

WATER FOR EVER

KOMATI BASIN WATER AUTHORITY
Annual Financial Statements
for the year ended 31 March 2026

KOMATI BASIN WATER AUTHORITY

Annual Financial Statements for the year ended 31 March 2026

General Information

Legal form of entity	Bilateral organisation formed in 1992 through a Treaty between the Government of the Republic of South Africa and the Kingdom of Eswatini.
Board of directors	Mr. A. Thobejane Mr. L. Mzizi Ms. N. Mabuza Ms. E. Magagula Mr. B. Singwane Mr. T.M. Shongwe (Chief Executive Officer, Ex-Officio)
Head Office (Eswatini)	Physical Address: Maguga Dam, Pigg's Peak, Hhohho, Eswatini Postal Address: P.O. Box 678, Pigg's Peak, H108, Eswatini
Water Management Office (South Africa)	Physical Address: Driekoppies Dam, Schoemansdal, Mpumalanga, 1331, South Africa Postal Address: P.O. Box 518, Malalane, 1320, South Africa
Bankers	Standard Bank: Republic of South Africa and Kingdom of Eswatini
Auditors	Nexia SAB&T
Secretary	First Corporate Secretaries
Preparer	The annual financial statements were prepared by: A3ccube Proprietary Limited Supervisor: Acting Finance Director (Futhi Kunene)

KOMATI BASIN WATER AUTHORITY

Annual Financial Statements for the year ended 31 March 2026

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Abbreviations used:

AFS	Annual Financial Statements
FRAC	Finance Risk and Audit Committee
GRAP	Standards of Generally Recognised Accounting Practice
JSE	Johannesburg Stock Exchange
IAS	International Accounting Standards
JWC	Joint Water Commission
KOBWA	Komati Basin Water Authority
KoE	Kingdom of Eswatini
RSA	Republic of South Africa
The parties	The Governments of South Africa and the Kingdom of Eswatini
THRC	Technical and Human Resources Committee
Treaty	Refers to the Treaty on the development and utilisation of the water resource of the Komati River Basin between the Government of the Republic of South Africa and the Government of the Kingdom of Eswatini of 1992.
CRIDF-Man	Climate Resilient Infrastructure Development Facility (CRIDF)- Mananga

Board's Responsibilities and Approval

The directors are required to maintain adequate accounting records and are responsible for the content and integrity of the AFS and related financial information included in this report. It is the responsibility of the directors to ensure that the AFS fairly present the state of affairs of KOBWA as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the AFS and was given unrestricted access to all financial records and related data.

The AFS have been prepared in accordance with GRAP including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

The directors have reviewed KOBWA's cash flow forecast for the 12 months from date of signing and, in the light of this review and the current financial position, they are satisfied that KOBWA has or has access to adequate resources to continue in operational existence for the foreseeable future. The 2026/27 budget was approved and the first two tranches have been received. This gives the Board comfort and assurance that KOBWA has sufficient financial resources to cover expected expenditure for the next 12 months.

The AFS are prepared on the basis that KOBWA is a going concern and that the KOBWA has neither the intention nor the need to liquidate or curtail materially the scale of the KOBWA.

The Board is responsible for the completeness and accuracy of all financial information published in annual reports, electronic media, KOBWA's website and submissions to the JSE.

The external auditors are responsible for independently reviewing and reporting on KOBWA's AFS. The AFS have been examined by KOBWA's external auditors and this report is presented on pages 5 to 10.

The AFS set out from pages 15 to 58, which have been prepared on the going concern basis, were approved by the Board and were signed on its behalf by:



Mr A Thobejane
Board Chairperson
Date: 29/10/2026

Finance, Risk and Audit Committee Report

We are pleased to present our report for the financial year ended 31 March 2026.

FRAC members and attendance

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

Name of member	Designation
Ms. N. Mabuza	Chairperson
Mr. M Singwane	Member
Mr. T.M Shongwe	Ex-officio Member
Mr. L. Mzizi	Member
Mr. A. Thobejane	Member

FRAC responsibility

The FRAC is satisfied that the members thereof have the required knowledge and experience as set out in the Treaty. The committee held 4 meetings in the financial year as well as one special meeting.

The FRAC has ensured that KOBWA has, in accordance with paragraph 7.3(e)(ii) of the JSE Debt and Specialist Securities Listings Requirements, established appropriate financial reporting procedures and that those are operating.

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

The FRAC has considered the qualifications of the Finance Director and is satisfied of the appropriateness, expertise and experience of the Finance Director. KOBWA confirms that the FRAC has executed its responsibilities set out in paragraph 7.3(e)(i), (ii) and (iii).

The effectiveness of internal control

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

As per the JSE regulations, KOBWA adopted the King V principles and continues to review them in light of operational environment changes. An Application Register which was adopted by the Board outlining how KOBWA adopted the specific principles is available on the KOBWA website (kobwa.co.za/key-documents).

The FRAC considered the information provided by the audit firm, Nexia SAB&T, and the audit partner (Mr. Ziyad Sonpra) in accordance with paragraph 7.3(e)(iii) of the JSE Debt and Specialist Securities Listings Requirements and is satisfied with their suitable for appointment as KOBWA auditors.

Evaluation of annual financial statements

The FRAC has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the auditors;
- reviewed the accounting policies and practices; and
- reviewed KOBWA's compliance with legal and regulatory provisions.

The FRAC concur with and accept the Nexia SAB&T's report on the annual financial statements, and recommend to the Board for approval.

Internal audit

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

Finance, Risk and Audit Committee Report

External auditors

The FRAC nominated Nexia SAB&T as the independent auditor and Ziyad Sonpra as the designated partner, who is a registered independent auditor, for the 2025/2026 audit. The committee satisfied itself through inquiry that the external auditor is independent as per the standards stipulated by the auditing profession.

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



Ms. N. Mabuza
Chairperson of the FRAC
Date:
29 October 2026

Nexia SAB&T

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Komati Basin Water Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Komati Basin Water Authority set out on pages 15 to 58, which comprise the statement of financial position as at 31 March 2026, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Komati Basin Water Authority as at 31 March 2026, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP), as issued by the Accounting Standards Board in accordance with Section 89 and 91(1) of the Public Finance Management Act (Act 1 of 1999) of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Authority in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In terms of the IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements of Public Interest Entities, published in Government Gazette No. 49309 dated 15 September 2023 (EAR Rule), we report:

Final materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error, and they are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Chairperson: Ms A Zange
Chief Executive Officer: Mr MF Sulaman
SAB&T Chartered Accountants Incorporated t/a Nexia SAB&T
Company Registration Number: 1997/018869/21 | IRBA Registration Number: 921297
Offices in: Bloemfontein, Cape Town, Centurion, Durban, Johannesburg, Kimberley, Nelspruit, Polokwane, Port Elizabeth, Rustenburg
B-BBEE rating: Level 1 Contributor in terms of Generic Scorecard - B-BBEE Codes of Good Practice
SAB&T Chartered Accountants Incorporated is a member of Nexia, a leading, global network of independent accounting and consulting firms.
Please see the "Member firm disclaimer, https://nexia.com/member-firm-disclaimer/" for further details.
SAB&T Chartered Accountants Incorporated is an authorised financial services provider.
* A full list of directors is available for inspection at the company's registered office or on request.

Our determination of materiality is a matter of professional judgement and is affected by our perception and understanding of the financial information needs of intended users, which is the quantitative and qualitative factors that determine the level at which relevant decisions taken by users would be affected by a misstatement. These factors helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined final materiality for the financial statements as follows:

	Financial statements
Final materiality	R1 601 147 (2025: R1 213 908)
Basis for determining materiality	1% of the total expenditure There was no change in the benchmark applied from the prior year
Rationale for the materiality benchmark applied	We chose the Authority's total expenditure as the appropriate benchmark because, in our judgement, it is the key benchmark against which the performance of the Authority would most commonly be measured by the funders, who are the primary users of the financial statements. We considered that the Authority is not profit oriented and total funds utilized on the mandated functions will be the primary focus for funders. The average parameter between the lower of 1% and the higher of 1.5% was selected after business environment, ownership, and capital structure considerations.

During our audit, we reassessed initial materiality and found no reason to change from our original assessment at planning.

Emphasis of matter

We draw attention to the matter below. Our opinion is not modified in respect of this matter.

Restatement of corresponding figures

As disclosed in note 34 to the financial statements, the corresponding figures for 31 March 2025 were restated as a result of an error in the financial statements of the entity at, and for the year ended, 31 March 2026.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were

addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters

We have determined that there are no key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Komati Basin Water Authority Annual Financial Statements for the year ended 31 March 2026", which includes the Board's Responsibilities and Approval, the Finance, Risk and Audit Committee's Report and the Director's Report. The Annual Report is expected to be made available to us after the date of the auditor's report. The other information does not include the financial statements and our auditor's report thereon.

When we do receive and read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, we may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Audit Tenure

In terms of the IRBA Rule published in Government Gazette No. 39475 dated 4 December 2015, we report that Nexia SAB&T has been the auditor of Komati Basin Water Authority for 2 years.

Disclosure of Fee-related Matters

In terms of the EAR Rule, we disclose the following fee-related matters:

	Amount	Network/Joint audit / external component auditors
Audit services fees paid or payable	R547 446	None
Assurance services	None	None
Non-audit services	None	None

We confirm that the total fees do not exceed 15% of our total revenue.

Nexia SAB&T

Nexia SAB&T
Per. Ziyad Sonpra
Director
Registered Auditor

29 October 2026

Director's Report

The members have pleasure in submitting their report for Komati Basin Water Authority for the year ended 31 March 2026.

1. Constitution and corporate profile

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

2. Review of activities

Main business and operations

KOBWA receives no direct income for the management of water resources for the two countries. It is however the responsibility of the RSA and the KoE in terms of the Treaty to provide funding for KOBWA's operations mainly through the grant system in line with the provisions of the Treaty.

The AFS have been prepared in accordance with the Standards of GRAP issued by the Accounting Standards Board in terms of section 89 of the Public Finance Management Act in South Africa and the Debt and Specialist Securities Listings Requirements.

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

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

3. Going concern

The annual financial statements have been prepared on the going concern assumption which is underpinned by a commitment from the Parties to continue funding KOBWA with a budget having already been approved for the 2026/2027 financial year.

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

4. Events after the reporting period

Ms Lethuxolo Chrissy-Ane Siyabulela Mdaka ("Ms Mdaka") has been appointed as Finance Director of KOBWA, replacing Ms Kunene as Acting Finance Director, with effect from 17 September 2026. Ms Mdaka was also appointed as KOBWA’s Debt Officer.

5. Accounting policies

The annual financial statements prepared in accordance with GRAP, including any interpretations of such Statements issued by the Accounting Practices Board. No changes in policies were made.

6. Board Membership

The board of entity during the 2025/2026 year and to the date of this report are as follows:

Name	Nationality	Designation
Mr. A. Thobejane	South Africa	Chairperson-Independent, Non-Executive
Mr. L. Mzizi	Eswatini	Vice Chairperson-Independent, Non-Executive
Ms. N. Mabuza	Eswatini	Chairperson FRAC-Independent, Non-Executive
Ms. E. Magagula	Eswatini	Member THRC-Independent, Non-Executive
Mr. B. Singwane	South Africa	Chairperson THRC-Independent, Non-Executive
Mr. T.M. Shongwe	Eswatini	Chief Executive Officer

Director's Report

6. Board Membership (continued)

EXECUTIVE MANAGEMENT	Nationality	Designation
Mr. T.M. Shongwe	Eswatini	CEO, appointed 1 October 2022
Mr. J. de Wet	South Africa	Finance Director, resigned 17 November 2025
Mr. S.M. Nkomo	Eswatini	Operations Director, term ended 31 July 2025
Mr. Monde January	South Africa	Corporate Services Director, resigned 31 March 2026
Mr. T. Ngubeni	South Africa	Operations Director, appointed 11 August 2025, resigned 20 March 2026

Ms Futhi Kunene's was appointment as Acting Finance Director on an interim basis, following Mr Juan de Wet's resignation as Finance Director and Debt Officer on 17 November 2025, and as Debt Officer with effect from 15 April 2026.

