciliation of Maguga Dam - 2016

	Opening balance	Additions	Total
Maguga Dam - Project Cost	1 070 920 212	2 132 043	1 073 052 255

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Komati Basin Water Authority

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand 2016 2015

3. Maguga Dam (continued)

Reconciliation of Maguga Dam - 2015

	Opening balance	Additions	Total
Maguga Dam - Project Cost	1 070 656 714	263 498	1 070 920 212

4. Driekoppies Dam

	2016		2015	
	Cost	Accumulated Carrying value depreciation	Cost	Accumulated Carrying value depreciation
Driekoppies Dam	649 758 265	-	649 758 265	646 948 835

Reconciliation of Driekoppies Dam - 2016

	Opening balance	Additions	Total
Driekoppies Dam - Project Cost	646 948 835	2 809 430	649 758 265

Reconciliation of driekoppies dam - 2015

	Opening balance	Additions	Total
Driekoppies Dam - Project Cost	641 196 904	5 751 931	646 948 835

5. Capitalised interest on loans

This represents borrowing costs capitalised during the construction of the projects less any investment income on temporary investment of the borrowings.

Capitalised interest on loans	1 449 064 578	1 449 064 578
Driekoppies dam - interest and sundry income	(8 463 890)	(8 463 890)
Maguga dam - interest and sundry income	(95 850 344)	(95 850 344)
	<u>1 344 750 344</u>	<u>1 344 750 344</u>

6. Trade and other receivables

Employee costs in advance	16 919	19 567
Prepayments	116 893	241 158
VAT	1 281 830	1 118 818
Sundry receivables	8 069	8 069
Provision for interest receivable	22 396 687	22 220 252
	<u>23 820 398</u>	<u>23 607 864</u>

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	31 435 094	5 314 005
Short-term deposits	30 000 000	55 000 000
	<u>61 435 094</u>	<u>60 314 005</u>

Komati Basin Water Authority

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand 2016 2015

7. Cash and cash equivalents (continued)

Standard Bank of Swaziland Limited holds 2 guarantee accounts on behalf of Swaziland Revenue Authority (SRA)

Bank Balances

Standard Bank of Swaziland Limited - KOBWA	77 936	77 934
Standard Bank of South Africa Limited (Nelspruit) - KOBWA CAP	19 274 058	1 341 875
Standard Bank of South Africa Limited (Nelspruit) - KOBWA CAP D	23 562	20 675
Standard Bank of South Africa Limited (Nelspruit) - ADMIN	617 307	667 887
Standard Bank of South Africa Limited - Money Market Investment	11 182 552	2 945 954
Standard Bank of Swaziland Limited - Surety accounts	259 679	259 679
Fixed deposit 60/62 days notice	30 000 000	55 000 000
	61 435 094	60 314 005

8. Government funding

Republic of South Africa	1 709 512 417	1 627 138 179
Kingdom of Swaziland	549 792 361	520 930 732
	2 259 304 778	2 148 068 911

9. Maintenance reserve

The maintenance reserve was approved by the Board of directors and the Joint Water Commission as an initiative to create, over a period of time a Rehabilitation Fund with a maximum capital contribution of E/R 5 000 000. This is viewed as one of the components of the business continuity plan aimed to rehabilitate the dams when required. The fund was initiated with the approved amount of E/R 2 650 000 during October 2006. A second transfer of E/R 2 350 000 was approved by the Board at their meeting held on 2 July 2007. Between 1 April 2007 and April 2010 interest earned on the fund was not reflected in the summary income statement but credited directly to the statement of financial position to escalate the Rehabilitation Fund. However, the Board of passed a resolution on 19 April 2010 that future interest earned from the Rehabilitation Fund be reflected as income and not used to further escalate the Rehabilitation Fund. The rehabilitation process commenced in the 2014 financial period. No additional amount has been spent on rehabilitation since then.