Ms Nelsiwe K. Mabuza

***Age / nationality*:** 51 / Swazi
***KOBWA Board*:** Non-executive director representing Eswatini, appointed 2013; Chairperson, Finance, Risk and Audit Committee (FRAC); member, THRC
Qualifications: MSc Mathematical Modelling (Finance), University of Zimbabwe; BSc Mathematics and Chemistry, University of Swaziland; Leadership Development Programmes, Stanford GSB and GIBS; Certificate in Financial Management (UNISA)
Designation: Certified Director, Institute of Directors South Africa
Current role: Partner, African Alliance Group; Chief Executive Officer, African Alliance Eswatini Limited and African Alliance Eswatini Securities Limited

Ms Mabuza has more than 20 years' experience in investment banking, corporate finance and asset management. She has led African Alliance Eswatini as CEO since 2009, after serving as Deputy CEO, and became a Partner of the Group in 2018. Her transaction work includes bond and equity listings on the Eswatini and Johannesburg stock exchanges, acquisitions, company valuations and private equity investments.

Other directorships: Chairperson, Small Enterprises Development Company (SEDCO); director of several African Alliance companies, including Greystone Partners and Inala Capital (listed on the ESE). Former board member of Eswatini Posts and Telecommunications Corporation, Eswatini National Housing Board and SwaziMed. Business Woman of the Year, 2013.

Mr Blessing Mduduzi Singwane

Age / nationality: 47 / South African
KOBWA Board: Non-executive director representing South Africa, appointed July 2019; Chairperson, Technical and Human Resources Committee (THRC); member, FRAC
Qualifications: LLB, University of Limpopo (formerly University of the North)
Designation: Admitted Attorney (2006), Conveyancer (2008) and Notary (2014) of the High Court of South Africa
Current role: Managing Director, Singwane & Partners Attorneys, Notaries & Conveyancers

Mr Singwane has more than 20 years' experience in commercial law, High Court litigation, conveyancing and notarial practice. He founded and has led Singwane & Partners since 2007. Before that he was Tribunal Coordinator at Mbombela Local Municipality and practised at law firms in Nelspruit.

Other directorships and appointments: Committee Member, Mpumalanga Attorneys Council. Former roles include Board and Audit Committee Member, Mpumalanga Regional Training Trust (2018–2023); Chairperson, Mpumalanga Valuations Appeals Board (2018–2022); Chairperson, Mpumalanga Mental Health Review Board (2018–2021); and Deputy Chairperson, Mpumalanga Rental Tribunal (2010–2013).

Ms Emelda Mapule Dlamini-Magagula

Age / nationality: 50 / Swazi
KOBWA Board: Non-executive director representing Eswatini, appointed 2016; member, THRC
Qualifications: MSc Leadership and Change Management, Leeds Metropolitan University; MSc Integrated Water Resources Management, University of Zimbabwe; BSc Biology, Geography, Environmental Science and Planning, University of Eswatini
Designation: Being a Director (Parts I–IV); Insights in King IV; Mastering Board Leadership
Current role: Senior Water Engineer – Infrastructure, Department of Water Affairs, Eswatini

6. Board Membership (continued)

Ms Dlamini-Magagula has over 25 years' experience in water resources management in Eswatini. She oversees the country's major dams, including Maguga, Lubovane and Mnjoli, and coordinates the African Development Bank-funded Nondvo Dam Feasibility Study. She contributed to the Integrated Water Resources Master Plan and the National Water Policy and serves on the technical teams of the joint water commissions with Mozambique and South Africa.

Other directorships: Former Board member, Global Water Partnership Southern Africa (2017–2020); former alternate member, National Water Authority (2013–2018).

Mr Tshenyetso Archinton Thobejane

Age / nationality: 54 / South African
KOBWA Board: Chairperson of the Board; non-executive director representing South Africa, appointed 2016; member, FRAC and THRC
Qualifications: MSc (Engineering) and Graduate Diploma in Engineering (Civil), University of the Witwatersrand; BSc Honours (Water Resources), University of Pretoria; BSc, University of Venda
Designation: Registered with the South African Council for Natural Scientific Professions (No. 200022/11)
Current role: Chief Director: Hydrology and Engineering, Department of Water and Sanitation, South Africa

Mr Thobejane has more than 25 years' experience in hydrology, flood studies and water resource planning. He joined the Department in 1998 in Flood Studies and led national water reconciliation strategies, including for the Western Cape, Algoa and Amathole systems. From 2012 he headed the Directorate: Hydrological Engineering, which provides hydrological services for flood and drought management and the design of hydraulic structures. He was Acting Chief Director: Engineering Services from March 2015 to July 2017 and was appointed Chief Director: Hydrology and Engineering in 2019.

Other directorships: None stated in the CV provided.

Mr Nkosinathi Lloyd Mzizi

Age / nationality: 48 / LiSwati
KOBWA Board: Deputy Chairperson of the Board; non-executive director representing Eswatini, appointed 2016; member, FRAC and THRC
Qualifications:LLB (2005) and BA Law (2003), University of Eswatini
Designation: Attorney of the High Court of Eswatini (admitted 2008); Certified Director (Cert.Dir), Institute of Directors South Africa
Current role: Legal Advisor, Ministry of Information, Communications and Technology, Eswatini

Mr Mzizi has over 18 years' legal experience across private practice and Government. He practised as a litigation attorney from 2008 to 2016, then served as Legal Advisor to the Ministries of Natural Resources and Energy (2016–2022) and Economic Planning and Development (2022–2026). His work covers legislative drafting, commercial contracts, public procurement and corporate governance, with specialist knowledge of water and energy law. He has completed the IoDSA programmes, including Audit Committee and Financial Oversight.

Other directorships: None stated in the CV provided.

Mr. Trevor Mduduzi Shongwe

Age / nationality: 54 / Swazi
KOBWA Board: Chief Executive Officer
Qualifications: Master of Science in Leadership and Change Management from Leeds Metropolitan University and a Master of Science in Water Resources Engineering and Management from the University of Zimbabwe.
Designation: Chief Executive Officer of the Komati Basin Water Authority (KOBWA)
Current role: Chief Executive Officer, Komati Basin Water Authority (KOBWA)

Trevor Mduduzi Shongwe brings close to three decades of experience in water resources engineering, transboundary water management, and public sector leadership across Southern Africa, having previously served as Director of Eswatini's Department of Water Affairs and as Interim Executive Secretary of the Incomati and Maputo Watercourse Commission (INMACOM). He has represented Eswatini on the Tripartite Permanent Technical Committee with Mozambique and South Africa, served as National Focal Person for the SADC Water Sector Regional Strategic Action Programme, and managed multiple internationally funded water infrastructure projects.

Director's Report

7. Secretary

The Company secretary of entity is First Corporate Secretaries, appointed on 1 January 2022.

8. Corporate governance

Pursuant to paragraphs 7.6, 7.10, 7.13 and 7.16 of the JSE Debt and Specialist Securities Listings Requirements, the directors confirm the following:

8.1 Board evaluation:
KOBWA has a Corporate Governance Policy approved in January 2019 which under section 14 stipulates the frequency and procedure to be followed during the evaluation of Board and individual Board Members. In the reporting period the Board performed a Board evaluation for the Board and individual Directors. The results of the evaluation indicated that the Board and the individual Directors fully meet the requirements on the King Code.

8.2 Conflict of interest:
KOBWA has a revised conflict of interest policy approved in November 2025 which guides on how the institution manages issues of conflict of interest at all levels of the organisation.

KOBWA does not have any conflict of interest recorded for the period under review.

8.3 Domestic Prominent Influential Persons
KOBWA is a bilateral Organisation hence the none existence of Domestic Prominent Influential Persons within the structures of the organisation. However, the organisation does have a policy to deal with the disclosure and treatment of Prominent Influential Persons (i) at board level and (ii) for prescribed officers of the organisation should the need arise.

KOBWA does not have any Domestic Prominent Influential Persons recorded for the period under review.

8.4 Procurement & Loans:
No procurement partners represent 10% or more of KOBWA’s annual procurement spend.

No loans or procurement with any related parties, domestic prominent influential persons, or prescribed officers were issued or transacted.

Statement of Financial Position as at 31 March 2026

Figures in Rand/Lilangeni	Notes	2026 R/E	2025 R/E Restated*
Assets			
Current Assets			
Receivables from exchange transactions	3	723 199	388 588
VAT receivable	4	435 556	419 615
Prepayments	5	1 563 312	1 105 468
Hambros Sinking Fund	6	30 375 000	30 375 000
Investments	7	244 645 860	-
Guaranteed Grant Income Receivables	8	20 250 000	20 250 000
Cash and cash equivalents	9	58 849 585	352 953 227
		356 842 512	**405 491 898**
Non-Current Assets			
Hambros Sinking Fund	6	342 179 273	348 409 396
Guaranteed Grant Income Receivables	8	163 577 961	173 358 187
Investments	7	1 000 000	1 000 000
Property, plant and equipment	10	103 933 130	110 893 920
Intangible assets	11	737 797	897 408
		611 428 161	**634 558 911**
Total Assets		**968 270 673**	**1 040 050 809**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	5 603 951	10 087 151
Amounts payable to parties	13	33 207 850	30 712 362
Unspent Service Revenue	14	135 110 351	124 048 569
Designated Project Funds	15	49 051 325	30 658 080
Employee related payable	16	965 248	866 092
Employee Long Service Award	17	185 000	45 000
Accrued interest payable	18	21 093 751	21 093 750
		245 217 476	**217 511 004**
Non-Current Liabilities			
Unspent Service Revenue	14	30 375 000	60 750 000
Designated project funds	15	160 760 074	213 912 320
Financial Liabilities at Amortised cost	19	373 179 844	371 995 543
Employee Long Service Award	17	362 000	485 000
		564 676 918	**647 142 863**
Total Liabilities		**809 894 394**	**864 653 867**
Net Assets		**158 376 279**	**175 396 942**
Reserves			
Maintenance Reserve	20	5 532 330	5 532 330
Accumulated surplus		152 843 956	169 864 613
Total Net Assets		**158 376 286**	**175 396 943**

Statement of Financial Performance

Figures in Rand/Lilangeni	Notes	2026 R/E	2025 R/E Restated
Revenue			
Revenue from exchange transactions			
Service revenue from governments	21	95 538 916	90 977 634
Total revenue from exchange transactions		**95 538 916**	**90 977 634**
Revenue from exchange transactions			
Finance income	22	15 564 930	21 896 704
Gain on disposal of assets	10	-	205 604
Total revenue from exchange transactions		**15 564 930**	**22 102 308**
Total revenue		**111 103 846**	**113 079 942**
Expenditure			
Employee related costs	23	(28 102 135)	(26 342 313)
Depreciation and amortisation	24	(11 652 143)	(10 402 115)
Impairment loss	25	(16 498)	-
Finance costs	26	(51 810 660)	(51 807 899)
Bad debts written off (CRIDIF - Manage Weir)	27	-	(61 983)
General expenses	27	(36 543 066)	(33 197 736)
Total expenditure		**(128 124 502)**	**(121 812 046)**
Deficit for the year		**(17 020 656)**	**(8 732 104)**

Statement of Changes in Net Assets

Figures in Rand/Lilangeni	Maintenance reserve	Accumulated surplus / deficit	Total net assets
Balance at 01 April 2024	**5 532 330**	**184 286 870**	**189 819 200**
Changes in net assets			
Deficit for the year	-	(8 732 104)	(8 732 104)
Total changes	-	(8 732 104)	(8 732 104)
Opening balance as previously reported	5 532 330	175 554 766	181 087 096
Adjustments			
Correction of errors 34	-	(5 690 154)	(5 690 154)
Balance at 01 April 2025 as restated*	**5 532 330**	**169 864 612**	**175 396 942**
Changes in net assets			
Deficit for the year	-	17 020 656	17 020 656
Total changes	-	(17 020 656)	(17 020 656)
Balance at 31 March 2026	**5 532 330**	**152 843 956**	**158 376 286**
Note	20		

Cash Flow Statement

Figures in Rand/Lilangeni	Notes	2026	2025
Cash flows from operating activities			
Receipts			
Service Revenue from parties		69 303 346	152 281 991
Payments			
Employee costs	23	(27 985 979)	(26 335 556)
Suppliers		(41 834 666)	(24 872 801)
Finance costs		(50 626 358)	(50 627 349)
		(120 447 003)	(101 835 706)
Net cash flows from operating activities	28	**(51 139 664)**	**50 450 282**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(4 395 437)	(4 059 659)
Proceeds from sale of property, plant and equipment	10	-	205 606
Purchase of other intangible assets	11	(152 803)	(307 845)
Release of funds from Hambros Bank loan sinking fund	6	30 375 000	30 375 000
Investment of interest into the sinking fund	6	(24 144 878)	(35 948 094)
Purchase of Standard Bank Flexi Investment	7	(244 645 860)	-
Net cash flows from investing activities		**(242 963 978)**	**(9 734 992)**
Net increase/(decrease) in cash and cash equivalents		**(294 103 642)**	**40 715 290**
Cash and cash equivalents at the beginning of the year		352 953 227	312 237 937
Total cash and cash equivalents at the end of the year	**9**	**58 849 585**	**352 953 227**
Total Restricted Cash and Cash Equivalents at End of Period	9	52 495 019	345 077 988
Total Unrestricted Cash and Cash Equivalents at End of Period	9	6 354 566	7 875 239

Significant Accounting Policies

Figures in Rand/Lilangeni	Notes	2026 R/E	2025 R/E

1. Significant accounting policies

The significant accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

The annual financial statements have been prepared in accordance with, and comply with, the Standards of Generally Recognised Accounting Practice, including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 89 and 91(1) of the Public Finance Management Act (Act 1 of 1999) of South Africa and the JSE Debt and Specialist Securities Listings Requirements.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. The numbers in the AFS have been rounded off to the nearest 1 Rand/Lilangeni.

1.2 Presentation currency

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

1.3 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months. The going concern assumption is underpinned by a commitment from the Parties to continue funding KOBWA with a budget having already been approved for the financial year 2026/2027.

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

The Parties continue to honour their bi-lateral obligation and have continued to make commitments for the continued funding of KOBWA. The 2026/2027 budget was approved and the first two tranches have been received therefore this gives the Board comfort and assurance that KOBWA has sufficient financial resources to cover expected expenditure for the next 12 months.

1.4 Materiality

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

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

The entity does not retrospectively adjust the accounting of past items (or group of items) that were previously assessed as immaterial, unless an error occurred that is material.

1.5 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual 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 annual financial statements. The significant judgements applied and the sources of estimation uncertainty are set out below.

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Significant judgements

Control

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

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

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

Sources of estimation uncertainty

Useful lives of assets

Management estimates the remaining useful lives and residual values of each class of PPE and of intangible assets. The key assumptions are the replacement cycles in KOBWA's asset management and disposal policies, the physical condition of the assets as determined by condition assessment, and the expected period of continued use of assets that are fully depreciated but remain in service. The depreciation and amortisation charge for future periods is sensitive to these estimates.

The carrying amount of the assets subject to the estimates set out under Impairment testing and Useful lives of assets above is R103 933 130 for property, plant and equipment (Note 10) and R737 797 for intangible assets (Note 11) at 31 March 2026.

Classification of funding from the Parties

The Authority receives annual funding from the Governments of the Republic of South Africa and the Kingdom of Eswatini, approved through the Joint Water Commission budget process in proportion to the Parties' contribution ratios. Management has judged this funding to be revenue from non-exchange transactions within the scope of GRAP 23 rather than revenue from exchange transactions within the scope of GRAP 9, because the amount is determined by reference to the Authority's approved budget rather than the value of services delivered, unspent amounts are repayable to the Parties, the Parties do not directly receive services of approximately equal value in exchange, and a portion of the funding is provided to service the Authority's borrowings. Funding is accordingly recognised as revenue as the attached conditions are satisfied, with unutilised amounts recognised as unspent conditional grants.

1.6 Property, plant and equipment

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 entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at 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.

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.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

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

Item	Depreciation method	Percentage
Buildings	Straight-line	2%
Furniture and fixtures	Straight-line	10%
Motor vehicles	Straight-line	20%
Office equipment	Straight-line	20%
IT equipment	Straight-line	33.33%
Mobile Units	Straight-line	20%
Infrastructure	Straight-line	5%
Dam Equipment and Pipelines	Straight-line	1%
Sundry equipment	Straight-line	20%
Implements	Straight-line	20%

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

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. Small tools and assets are expensed to R1.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by KOBWA. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

KOBWA assesses at each reporting date whether there is any indication that the KOBWA expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, KOBWA revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate. Management considers the following during the assessment:
- There have been a change in the manner in which the asset is being used;
- There have been a change in the utilisation rate of the asset;
- There have been change of intention for the use of the assets i.e. to sell or use; and
- Technological, environmental and commercial changes that occurs during the period.

Impairment testing

The determination of whether assets are impaired requires an estimate of the recoverable service amount of the assets for which indications of impairment exist at the reporting date. The key assumptions are the remaining service potential of the dam infrastructure and the physical condition of the dam walls, weirs and pump infrastructure per the most recent condition inspections. The carrying amounts are sensitive to these assumptions, and a deterioration in condition beyond that identified in the inspections would reduce the recoverable service amount and give rise to an impairment loss within the next reporting period. An impairment loss of R16 498 was recognised in the current year in respect of furniture and fittings of R24 and sundry equipment of R16 474, being assets assessed as having no remaining service potential due to their deteriorated condition; refer to Note 25.

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

The entity does not recognise in the carrying amount of an item of property, plant and equipment the costs of the day-today servicing of the item. Rather, these costs are recognised in statement of financial performance as incurred. entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 10).

Significant Accounting Policies

1.7 Intangible assets

KOBWA assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. Residual values are assumed to be Nil.

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 and changes are accounted for prospectively as changes in estimate.

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	Straight-line	20%

1.8 Guaranteed Grant Income Receivable

Guaranteed Grant Income Receivable represents the guaranteed future grants (cash) receivable from the Parties. The Parties have guaranteed KOBWA's debt, and in accordance with the Treaty are legally obligated to fund KOBWA for the servicing and repayment of its debt. The funds form part of KOBWA budget through which the payments are made and therefore are operational funds in respect of cashflows.

The grants from the Parties are paid to KOBWA to enable it to pay its lenders in accordance with the terms and conditions of its loan agreements. Therefore the grants are fixed, determinable and guaranteed.

The receivable is discounted to its present value. As the receivable reaches maturity over time, the interest effect of unwinding the discount is recorded to the statement of financial performance. When KOBWA receives the grant, it is recorded against the receivable and therefore reduces the balance.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity . The Authority applies GRAP 104 to all contractual financial assets and financial liabilities - including cash and demand deposits, money-market and short-term investments, the sinking-fund investments held with Standard Bank of South Africa to redeem the Hambros bond, the Guaranteed Grant Income Receivable from the Government of the Kingdom of Eswatini for capital and interest servicing, receivables and payables from exchange transactions, the accrued interest payable on the Hambros bond, and the Hambros Bank registered loan stock at amortised cost.

Initial recognition and initial measurement

A financial asset or a financial liability is recognised in the Statement of Financial Position when, and only when, the Authority becomes a party to the contractual provisions of the instrument. Financial assets are recognised and derecognised using trade date accounting .

Financial assets and financial liabilities are measured on initial recognition at fair value. For instruments not subsequently measured at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the instrument are added to (financial assets) or deducted from (financial liabilities) fair value on initial recognition. Receivables and payables that do not contain a material financing transaction are measured at their transaction price . Where a transaction is at off-market terms, the instrument is recognised at fair value on initial recognition and any difference between fair value and the transaction price is accounted for under the applicable Standard of GRAP.

1.9 Financial instruments (continued)

Classification of financial assets -management model and cash flow characteristics assessment

Financial assets are classified on initial recognition on the basis of :

- the management model within which the asset is held;
- the contractual cash flow characteristics of the asset - the “solely payments of principal and interest” (SPPI) test.

For each class of financial asset held by the Authority - cash and cash equivalents, money-market and structured deposit investments held with Standard Bank of South Africa, the Hambros Bond sinking-fund investments, the Guaranteed Grant Income Receivable from the KoE, and receivables from exchange transactions - the Authority has assessed that the management model is “held to collect the contractual cash flows” (the assets are held to collect their contractual cash flows through to maturity or settlement, without sale) and that the contractual cash flows meet the SPPI criterion. All financial assets are accordingly classified and measured at amortised cost.

The Authority holds no residual interests (equity instruments) and no derivatives, and has not designated any financial asset at fair value through surplus or deficit on initial recognition. Accordingly, no financial asset is measured at fair value through surplus or deficit or at cost.

KOBWA 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
Guaranteed grant income receivable	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Hambros Loan Sinking Fund	Financial asset measured at amortised cost

Classification of financial liabilities

Financial liabilities are classified on initial recognition at amortised cost.

The Authority holds no derivatives and has not designated any financial liability at fair value through surplus or deficit. Payables from exchange transactions, the Hambros Bond and the accrued interest payable on the Hambros Bond are accordingly classified and measured at amortised cost. A financial liability is not reclassified after initial recognition .

The Authority has not issued any financial guarantee contract or commitment to provide a loan at a below-market interest rate.

KOBWA 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
Hambros Bank Loan (Bond Notes)	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost

Subsequent measurement

After initial recognition, financial assets and financial liabilities measured at amortised cost are measured using the effective interest method. Interest revenue on financial assets and interest expense on financial liabilities are recognised in surplus or deficit using the effective interest rate that exactly discounts the estimated future cash receipts or payments through the expected life of the instrument to its gross carrying amount (assets) or amortised cost (liabilities). For a financial asset, interest revenue is calculated on the gross carrying amount unless the asset is credit-impaired, in which case interest is calculated on the amortised cost (the gross carrying amount net of the loss allowance).

Significant Accounting Policies

1.9 Financial instruments (continued)

Expected credit loss methodology

A loss allowance for expected credit losses is recognised on all financial assets measured at amortised cost. An expected credit loss assessment is performed and documented at each reporting date even where the resulting allowance is nil. The Authority applies two measurement approaches :

~ Simplified approach - applied to receivables from exchange transactions (all such receivables are due within twelve months and do not contain a material financing transaction). The loss allowance is measured at an amount equal to lifetime expected credit losses at all reporting dates, using a provision matrix based on ageing and historical credit-loss experience adjusted for forward-looking information. There is no stage assessment under the simplified approach.