Closing balance	5 532 330	5 532 330
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10. Provisions

Reconciliation of provisions - 2016

	Opening balance	Additions	Total
Severance pay	2 352 860	344 503	2 697 363

Reconciliation of provisions - 2015

	Opening balance	Additions	Total
Severance pay	2 058 632	294 228	2 352 860

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Komati Basin Water Authority

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
11. Borrowings - Maguga Dam		
Borrowings - Maguga Dam		
Gensec Bank Limited	25 947 264	48 806 483
<p>The loan is an additional facility secured to complete the construction of the Maguga dam. The loan bears interest at 13.08% per annum. The interest and capital repayment is bi-annually in arrears. The liability is guaranteed 100% by the South African Government. There is a back to back guarantee of 40% from the Government of the Kingdom of Swaziland. The total loan value of R/E165 000 000 is structured by promissory notes as agreed by both parties. The loan is repayable in full by October 2016.</p>		
Hambros Bank Limited	361 504 251	360 356 940
<p>The loan consists of registered bonds with a face value of E1 million each. The bond's coupon is 13.5% with an effective interest rate of 14.87% per annum. The coupon is payable bi-annually in arrears. The balance of the unpaid interest is accumulated with the capital and is payable on the maturity date on 31 October 2027 to the amount of R/E375 million. The loan is explicitly guaranteed 100% by the South African government. The government of the Kingdom of Swaziland guarantees 40% of the loan to the government of South Africa.</p>		
Nedbank Limited	95 687 942	116 984 988
<p>The loan is an additional facility secured to complete the construction of the Maguga dam. The loan bears interest at 9.425% per annum. The interest and the capital is repayable in monthly instalments commencing on 30 September 2003. The liability is guaranteed 100% by the South Africa government and has a back to back guarantee of 40% from the government of the Kingdom of Swaziland. The total loan value of R233 000 000 is structured by promissory notes as agreed to by both parties.</p>		
Rand Merchant Bank Holdings Limited	152 696 314	186 529 554
<p>The loan is an additional facility secured to complete the construction of Maguga dam. The loan bears interest at 11.24% per annum. The interest and capital is repayable in monthly instalments commencing on 6 August 2002. The liability is guaranteed 100% by the South African government and has a back to back guarantee of 40% from the government of the Kingdom of Swaziland. The total loan value of R380 000 000 is structured by promissory notes as agreed to by both parties.</p>		
Total liability	635 835 771	712 677 965
Non-current liabilities		
At amortised cost	548 314 016	631 443 899
Current liabilities		
At amortised cost	87 521 755	81 234 066
Total Liability	635 835 771	712 677 965

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Komati Basin Water Authority

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
12. Borrowings - Driekoppies		
At amortised cost		
Development bank of Southern Africa	202 334 352	236 400 104
The loan is for the construction of the Driekoppies dam and bears interest of 10% per annum payable bi-annually in arrears in instalments of R 28 247 819. The liability is guaranteed 100% by the South African government. The total facility amounts to R 488 401 000		
Non-current liability		
At amortised cost	163 011 091	200 374 160
Current liability		
At amortised cost	39 323 261	36 039 177
Total liability	202 334 352	236 400 104
13. Trade and other payables		
Trade payables	5 137 439	3 216 211
VAT Control	4 936	(21 389)
Sundry payables	76 084	173 675
Accrual for interest on loans	21 200 043	21 165 405
	26 418 502	24 533 902
14. Grant Received		
Government grants	146 937 370	155 842 218
15. Direct Costs		
Rendering of services		
Cost of services	10 796 873	9 214 276
	10 796 873	9 214 276
16. Other income		
Rental income	742 209	882 525
Entrance fees	157 318	112 053
	899 527	994 578
17. Investment income		
Interest income		
Bank	4 371 198	4 507 189
18. Finance costs		
Bank	111 554 803	123 015 808

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Komati Basin Water Authority

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
19. Cash generated from operations		
Surplus for the year	4 795 518	6 348 325
Adjustments for:		
Depreciation and amortisation	1 091 253	1 091 321
Interest received - investment	(4 371 198)	(4 507 189)
Finance costs	111 554 803	123 015 808
Movements in provisions	344 504	294 228
Changes in working capital:		
Trade and other receivables	(212 534)	(1 535 480)
Trade and other payables	1 884 599	(142 909)
Designated funds	-	4 004
Accruals	(64 226)	(390 417)
	115 022 719	124 177 691