~ General approach - applied to all other in-scope financial assets, including cash and demand deposits, money-market and structured deposit investments, sinking-fund investments and the Guaranteed Grant Income Receivable. The loss allowance is measured at 12-month expected credit losses were credit risk has not increased significantly since initial recognition, and at lifetime expected credit losses were it has (or where the asset is credit-impaired).

Low credit risk simplification - for the cash, money-market, Business Flexi and sinking-fund balances held with The Standard Bank of South Africa Limited (a National Treasury-approved, investment-grade counter-party), the Authority applies the low credit risk simplification : credit risk is presumed not to have increased significantly since initial recognition and the loss allowance is measured at 12-month expected credit losses. Given the counterparty credit quality, the short remaining tenor of the instruments and the absence of any loss history, the 12-month expected credit loss is assessed as nil. The basis for the low-credit-risk conclusion is reviewed at each reporting date.

A financial asset is considered to be in default no later than when the counterparty is more than 90 days past due on its contractual obligation (the rebuttable presumption in GRAP 104 Appendix A paragraph AG5.97). The presumption is rebutted only on reasonable and supportable information specific to the counterparty.

Significant increase in credit risk - assessed by reference to the change in the risk of a default occurring over the expected life of the instrument since initial recognition, and not by reference to the change in the amount of expected credit losses. There is a rebuttable presumption that credit risk has increased significantly when contractual payments are more than 30 days past due. Indicators considered by the Authority include significant deterioration in an external credit rating, significant adverse changes in the operations or regulatory or economic environment of the counter-party, and payment status.

Forward-looking information - reasonable and supportable information about past events, current conditions and forecasts of future economic conditions is considered when measuring expected credit losses .

For the reporting period ended 31 March 2026, the Authority has considered current and forecast conditions and concluded that no quantified adjustment to loss rates is warranted and that the expected credit loss on each class is nil, on the basis that the:

~ Counterparty for the Guaranteed Grant Income Receivable is the Government of the Kingdom of Eswatini (sovereign) with no history of default under the Treaty,
~ Standard Bank balances qualify for the low credit risk simplification, and
~ Receivables from exchange transactions are due from government, state-owned and payroll-recoverable counterparties with no loss history.

Significant Accounting Policies

1.9 Financial instruments (continued)

Derecognition

A financial asset is derecognised when the:

~ Contractual rights to the cash flows from the asset expire,are settled or waived or
~ Authority transfers the asset and the transfer qualifies for derecognition, which occurs were the Authority transfers substantially all the risks and rewards of ownership, or, where it neither retains nor transfers substantially all such risks and rewards, where control of the asset is transferred.

Where the contractual cash flows of a financial asset are modified without de-recognition, the gross carrying amount is re-calculated as the present value of the modified cash flows discounted at the original effective interest rate and a modification gain or loss is recognised in surplus or deficit.

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

A financial liability is de-recognised when it is extinguished- i.e. when the obligation specified in the contract is discharged, cancelled, expires or is waived . A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original liability and the recognition of a new liability . The difference between the carrying amount of the liability extinguished and the consideration paid is recognised in surplus or deficit.

Fair value determination

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.

All of the Authority’s financial assets and financial liabilities are measured at amortised cost using the effective interest method; none is measured at fair value subsequent to initial recognition. The Authority holds no financial instrument that is held for trading, that has been designated at fair value through surplus or deficit on initial recognition, or that is otherwise required by GRAP 104 to be measured at fair value.

Fair value is therefore relevant to these financial statements only as a matter of disclosure. GRAP 104 encourages, but does not require, an entity to disclose the fair values of financial instruments measured at amortised cost in a manner that permits them to be compared with their carrying amounts (paragraph 8.31); this is an accounting-policy choice that is available to the Authority in either direction.

Having considered the nature of its financial instruments (described below), the Authority has elected not to disclose fair value information in respect of its financial instruments measured at amortised cost. The election is applied consistently to every class of financial asset and financial liability and in both the current and the comparative reporting period.

The Authority considers this election to be appropriate because its financial instruments are not traded in an active market and no quoted prices are available for them. They comprise a bilateral, treaty-based receivable from the Government of RSA and the KoE; registered loan stock (the Hambros Bond) whose capital and interest are guaranteed by the Government of RSA; structured and money-market deposits held with The Standard Bank of South Africa; and short-term receivables and payables.
The fair value of the non-current instruments could be estimated only by applying a discounted-cash-flow technique that relies on significant unobservable inputs and management assumptions - a Level 3 measurement - which would introduce estimation uncertainty without providing users of the financial statements with more reliable or more decision-useful information than the amortised-cost carrying amounts that are already presented. For the receivables and payables from exchange transactions, which are short-term, the carrying amount is in any event a reasonable approximation of fair value. Management has accordingly concluded that the amortised-cost carrying amount, determined using the effective interest method, is the most reliable and relevant measure of these instruments for the users of the financial statements.

Because no financial instrument is measured at fair value and the Authority has elected not to disclose fair values, the disclosures that would otherwise accompany a fair-value measurement do not arise. In particular, there is no categorisation of instruments within the three-level fair-value hierarchy ; no disclosure of the valuation methods, techniques or assumptions that would be applied in determining fair value ; and no reconciliation of movements in any Level 3 fair-value measurement. The carrying amounts of each class of financial instrument - which are the amounts recognised in the Statement of Financial Position - are disclosed, by category, in the Financial Instruments note. This election affects disclosure only; it does not alter the recognition, classification or measurement of any financial instrument, each of which continues to be accounted for at amortised cost in accordance with the preceding paragraphs of this policy.

Significant Accounting Policies

1.9 Financial instruments (continued)

Offsetting

A financial asset and a financial liability are offset and the net amount presented in the Statement of Financial Position only when the Authority 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. Both conditions must be met. No off-setting has been applied in the current or comparative period.

Financial guarantee received

The Government of the RSA has issued a guarantee in favour of the registered holders of the Hambros Bond covering the payment of interest and repayment of capital thereunder. The guarantee is a credit enhancement received by the Authority; it does not give rise to a financial instrument recognised by the Authority. The existence and terms of the guarantee are disclosed in the financial instruments note as a component of credit-quality information relating to the bond.

1.10 Statutory receivables

Identification

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

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

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

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

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

Recognition

The entity recognises statutory receivables as follows:

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

  Until all conditions are fulfilled, these are kept in the statement of financial position as deferred grants or liabilities.

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

Where the entity levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Significant Accounting Policies

1.10 Statutory receivables (continued)

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

1.11 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

The Statement of Cash Flows is prepared using the direct method. Interest paid on the Hambros Bank Loan is classified within cash flows from operating activities. Interest earned on the Sinking Fund and Flexi Investment is credited directly into those investments and is treated as a non-cash transaction. Non-cash transactions (depreciation, impairment, effective-interest amortisation on the Hambros loan, and designated funds released to income) are excluded from the Statement of Cash Flows and reconciled in Note 28.

1.12 Employee benefits

Identification

Employee benefits

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

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

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

KOBWA does not have any defined benefit plans or other post-employment benefit obligations.

Significant Accounting Policies

1.13 Revenue from exchange transactions

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

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable.

Interest

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

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

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

1.14 Expenditure

Expenses were recognised when they are incurred, and it is probable that future economic benefits will flow to the entity, followi ng the accrual basis of accounting.

1.15 KOBWA as an agent

In this context, KOBWA was established in terms of an official treaty between the Government of the Kingdom of Eswatini and the Government of the Republic of South Africa, for the development and management of dams in the Komati Basin Area.

As part of its responsibilities, KOBWA has also undertaken the collection of rental income from residential units that were originally used to house staff during dam construction. These properties are now leased to the general public. However, it is important to note that KOBWA collects these rental payments on behalf of the Parties, who retain ownership and control over the properties.

According to paragraph 25 of GRAP 109, an entity is classified as an agent when all three of the following conditions are met:

a) The entity does not have the power to determine the significant terms and conditions of the transaction;
b) The entity does not have the ability to use all, or substantially all, of the resources resulting from the transaction for its own benefit; and
c) The entity is not exposed to variability in the outcome of the transaction.

In KOBWA's case

- The Parties determines the key terms and conditions of the rental agreements – not KOBWA.
- KOBWA does not retain or use the rental income for its own operational purposes – these funds belong to the Parties.
- KOBWA bears no financial risk or variability in rental collection. If tenants fail to pay rent, it is the Parties that bear the impact, not KOBWA.

Therefore, KOBWA meets all the criteria of an agent as set out in GRAP 109 and should be accounted for as such in the financial statements.

1.16 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);

Significant Accounting Policies

1.16 Segment information (continued)

- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

KOBWA operates in the following geographical areas based on the locations of its respective offices:

- Head Office at Maguga Dam, Eswatini
- Water Management Office at Driekoppies Dam, South Africa.

Separate financial information is not available for each geographical location, and KOBWA does not use the geographical locations for decision making, and therefore KOBWA has not reported information per segment.

1.17 Budget information

In terms of GRAP24, an entity may be required, or may elect, to make publicly available its approved budget, its final budget or both its approved and final budget. As KOBWA is not mandated, or elected to make its budget publicly available no statement of comparison of budget and actual amounts has been presented.

1.18 Water in dams

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

1.19 Hambros loan sinking fund

The Department of Water and Sanitation have earmarked certain prepaid funds that are held by KOBWA for the redemption of the Hambros Bank Loan in 2027 - refer to Note 6 and Note 19.

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

The funds were transferred into a capital and interest fund respectively on 28 September 2023, they may only be utilised for the repayment of the Hambros Bank Loan in 2027.

KOBWA has reclassified the total capital fund amount as non-current due to the redemption date in 2027. Annual interest to be serviced is shown as a current asset.

1.20 Changes in accounting policies,change in accounting estimate and prior period errors

Changes in accounting policy are applied retrospectively in accordance with GRAP 3 and comparatives are restated. Changes in accounting estimates are applied prospectively. Prior-period errors, once identified, are corrected retrospectively in the first set of financial statements authorised for issue after their discovery by:

- restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented. In the current year, two prior-period corrections have been recognised - see prior period error note.

1.21 Finance costs

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

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

Significant Accounting Policies

1.21 Finance costs (continued)

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

- To the extent that the entity borrows funds specifically for the purpose of obtaining a qualifying asset, the entity determines the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on that borrowing during the period, less any investment income on the temporary investment of those borrowings.
- To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity determines the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to all borrowings of the entity that are outstanding during the period. However, the entity excludes from this calculation borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare the asset for its intended use or sale are complete. The amount of borrowing costs that the entity capitalises during a period does not exceed the amount of borrowing costs it incurred during that period.

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

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

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets and Inventories as per accounting policy number. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is suspended.

Extended periods are periods that exceed X months.

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

When the entity completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

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

1.22 Prepayments

Payments made in advance of the receipt of goods or the rendering of services are recognised as prepayments and are measured at the amount paid. Prepayments are released to the relevant expense or to the carrying amount of the related asset in the period in which the goods are received or the services are rendered.

Figures in Rand/Lilangeni	2025 R/E	2024 R/E

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2026 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 107 (as revised) Mergers	Not yet determined	Unlikely there will be a material impact. KOBWA is a bilateral authority established under the 1992 Treaty and does not anticipate undertaking any merger, acquisition or transfer of functions; these Standards would apply only if such a transaction were to occur.
• GRAP 106 (as revised) Transfer of Functions Between Entities Not Under Common Control	Not yet determined	Unlikely there will be a material impact. KOBWA is a bilateral authority established under the 1992 Treaty and does not anticipate undertaking any merger, acquisition or transfer of functions; these Standards would apply only if such a transaction were to occur.
• GRAP 105 Transfer of Functions Between Entities Under Common Control	Not yet determined	Unlikely there will be a material impact. KOBWA is a bilateral authority established under the 1992 Treaty and does not anticipate undertaking any merger, acquisition or transfer of functions; these Standards would apply only if such a transaction were to occur.
• GRAP 2023 Improvements to the Standards of GRAP 2023	Not yet determined	Unlikely there will be a material impact. The improvements comprise narrow-scope clarifications and editorial amendments to existing Standards and do not change the recognition or measurement principles applied by KOBWA; any effect is expected to be limited to presentation and disclosure refinements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	Not yet determined	Unlikely there will be a material impact. The amendment enhances the assessment and disclosure requirements relating to going concern and does not affect recognition or measurement. KOBWA's going concern assumption is supported by the Parties' obligation under the Treaty to fund its operations and by the approved 2026/2027 budget; the amendment is therefore expected to result, at most, in expanded going concern disclosure.
• GRAP 103 (amended): Heritage Assets	Not yet determined	Unlikely there will be a material impact. KOBWA holds no heritage assets.

3. Receivables from exchange transactions

Receivables (1)	450 647	71 037
Staff debtors	160 470	149 429
Electricity deposit	112 082	168 122
	723 199	**388 588**

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

(1) No debtors were past due and not impaired.

Financial assets receivable included in receivables from exchange transactions above	723 199	388 588

Figures in Rand/Lilangeni	2026	2025

4. VAT receivable

VAT Control	435 556	419 615
Input VAT balance at the beginning of the financial year	415 803	7 593 289
Additional Input VAT claimed	1 915 248	1 758 480
Input VAT balance at the end of the financial year	2 331 051	9 351 769
Payment received by SARS / Adjustments made	(1 862 148)	(8 935 966)
Input VAT balance at the end of the financial year	**468 903**	**415 803**
RSA VAT Input control account balance	-	36 125
VAT / Tax Provision	(29 077)	(29 077)
ERS Withholding Tax	(2 135)	(1 618)
ERS VAT Control balance	(2 135)	(1 618)
	(33 347)	3 812
Total	**435 556**	**419 615**

5. Prepayments

Prepayments	1 563 312	1 105 468

Prepayments are for various goods and service related to the following year's budget, in line with procurement policies. The major increase can be attributed to insurance costs.

The prepayments held at 31 March 2026 comprise:

~ Prepaid consulting fees of R798 823 in respect of the Driekoppies Dam construction staff house, paid in advance of the services being rendered.

~ Prepaid insurance of R545 805, being the portion of the annual premium covering the nine month period from 1 April 2026.

~ Prepaid costs of assets under construction of R113 166, paid in advance of the related work being performed.

~ Prepayments for goods of R51 513 in respect of laboratory consumables paid for in advance of delivery.

~ Prepaid professional fees of R44 505, being debt sponsor fees paid in advance in respect of April 2026.

~ Prepaid rent and lease charges of R9 500, paid in advance in respect of April 2026."

These transactions were appropriately classified as prepayments in line with the accrual basis of accounting, as the economic benefits associated with the payments relate to periods following the reporting date.

Figures in Rand/Lilangeni	2026	2025

6. Hambros Loan Sinking Fund

Hambros Loan Sinking Fund		
Standard Bank, funds to redeem capital	286 818 955	269 058 978
Standard Bank, funds to service bi-annual interest payments	85 735 319	109 725 418
Total investments	**372 554 274**	**378 784 396**

Hambros Loan SInking Fund

These funds were received from the Department of Water and Sanitation in excess of KOBWA's operational budget and have been earmarked for the redemption of the Hambros Bank Loan in 2027. These funds cannot be used for any other purpose without approval from RSA Treasury and are considered conditional. These funds were transferred into a capital and interest sinking fund respectively on 28 September 2023 and may only be utilised for the repayment of the Hambros Bank Loan in 2027. The interest fund redeem R/E 15 187 500 bi-annually to settle the RSA of the Hambros loan interest.

The capital received from the Department is conditional and does not belong to KOBWA. The interest earned from the investment belong to KOBWA unless there is a clause in the agreement that states otherwise.

Movement in carrying amount (Hambros loan)		
Opening balance	378 784 396	373 211 302
Redemption - from Interest Fund (Note20)	(30 375 000)	(30 375 000)
Interest earned on Capital Fund	17 759 976	25 305 460
Interest earned on Interest Fund	6 384 902	10 642 634
	372 554 274	**378 784 396**

Non-current portion		
Non-current portion - Hambros Loan Sinking Fund	342 179 273	348 409 396
	342 179 273	348 409 396
Current Portion		
Current portion - Hambros Loan Sinking Fund	30 375 000	30 375 000
	30 375 000	**30 375 000**

7. Investments

Standard Bank - Flexi Investment

A separate bank account was opened / created for project funds and the amount of R/E 244 645 860 was invested in a fixed deposit account with a tenure of 365 days. The investment will mature on 10 April 2026. Accumulated interest will be paid to KOBWA on maturity.

The capital received from the Department is conditional and does not belong to KOBWA. The interest earned from the investment belong to KOBWA unless there is a clause in the agreement that states otherwise.

The current portion comprises the Standard Bank Flexi Investment of R244 645 860, which matures on 10 April 2026, and the two bi-annual redemptions of R15 187 500 each from the interest fund falling due within twelve months of the reporting date to settle the Republic of South Africa's share of the Hambros loan interest. The remainder of the interest fund and the whole of the capital redemption fund are receivable more than twelve months after the reporting date

Fincorp Revolving Account

The Fincorp revolving fund was established by KOBWA under an agreement with the Eswatini Development Finance Corporation to provide loan finance to small-scale entrepreneurs in the Peri Reservoir Area. The fund is administered by the Eswatini Development Finance Corporation, which has full responsibility to administer and manage the fund, and interest accruing on the fund is compounded into the fund capital. The Eswatini Development Finance Corporation is entitled to a management fee of 10 percent of the total amount lent out and guarantees a minimum recovery rate of 80 percent of amounts lent out, with any shortfall payable to KOBWA. The agreement continues for an indefinite period until terminated by either party giving six months notice, upon which the balance is repayable to KOBWA

Figures in Rand/Lilangeni	2026	2025

7. Investments (continued)

Standard Bank Flexi Investment	244 645 860	-
Fincorp Revolving Fund	1 000 000	1 000 000
	245 645 860	**1 000 000**

8. Guaranteed Grant Income Receivable

Guaranteed Grant Income Receivable at amortised cost		
Guaranteed Grant Income Receivable - Capital	131 004 024	122 030 046
Guaranteed Grant Income Receivable - Interest	52 823 937	71 578 141
	183 827 961	**193 608 187**

Guaranteed Grant Income Receivable - Capital and interest
Rights to receive grants for the payment of Loans are 100% guaranteed by the Government of South Africa and back to back 40% by the Kingdom of Eswatini. The funds for the loan repayment are received by KOBWA as part of the conditional grant towards payment of the loans and the amounts are known. Grant guaranteed income is the present value of the funds receivable from the Parties for the repayment of the loan.

Guaranteed Grant Income Receivable split - at amortised cost		
Current asset	20 250 000	20 250 000
Non-Current asset	163 577 961	173 358 187
	183 827 961	**193 608 187**

Guaranteed Grant Income Receivable reconciliation		
Opening balance	193 608 187	191 961 483
Cash funding from parties	(25 345 156)	(20 250 000)
Unwinding of finance income (Refer to note 22)	15 564 930	21 896 704
	183 827 961	**193 608 187**

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	17 500	17 500
Bank balances	7 154 763	8 867 071
Short-term deposits	51 677 322	344 068 656
	58 849 585	**352 953 227**

All funds are under the management of KOBWA and includes funds ringfenced for Designated Project Funds (Note 15), Unspent Conditional Grants (Note 14), Government Payables (Note 13). Reserves may not be used unless if such funds have been allocated to a project to be implemented by KOBWA. KOBWA may place such funds in approved investments for the purposes of bearing interest.

Total restricted cash and cash equivalents	52 495 019	345 077 988
Total unrestricted cash and cash equivalents	6 354 566	7 875 239
	58 849 585	**352 953 227**

10. Property, plant and equipment

	2026			2025		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	65 680 063	(22 507 186)	43 172 877	65 680 063	(20 338 372)	45 341 691
Implements	898 852	(744 422)	154 430	865 572	(653 213)	212 359
Furniture and fixtures	2 286 348	(1 807 665)	478 683	2 117 377	(1 611 295)	506 082
Motor vehicles	6 303 881	(4 299 812)	2 004 069	6 279 381	(3 372 939)	2 906 442
Office equipment	342 410	(271 662)	70 748	342 410	(248 356)	94 054
IT equipment	4 017 616	(3 278 122)	739 494	3 517 686	(2 614 070)	903 616
Infrastructure	74 379 846	(37 425 499)	36 954 347	73 687 974	(33 877 827)	39 810 147
Sundry equipment	9 621 151	(7 245 734)	2 375 417	8 733 741	(6 984 973)	1 748 768
Dam equipment and pipelines	31 200 058	(13 216 993)	17 983 065	31 200 058	(11 849 066)	19 350 992
Mobile Units	549 884	(549 884)	-	549 884	(530 115)	19 769
Total	**195 280 109**	**(91 346 979)**	**103 933 130**	**192 974 146**	**(82 080 226)**	**110 893 920**

Reconciliation of property, plant and equipment - 2026

	Opening balance	Additions	Depreciation	Impairment loss	Total
Buildings	45 341 691	-	(2 168 814)	-	43 172 877
Implements	212 359	33 280	(91 209)	-	154 430
Furniture and fixtures	506 082	168 971	(196 346)	(24)	478 683
Motor vehicles	2 906 442	24 500	(926 873)	-	2 004 069
Office equipment	94 054	21 359	(44 665)	-	70 748
IT equipment	903 616	499 930	(664 052)	-	739 494
Infrastructure	39 810 147	1 799 572	(4 655 372)	-	36 954 347
Sundry equipment	1 748 768	1 847 825	(1 204 702)	(16 474)	2 375 417
Dam equipment and pipelines	19 350 992	-	(1 367 927)	-	17 983 065
Mobile Units	19 769	-	(19 769)	-	-
	110 893 920	**4 395 437**	**(11 339 729)**	**(16 498)**	**103 933 130**

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	47 257 260	251 270	-	(2 166 839)	45 341 691
Implements	97 597	168 976	-	(54 214)	212 359
Furniture and fixtures	587 158	114 927	-	(196 003)	506 082
Motor vehicles	1 843 917	2 072 391	(2)	(1 009 864)	2 906 442
Office equipment	133 203	-	-	(39 149)	94 054
IT equipment	1 006 714	487 192	-	(590 290)	903 616
Infrastructure	43 266 498	-	-	(3 456 351)	39 810 147
Sundry equipment	2 374 170	379 093	-	(1 004 495)	1 748 768
Dam equipment and pipelines	20 035 098	585 810	-	(1 269 916)	19 350 992
Mobile Units	39 537	-	-	(19 768)	19 769
	116 641 152	**4 059 659**	**(2)**	**(9 806 889)**	**110 893 920**

Figures in Rand/Lilangeni	2026	2025

10. Property, plant and equipment (continued)

Other information

Management reviewed the residual values and the remaining useful lives of every class of property, plant and equipment and of intangible assets at the reporting date in accordance with GRAP 17.56. The review established that the remaining useful lives applied in prior periods did not reflect the remaining service potential of assets that remained in use, and the remaining useful lives of furniture and fittings, motor vehicles, office equipment, information technology equipment, sundry equipment, implements, mobile units, infrastructure assets and computer software were revised. No revision was made to the remaining useful lives of buildings or of dams and weirs, the depreciation of those classes continuing to reflect the service potential expected to be consumed over their remaining lives.