20. Contingencies

In 1996 the Authority entered into an agreement with Maguga Power Joint Venture ("MPJV"), which contained a clause that Komati Basin Water Authority ("KOBWA") would refund the MPJV any withholding taxes arising from invoices received by KOBWA from the MPJV in terms of a contract entered into between the two parties. KOBWA, through the use of a memorandum of understanding delegated the responsibility for paying the refunds to Swaziland Electricity Company ("SEC") in 2004. Since then, MPJV has been demanding a refund from SEC of all withholding taxes on the contract. Having delegated the responsibility to make any further payments, KOBWA is disputing the claim as the directors are of the view that the entity has not breached its agreements with MPJV. There are ongoing negotiations between KOBWA and SEC to respond to the demand made by MPJV. The total amount claimed by MPJV is R/E 4 589 623. KOBWA has not recognised any liabilities relating to the matter as the negotiations are ongoing and have yet to be finalised. The amount payable if any, on conclusion of the negotiations cannot be reliably estimated.

21. Designated funds

Designated funds arose as a result of KOBWA being selected as an implementing agent for projects on behalf of the South African Department of Water and Sanitation. The Department paid KOBWA in advance for implementation of the projects, however the funds remaining on the account will be reimbursed on a date to be determined by both KOBWA and the Department.

22. Accruals

Bonus and 13th cheque	473 686	508 783
Leave pay	173 185	202 314
Total	646 871	711 097

23. Taxation

No provision for income taxation is made as Komati Basin Water Authority is exempt from income tax in both South Africa and Swaziland

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Komati Basin Water Authority

Financial Statements for the year ended 31 March 2016

Detailed Income Statement

Figures in Rand	Note(s)	2016	2015
Income			
Grant received		146 937 370	155 842 218
Cost of sales			
Direct costs		(10 796 873)	(9 214 276)
Gross profit		136 140 497	146 627 942
Other income and investment income			
Rental income		742 209	882 525
Entrance and Tender fees		157 318	112 053
Interest received	17	4 371 198	4 507 189
		5 270 725	5 501 767
Expenses (Refer to page 19)		(25 060 903)	(22 765 576)
Operating profit		116 350 319	129 364 133
Finance costs	18	(111 554 803)	(123 015 808)
Profit for the year		4 795 516	6 348 325

Komati Basin Water Authority

Financial Statements for the year ended 31 March 2016

Detailed Income Statement

Figures in Rand	Note(s)	2016	2015
Operating expenses			
Accounting fees		(123 058)	-
Advertising		(325 735)	(381 293)
Auditors remuneration		(403 678)	(601 341)
Bank charges		(119 205)	(112 924)
Cleaning		(193 959)	(143 777)
Consulting and professional fees		(1 159 804)	(638 212)
Depreciation, amortisation and impairments		(1 091 254)	(1 091 321)
Donations		(610 534)	(495 046)
Employee costs		(15 292 888)	(14 333 084)
Entertainment		(404 172)	(216 582)
Health and Safety Costs		(239 516)	(227 550)
Directors fees		(803 882)	(619 892)
Bond Exchange Costs		(86 425)	(72 758)
Project management fees		(44 747)	-
IT expenses		(189 425)	(50 545)
Insurance		(921 279)	(842 464)
Lease rentals on operating lease		(207 781)	(214 467)
Magazines, books and periodicals		(16 122)	(22 889)
Motor vehicle expenses		(59 303)	(75 818)
Municipal expenses		(217 656)	(197 808)
Interest and Penalties		(4 045)	(2 639)
Petrol and oil		(242 613)	(289 568)
Postage		(29 627)	(26 945)
Printing and stationery		(445 751)	(360 526)
Repairs and maintenance		(330 337)	(266 814)
Software expenses		(312 673)	(235 546)
Subscriptions		(93 670)	(68 731)
Telephone and fax		(554 465)	(562 674)
Travel - local		(537 299)	(614 362)
		(25 060 903)	(22 765 576)