The revision of the remaining useful lives reduced the depreciation charge recognised for the year ended 31 March 2026 by R156 923. It is impracticable to estimate the effect on the depreciation and amortisation charges for future reporting periods, as that effect depends on the composition of the asset base and on further reassessments of remaining useful lives in those periods.

At 31 March 2026 mobile units with a cost of R549 884 were fully depreciated but remained in use at the operational sites. On review of the remaining useful lives at the reporting date, management concluded that the remaining useful lives of this class expired during the current reporting period, and the residual carrying amount of R19 769 at 1 April 2025 was accordingly depreciated in full during the year.

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Repairs and maintenance	9 423 306	6 547 249

Impairments

An impairment loss of R16 498 was recognised during the current financial year in respect of the following asset classes: furniture and fittings (R24) and sundry equipment (R16 474). The impairment arose as a result of the assets having deteriorated and exceeding their estimated useful lives. Consequently, the assets were retired from active use and are intended for disposal due to their poor physical condition.

In accordance with GRAP 17, assets that are retired from active use and held for disposal continue to be classified as property, plant and equipment and are depreciated until they are fully depreciated. Such assets are also assessed for impairment in accordance with GRAP 21: Impairment of Non-Cash-Generating Assets.

All of KOBWA's PPE is classified as non-cash-generating, being assets that are not held with the primary objective of generating a commercial return. KOBWA charges no fees for the water released to the Parties and derives no direct revenue from the operation of the dams, its operations being funded by grants received from the Parties under the 1992 Treaty; refer to Accounting Policy 1.19. No asset is held with the primary objective of generating a commercial return and accordingly no asset is classified as cash-generating, so the impairment requirements of GRAP 26 do not apply.

Approval for the disposal of the assets was obtained from the Chief Executive Officer on 31 March 2026, following the recommendation of the Finance Director. The recoverable service amount was determined to be R0, as the assets were assessed as having no remaining service potential due to their deteriorated condition. Accordingly, the impairment loss recognised represents the excess of the carrying amount over the recoverable service amount.The impairment loss of R16,498 has been recognised in surplus or deficit.

There are no restrictions or encumbrances on these assets. There are no financial commitments in respect of major assets or projects resulting in infrastructure assets. The Parties own the land on which Dams and Buildings were constructed.

Figures in Rand/Lilangeni	2026	2025

11. Intangible assets

	2026			2025		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software - acquired	3 390 163	(2 652 366)	737 797	3 237 360	(2 339 952)	897 408

Reconciliation of intangible assets - 2026

	Opening balance	Additions	Amortisation	Total
Computer software - acquired	897 408	152 803	(312 414)	737 797

Reconciliation of intangible assets - 2025

	Opening balance	Additions	Amortisation	Total
Computer software - acquired	1 184 790	307 845	(595 227)	897 408

All intangible assets were acquired from third parties and comprise computer software licences together with the directly attributable costs of implementing that software, incurred and paid to the software providers. The Authority holds no internally generated intangible assets, no expenditure on research or development having been capitalised in the current or the comparative period.

There are no restrictions or encumberences on Intangible Assets.

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

12. Payables from exchange transactions

Contractors and Suppliers	2 148 298	3 526 117
Accruals	3 455 653	6 561 039
	5 603 951	**10 087 156**

13. Amounts payable to parties

Bank interest	31 545 699	27 176 587
Rental income collected on behalf of Parties	1 080 716	3 025 639
Insurance claims received on behalf of the Parties	581 435	510 136
	33 207 850	**30 712 362**

Reconciliation of amounts payable to parties

Opening balance	30 712 362	43 868 167
Rental income	1 002 608	1 285 864
Other	87 918	36 577
Interest earned	6 700 839	28 946 779
Approved and allocated by the Parties	(5 295 877)	(43 425 025)
	33 207 850	**30 712 362**

RSA	23 709 144	23 686 488
KoE	9 498 706	7 025 874
	33 207 850	**30 712 362**

Figures in Rand/Lilangeni	2026	2025

13. Amounts payable to parties (continued)

The amounts represent income received by KOBWA other than grants that are in the process of being declared to the JWC. In accordance with the Treaty, all non-grant income must be declared to the JWC which will approve and allocate these funds. Until such time that this process is complete, KOBWA is not entitled to the funds. Instead, these funds are payable to the respective Parties. The general ratio of contribution between the Government of RSA and the KoE is 60:40, for Maguga dam and 100% RSA for Driekoppies Dam. This results in a ratio of roughly RSA 72:28 KoE, depending on the budget for the year.

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

KOBWA acts as agent in the following arrangements:

- Collection of rental income on behalf of the Parties - R1 080 716 recognised as a payable at 31 March 2026 (2025: R3 025 639). KOBWA has no significant risks or rewards associated with these rentals; the amounts are collected and remitted to the two Parties in proportion to their contributions. KOBWA is principal in all its own operational activities.

Insurance claims received on behalf of the Parties represent proceeds of insurance claims in respect of assets owned by the Parties, which are payable to the respective Parties following declaration to and allocation by the Joint Water Commission.

14. Unspent service revenue

Unspent Service Revenue represent conditional grants that remain unspent at the reporting period. These are payable back to the Parties in proportion to their contribution and is recognised as a liability in the financial statements. In the following financial year, such grants are only utilised upon approval by the JWC or Parties as the condition can only be met in the respective financial year in which the budget relates. Such approval would be either for other projects designated by the JWC in which case revenue would be recognised to the extent of the amounts approved, reducing the amount payable by the Parties in future financial years or the Parties may request the funds to be paid back.

Unspent service revenue comprises of:

Unspent service revenue		
Unspent service revenue	165 485 351	184 798 569
Movement during the year		
Balance at the beginning of the year	**184 798 569**	**356 389 339**
Additions during the year	**105 259 647**	**127 038 916**
Additions - Approved Operational Budget including sundry income	81 114 769	78 144 768
Additions - Additional funds received from RSA	-	13 634 000
Additions - Interest earned on additional funds received in advance from RSA	24 144 878	35 133 758
Additions - Additional funds received from KoE	-	126 390
Utilised	**(124 572 865)**	**(298 629 686)**
Utilised - recognised as Grant Income	(59 130 375)	(57 894 768)
Utilised - Grant Income interest (RSA)	(30 375 000)	(30 375 000)
Utilised - Guaranteed Income (KoE)	(20 250 000)	(20 250 000)
Allocated to Designated Project Funds	-	(188 000 000)
Allocated to JWC Events	(1 183 490)	(2 109 918)
Utilised - RSA Operational Budget received in advance	(13 634 000)	-
Balance at the end of year	**165 485 351**	**184 798 569**
Non-current liabilities	30 375 000	60 750 000
Current liabilities	135 110 351	124 048 569
	165 485 351	**184 798 569**

Figures in Rand/Lilangeni	2026	2025

14. Unspent service revenue (continued)

The amount of R20 250 000 disclosed as Utilised - Guaranteed Income (KoE) represents unspent conditional grant funds applied, with the approval of the Joint Water Commission, in settlement of the Kingdom of Eswatini's obligation under the guaranteed grant income arrangement, and is reflected as a corresponding reduction of the Guaranteed Grant Income Receivable in Note 8.

The amount of R13 634 000 disclosed as Utilised - RSA Operational Budget received in advance represents funds received from the Republic of South Africa during the year ended 31 March 2025 in advance of the 2026 operational budget, which were applied to that budget during the current year.

These balances represent conditional non-exchange funding recognised as a liability until the attached conditions are satisfied, whereupon revenue is recognised; unutilised amounts are repayable to the Parties.

15. Designated project funds

Designated project funds are earmarked, requested and approved for specific projects with conditions attached to them. Funds are either provided by the Parties or approved from the Party payables already in KOBWA's custody, and are utilised only for the implementation of specific projects or the acquisition of key KOBWA assets. These funds may be allocated at the request of KOBWA. Once the projects are delivered and meet all requirements and conditions, revenue is recognised and the funds are utilised from designated funds. Interest earned on designated project funds is recognised in surplus or deficit as it accrues, using the effective interest method, and is not added to the designated funds balance..

Designated project funds movement		
Opening balance	244 570 400	18 765 472
Additions	2 961 744	227 947 802
Interest repaid to the Department of Water and Sanitation	(32 729 544)	-
Conditions met - Transferred to Revenue	(4 995 201)	(2 142 874)
	209 807 399	**244 570 400**

Breakdown of funds		
Driekoppies Dam Projects - RSA	1 625 649	1 714 050
DWA Projects	14 153	14 153
JWC Projects	203 440 759	204 898 393
Interest on JWC Projects	4 726 838	37 943 804
	209 807 399	**244 570 400**

16. Employee related payable

13th Cheque	443 872	451 363
Short term employee benefits	101 486	21 842
Leave Pay Provision	419 890	392 887
	965 248	**866 092**

17. Employee Long Service Awards

KOBWA operates an unfunded long service award scheme for permanent employees. Cash awards are paid upon reaching specified service milestones in accordance with the Authority's remuneration policy. As the benefit is not expected to be settled wholly within twelve months after the reporting date, it is classified as an other long term liability.

Reconciliation of the Long-Service Award Obligation		
Opening balance	530 000	595 000
Benefits paid	(45 000)	(90 000)
Actuarial loss	62 000	25 000
Closing balance	**547 000**	**530 000**

Notes to the Annual Financial Statements

Figures in Rand/Lilangeni	2026	2025

17. Employee Long Service Awards (continued)

No current service cost, interest cost or actuarial gains/losses were recognised as periodic costs in the current year.

Basis of valuation

The obligation is measured using the Projected Unit Credit Method. The present value of the obligation has been determined internally by management using the Authority's long service award schedule, actuarial assumptions set out below and the employee service records and future award projections.

Key Actuarial Assumptions
- Discount rate: 8.5% per annum
- Salary inflation: 4.5% per annum.

Maturity Analysis of Expected Future Benefit Payments (Undiscounted)

Year ending 31 March		
2027	185 000	-
2028	240 000	-
2029	45 000	-
2030	95 000	-
2031	30 000	-
	595 000	**-**

Sensitivity Analysis

Scenario	**Discount rate**	**Salary inflation**	**PV (R)**
Base case	8.50%	4.50%	547 000
Discount rate +1%	9.50%	4.50%	535 000
Discount rate -1%	7.50%	4.50%	560 000
Salary inflation +1%	8.50%	5.50%	559 000
Salary inflation -1%	8.50%	3.50%	535 000

Nature of Risks Associated with the Benefit

Salary inflation risk: Higher than expected salary increases increase the obligation.

Discount rate risk: Lower RSA bond yields increase the obligation

	2026	**2025**
Employee Long Service Award - Current	185 000	45 000
Employee Long Service Award - Non-current	362 000	485 000
	547 000	**530 000**

18. Accrued Interest Payable

Accrued interest	21 093 751	21 093 750

Figures in Rand/Lilangeni	2026	2025

19. Financial liabilities at amortised cost

At amortised cost		
Hambros Bank Limited Loan The Loan consists of registered bonds with a face value of R/E 1 million each. The bond's coupon rate is 13.5% with an effective interest rate of 14.87% per annum. The notes were issued at a discount at 90.91946%. The coupon is payable biannually in arrears. The balance of the unpaid interest is accumulated with the capital and is payable on the maturity date on 31 October 2027 to the amount of R/E 375 million. The loan is explicitly guaranteed 100% by the South African Government. The Kingdom of Eswatini guarantees 40% of the loan to the Government of South Africa.	373 179 844	371 995 543
Non-current liabilities		
At amortised cost	373 179 844	371 995 543

20. Maintenance Reserve

The maintenance reserve is for Maguga Dam only and was approved by the Board and the JWC as an initiative to create, over a period of time a Rehabilitation Fund with a maximum capital contribution of R/E 5,000,000. This is viewed as one of the components of the business continuity plan aimed to rehabilitate the dams if and when required. The partial funding was initiated with the approved amount of R/E 2,650,000 during October 2006. A second transfer of R/E 2,350,000 was approved by the Board at their meeting held on 2 July 2007. Between 1 April 2007 and April 2010 interest earned on the fund was not reflected in the summary income statement but credited directly to the statement of financial position to escalate the Rehabilation Fund.

The Board passed a resolution on 19 April 2010 that the value of the fund had reached a level where the interest would be treated as any other interest earned by KOBWA. Such interest forms part of the payables from non exchange transactions. The rehabilitation process commenced in the 2014 financial period. No additional amount has been spent on rehabilitation since then. This reserve relates to refurbishment and replacement of capital dam assets and components.

Maintenance Reserve	5 532 330	5 532 330

21. Revenue from exchange transactions

Maintenance revenue		
Service revenue from the government	95 538 916	90 977 634
Maintenance revenue - Republic of South Africa	45 039 476	44 604 672
Maintenance revenue - Kingdom of Eswatini	14 090 899	14 275 499
Maintenance revenue - Other	6 033 541	1 722 463
Grant for interest servicing of the Hambros bond	30 375 000	30 375 000
	95 538 916	**90 977 634**

KOBWA receives grant funding from the Parties on an annual basis to fund its operations and repay its debt. The funding is for KOBWA to utilise it in the year in which it is receivable. The portion of grant that is not utilised is recorded as Unspent Service Revenue in the Statement of Financial Position. Only the portion of the grant that relates to operations is recorded as revenue.

The grant portion that relates to servicing of KOBWA loans is recorded against Guaranteed Grant Receivable income in the Statement of Financial Position.

22. Finance Income

Unwinding of finance income - Financial instruments	15 564 930	21 896 704
	15 564 930	**21 896 704**

Notes to the Annual Financial Statements

Figures in Rand/Lilangeni	2026	2025

23. Employee related costs

Basic salary	25 831 556	23 983 539
Contributions to unemployment insurance and medical aid funds: Contributions to the retirement fund	1 796 335	1 977 341
Performance Bonus	333 068	281 640
Employee awards (long service awards)	592 000	25 000
SDL	79 176	74 793
	28 632 135	**26 342 313**

Chief Executive Officer

Annual remuneration	1 936 615	1 961 432
Contributions to unemployment insurance and medical aid funds: Contributions to the retirement fund	128 301	127 020
	2 064 916	**2 088 452**

Finance Director: Mr. J de Wet (Resigned 17 November 2025)

Short-term employee benefits	880 252	1 275 911
Contributions to unemployment insurance and medical aid funds: Contributions to the retirement fund	46 149	70 213
	926 401	**1 346 124**

Operations Director: Mr S Nkomo (Contract ended 31 July 2025)

Annual remuneration	500 832	1 392 449
Contributions to unemployment insurance and medical aid funds: Contributions to the retirement fund	51 767	150 180
	552 599	**1 542 629**

Operations Director: Mr T Ngubeni (Resigned 20 March 2026)

Annual remuneration	1 022 810	-
Contributions to unemployment insurance and medical aid funds - Contribution to the retirement fund	93 722	-
	1 116 532	**-**

Corporate Services Director: Mr Monde January (Resigned 31 March 2026)

Annual remuneration	1 216 384	1 116 996
Contributions to unemployment insurance and medical aid funds: Contributions to the retirement fund	67 870	64 485
	1 284 254	**1 181 481**

Company Secretary

Annual remuneration	445 701	378 739

KOBWA participates to a defined-contribution retirement plan for its employees. Contributions are recognised as an expense as employees render service. KOBWA has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees' benefits.

Notes to the Annual Financial Statements

Figures in Rand/Lilangeni	2026	2025

24. Depreciation and amortisation

Property, plant and equipment	11 339 729	9 806 889
Intangible assets	312 414	595 226
	11 652 143	**10 402 115**

25. Impairment loss

Impairments		
Property, plant and equipment	16 498	-

26. Finance costs

Hambros Bank loan	50 625 000	50 625 000
Unwinding of Finance	1 184 302	1 180 550
Other interest paid	1 358	2 349
	51 810 660	**51 807 899**

27. General expenses

Advertising	1 286 722	1 967 082
Auditors remuneration	741 132	1 147 038
Bank charges	104 373	107 704
Communication data costs - Dam Management	222 886	328 834
Computer expenses	1 695 539	1 333 155
Consulting and professional fees	525 162	494 108
Consumables	104 733	109 918
Corporate Social Responsibility	1 294 452	979 567
Directors fees, training and meeting related costs	1 373 732	1 559 053
Electricity	1 400 548	1 331 636
Entertainment	48 157	10 762
Honorarium	221 290	109 150
Insurance	1 701 487	1 672 964
Iso Certification	185 015	283 045
LMPC Allowances	11 668	192 606
Loan Management Costs	161 820	150 760
Motor vehicle expenses	2 270 462	2 538 973
Repairs and maintenance	9 423 306	6 547 249
Postage and courier	2 011	21 249
Printing and stationery	80 353	121 152
Project Other Costs	648 745	264 369
Protective clothing	264 206	249 830
Secretarial fees	259 301	387 971
Security	3 278 661	3 127 054
Staff Recruitment Costs	334 083	238 190
Staff welfare	455 458	703 284
Subscriptions and membership fees	135 533	382 969
Telephone and fax	1 914 171	1 950 605
Training	1 817 786	1 467 775
Travel - local	1 593 866	687 946
Treaty Review Costs	502 444	-
Contracted services	2 483 964	2 731 738
	36 543 066	**33 197 736**

Figures in Rand/Lilangeni		2026	2025

28. Cash (used in) generated from operations

Deficit		(17 020 656)	(8 732 104)
Adjustments for:			
Depreciation and amortisation	24	11 652 143	10 402 115
Gain on sale of assets and liabilities	10	-	(205 604)
Finance income	22	(15 564 930)	(21 896 704)
Impairment deficit		16 498	-
Bad debts written off		-	61 983
Designated funds released to income - non cash	15	(4 995 201)	(2 142 874)
Unwinding of the discount on the Hambros bond	19	1 184 301	1 180 550
Employee long service award		17 000	(61 003)
Changes in working capital:			
Receivables from exchange transactions	3	(334 611)	204 610
Prepayments	5	(457 844)	(214 539)
Payables from exchange transactions	11	(4 479 210)	5 109 351
Increase in VAT receivable	4	(15 941)	3 225 513
Increase in payable from non-exchange transactions	13	2 495 488	(13 155 805)
Unspent service revenue	14	(19 313 218)	16 409 230
Increase / (decrease) in Designated Project Funds	15	(29 767 796)	39 943 806
Cash funding from the Parties applied against the guaranteed grant income receivable	8	25 345 157	20 250 000
Increase in employee benefits		99 156	71 757
		(51 139 664)	**50 450 282**

29. Financial instruments disclosure

Categories of financial instruments

2026

Financial assets

	At amortised cost	Total
Hambros Sinking Fund - Current Portion (Note 6)	30 375 000	30 375 000
Hambros Sinking Fund - Non-Current Portion (Note 6)	342 179 273	342 179 273
Guaranteed Grand Income Receivable - Non-current Portion (Note 8)	163 577 961	163 577 961
Investment - Current Portion (Note 7)	244 645 860	244 645 860
Investments - Non-current Portion (Note 7)	1 000 000	1 000 000
Receivables from exchange transactions (Note 3)	723 199	723 199
Guaranteed Grant Income Receivables - Current Portion (Note 8)	20 250 000	20 250 000
Cash and cash equivalents (Note 9)	58 849 585	58 849 585
	861 600 878	**861 600 878**

Financial liabilities

	At amortised cost	Total
Financial liabilities at amortised cost (Hambros bond non-current) (Note 19)	373 179 844	373 179 844
Payables from exchange transactiond (Note 12)	5 603 944	5 603 944
Accrued interest payable (Hambros bond) (Note 18)	21 093 751	21 093 751
Amounts payable to parties (Note 13)	33 207 850	33 207 850
	433 085 389	**433 085 389**

Figures in Rand/Lilangeni	2026	2025

29. Financial instruments disclosure (continued)

2025

Financial assets

	At amortised cost	Total
Hambros Sinking Fund - Current Portion (Note 6)	30 375 000	30 375 000
Hambros Sinking Fund - Non-current Portion (Note 6)	348 409 396	348 409 396
Guaranteed Grand Income Receivable - non-current (Note 8)	173 358 187	173 358 187
Investments - Non-current Portion (Note 7)	1 000 000	1 000 000
Receivables from exchange transactions (Note 3)	388 588	388 588
Guaranteed Grant Income Receivables - current (Note 8)	20 250 000	20 250 000
Cash and cash equivalents (Note 9)	352 953 227	352 953 227
	926 734 398	**926 734 398**

Financial liabilities

	At amortised cost	Total
Financial liabilities at amortised cost (Hambros bond non-current) (Note 19)	371 995 543	371 995 543
Payables from exchange transactions (Note 12)	10 087 151	10 087 151
Accrued interest payable (Hambros bond) (Note 18)	21 093 750	21 093 750
Amounts payable to parties (Note 13)	30 712 362	30 712 362
	433 888 806	**433 888 806**

Amounts payable to the Parties represent cash collected by KOBWA on behalf of the Parties which the Authority is obliged to remit, and accordingly meet the definition of a financial liability measured at amortised cost. Unspent conditional grants and designated project funds are discharged by applying the funds in the specified manner rather than by delivering cash, repayment arising only where the attached conditions are not satisfied, and accordingly do not meet the definition of a financial liability.

30. Related parties

Relationships	
Entities with joint control of the Authority (which jointly control KOBWA under the 1992 Treaty)	Government of the Republic of South Africa
	Government of the Kingdom of Eswatini
Other related parties	Eswatini Development Finance Corporation (Fincorp), an entity controlled by the Government of the Kingdom of Eswatini and therefore a related party of the Authority

Related party balances

Government of the Republic of South Africa			
Designated Project Funds	Note 15	(209 161 140)	(244 092 710)
Unspent service revenue	Note 14	(164 057 381)	(183 241 674)
Amounts payable to the Parties	Note 13	(23 709 144)	(23 686 488)
Total amounts owing to the Government of the Republic of South Africa		**(396 927 665)**	**(451 020 872)**
Hambros bond sinking fund, capital fund	Note 6	286 818 954	269 058 978
Hambros bond sinking fund, interest servicing fund	Note 6	85 735 319	109 725 418
Standard Bank Flexi investment	Note 7	244 645 860	-

Figures in Rand/Lilangeni		2026	2025

30. Related parties (continued)

FinCorp	Note 7	1 000 000	1 000 000
Total funds held on behalf of the Government of the Republic of South Africa		**618 200 133**	**379 784 396**
Government of the Kingdom of Eswatini			
Designated Project Funds	Note 15	(650 259)	(477 690)
Unspent service revenue	Note 14	(1 433 569)	(1 556 895)
Amounts payable to the Parties	Note 13	(9 498 706)	(7 025 874)
Total amounts owing to the Government of the Kingdom of Eswatini		**(11 582 534)**	**(9 060 459)**
Guaranteed grant income receivable, current	Note 8	20 250 000	20 250 000
Guaranteed grant income receivable, non-current	Note 8	163 577 961	173 358 187
Total amounts receivable from the Government of the Kingdom of Eswatini		**183 827 961**	**193 608 187**

The Authority established a revolving fund under an agreement with the Eswatini Development Finance Corporation (Fincorp), an entity controlled by the Government of the Kingdom of Eswatini, for the purpose of providing loan finance to small-scale entrepreneurs in the Peri Reservoir Area. The fund is administered by the Eswatini Development Finance Corporation, which has full responsibility to administer and manage the fund, and interest accruing on the fund is compounded into the fund capital. The Eswatini Development Finance Corporation is entitled to a management fee of 10 percent of the total amount lent out and guarantees a minimum recovery rate of 80 percent of amounts lent out, with any shortfall payable to the Authority. The balance is unsecured, is not interest-bearing as between the parties, and is repayable to the Authority upon termination of the agreement, which continues for an indefinite period until terminated by either party giving six months notice. No transactions arose with the Eswatini Development Finance Corporation during the current or the comparative period, no guarantees were given by the Authority, no provision for doubtful debts has been recognised against the balance and no bad or doubtful debt expense was recognised in respect of it.

No amounts were incurred by the Authority for the provision of management services by a separate management entity during the current or the comparative period.

Related party transactions

Government of the Republic of South Africa			
Service Revenue from parties	Note 21	49 826 981	45 469 923
Total transactions with the Government of the Republic of South Africa		**49 826 981**	**45 469 923**
Government of the Kingdom of Eswatini			
Service Revenue from parties	Note 21	15 336 935	15 307 269
Total transactions with the Government of the Kingdom of Eswatini		**15 336 935**	**15 307 269**
Management			
Non-executive directors' remuneration		525 202	490 828
Executive management remuneration		5 944 702	6 158 686
		6 469 904	**6 649 514**

Service revenue from parties as recognised in the statement of financial performance is disclosed in Note 21.

Management comprises the non-executive directors and the executive management of the Authority. Remuneration is disclosed per person in Note 31 for non-executive directors and in Note 23 for executive management..

Other transactions for which grant conditions have not been met as at year end have been recognised under liabilities in the statement of financial position. Refer to Note 13.

Notes to the Annual Financial Statements

Figures in Rand/Lilangeni	2026	2025

31. Directors' Remuneration

Executive

Disclosure of executive directors' remuneration is disclosed under Note 23.

Non-executive

2026

	Annual Remuneration	Travel Expenses	Total
Mr. A. Thobejane	97 944	58 218	156 162
Mr. L. Mzizi	56 925	15 890	72 815
Ms. N. Mabuza	89 218	58 916	148 134
Ms. E. Magagula	73 355	13 050	86 405
Mr. B. Singwane	55 989	5 697	61 686
	373 431	**151 771**	**525 202**

2025

	Annual Remuneration	Travel Expenses	Total
Mr. A. Thobejane	114 455	1 608	116 063
Mr. L. Mzizi	96 438	15 441	111 879
Ms. N. Mabuza	89 066	409	89 475
Ms. E. Magagula	77 874	9 500	87 374
Mr. B. Singwane	82 254	3 783	86 037
Mr. L.C. Mohalaba**	-	-	-
	460 087	**30 741**	**490 828**

32. Risk management

Financial risk management

Expected credit losses

Expected credit loss assessment and conclusion by class

The Authority has performed that assessment for every class of financial asset. Having regard to the credit standing of its counterparties as evidenced, where available, by published credit ratings as at 31 March 2026 , its loss history, and reasonable and supportable forward-looking information, the Authority concludes that the expected credit loss for each class is RNil and that no loss allowance is recognised in the current or the comparative reporting period. The basis for this conclusion, differentiated by counterparty, is documented below.

Standard Bank balances: The Standard Bank of South Africa Limited carried a Moody's long-term deposit rating of Baa3 (stable outlook) as at 31 March 2026, the lowest investment-grade rating. This supports the application of the low credit risk simplification and a 12-month expected credit loss of RNil.

Figures in Rand/Lilangeni	2026	2025

32. Risk management (continued)

Guaranteed Grant Income Receivable: The Government of the Republic of South Africa (Moody's Ba2, stable, as at 31 March 2026) and the Government of the Kingdom of Eswatini (Moody's B2, stable, as at 31 March 2026) are both rated sub-investment grade. The RNil conclusion for this class is therefore not based on credit rating, but on the receivable's status as a Treaty-based, legally binding obligation of both Parties, the absence of any default history since the Authority's establishment, and the explicit guarantee structure over the underlying Hambros Bank Loan (100% RSA guarantee, 40% back-to-back KoE guarantee - see Note 35). The Hambros bond is guaranteed by the Government of the Republic of South Africa. In terms of the Treaty and the loan agreement, the RSA provides an unconditional and irrevocable sovereign guarantee over the bond obligations. This guarantee significantly reduces the credit risk associated with the instrument, as the RSA is obligated to settle the debt should the Authority be unable to do so.

Government-related and other counterparties: The Ministry of Natural Resources and Eswatini Electricity Company, are not independently credit-rated as at 31 March 2026 (the first two being government-related entities not issuing rated debt). The RNil conclusion for these balances rests on their low-value nature and the absence of any loss history, rather than on an external rating.

Staff debtors: Not applicable - recovery is secured through direct payroll deduction rather than counterparty credit standing.

Measurement approaches applied:

~ The simplified approach under which the loss allowance is measured at lifetime expected credit losses is applied to receivables from exchange transactions.
~ The general approach under which the loss allowance is measured at 12-month expected credit losses unless credit risk has increased significantly since initial recognition is applied to cash and cash equivalents the Standard Bank Business Flexi investment the Hambros bond sinking-fund investments and the Guaranteed Grant Income Receivable.

For the cash money-market and sinking-fund balances held with Standard Bank the Authority applies the low credit risk simplification : the counterparty is investment-grade and the instruments are of short remaining tenor so credit risk is presumed not to have increased significantly since initial recognition and 12-month expected credit losses are measured. In each case the assessed 12-month or lifetime expected credit loss is Rnil.

Default significant increase in credit risk write-off and forward-looking information:

Default is defined consistent as occurring no later than when a financial asset is 90 days past due; no counterparty of the Authority is in default at the reporting date.
Significant increase in credit risk is assessed by reference to the change in the risk of a default occurring over the expected life of the instrument since initial recognition and not by reference to the change in the amount of expected credit losses; the 30-days-past-due rebuttable presumption has not been triggered for any class. Forward looking information has been considered at the reporting date, including the economic outlook for South Africa and Eswatini, the fiscal position and rating outlook of the Republic of South Africa (Ba2, stable), the Kingdom of Eswatini (B2, stable) and Standard Bank (Baa3, stable), the Parties' record of paying approved grants under the Treaty, the approved 2026/2027 budget with two tranches received, and the guarantee structure over the Hambros bond and the Guaranteed Grant Income Receivable, and given the sovereign nature of the Parties, the investment grade rating of Standard Bank and the 2027 maturity of the bond and sinking fund, does not warrant any adjustment to the loss rates. A financial asset is written off when there is no reasonable expectation of recovery; no write-off arose in the current period (the R61,983 CRIDF - Manage Weir amount written off in the comparative period was recognised directly in surplus or deficit).

Liquidity risk

Liquidity risk is the risk that the Authority will encounter difficulty in meeting its obligations as they fall due. The Authority manages liquidity risk by:

32. Risk management (continued)

~ Maintaining a sinking fund (R372 554 273 at reporting date aggregating a Standard Bank structured deposit maturing on 31 August 2027 and a complementary interest-servicing fund) sized and timed to redeem the Hambros bond at 31 October 2027;
~ Receiving annual contributions of R20 250 000 from the Government of the KoE under the Guaranteed Grant Income arrangement to service its share of interest on the Hambros Bond;
~ Receiving operational grants from the Government of the RSA and the Government of the KoE; and
~ Holding a short-term Standard Bank Business Flexi Advantage 20% Investment of R244 645 860 to cover near-term project outflows. The Authority has no committed un-drawn borrowing facilities in place.

Prudent liquidity risk management for KOBWA implies maintaining sufficient cash and easily convertible deposits, the availability of timely funding through grants from the Parties following submission and approval of budget as well as reminder letters in respect of such budget. As enshrined by the Treaty, it also includes the availability of surplus funds or access to short term credit facilities to mitigate for late payment of grants. KOBWA's risk to liquidity is a result of the funds available to cover future commitments. KOBWA manages liquidity risk through an ongoing review of future commitments and facilities. Cash flow forecasts are prepared two months before the beginning of each quarter and request or reminder letters sent to the Governments to allow them to follow internal processes to pay grants by the beginning of each quarter.

2026	Carrying amount	Up to 3 months	3-12 months	1-5 years	Total undiscounted cash flows
Payables from exchange transactions	5 603 949	5 603 949	-	-	5 603 949
Financial liabilities at amortised cost - Hambros bond (capital, accrued interest and remaining coupons)	394 273 595	25 312 500	25 312 500	425 624 000	476 250 000
Amounts payable to the Parties	33 207 850	-	33 207 850	-	33 207 850

2025	Carrying amount	Up to 3 months	3-12 months	1-5 years	Total undiscounted cash flows
Payables from exchange transactions	10 087 151	10 087 151	-	-	10 087 151
Financial liabilities at amortised cost - Hambros bond (capital, accrued interest and remaining coupons)	393 089 293	25 312 500	25 312 500	476 250 000	526 875 000
Amounts payable to the Parties	30 712 362	-	30 712 362	-	30 712 362

The undiscounted cash flows on the Hambros bond comprise the remaining bi-annual coupons of R25 312 500 each, payable on 30 April and 31 October in arrears at 13.5 percent per annum on the nominal amount of R375 000 000, together with the capital redemption of R375 000 000 on 31 October 2027.

Credit risk

Credit risk arises from the possibility that counter-parties may default on their contractual obligations resulting in a financial loss to the Authority. Credit risk consists mainly of cash deposits, cash equivalents, Guaranteed Grant Income receivable and Parties receivable.The Authority manages credit risk by transacting pre-dominantly with sovereign counter-parties (the Government of the RSA, the Government of the KoE) and with Standard Bank of South Africa Limited as its principal banker for cash money-market and sinking-fund arrangements. The Hambros Bond issued by the Authority is guaranteed by the Government of the RSA in respect of both capital and interest.KOBWA is exposed to the country's credit risk of both governments of RSA and KoE. KOBWA only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. No credit limits were exceeded during the reporting period, and management does not expect any surplus (deficit) from non-performance by these counterparties. Management has assessed expected credit losses in accordance with GRAP 104.8.48 and concluded that expected credit losses are Rnil. This assessment is based on the sovereign guarantee provided by the RSA over the Hambros bond, the investment grade credit rating of Standard Bank, the statutory nature of the Guaranteed Grant Income Receivable, the government linked nature of the Fincorp revolving fund, and the absence of historical credit losses.

32. Risk management (continued)

Baa3 - Moody's lowest investment-grade credit rating, indicating a moderate credit risk with an adequate capacity to meet financial obligations.
Sovereign - An assessment of a country's creditworthiness which shows the level of risk associated with lending to a particular country since it is applied to all bonds issued by the government..

2026	External credit rating at 31 March 2026	Gross carrying amount	Loss allowance	Net carrying amount
Cash and cash equivalents	Baa3	58 849 585	-	58 849 585
Investments - Current Portion	Baa3	244 645 860	-	244 645 860
Investments - Non-current Portion	Baa3	1 000 000	-	1 000 000
Receivables from exchange transactions	* See table below	723 199	-	723 199
Guaranteed Grant Income Receivable - current portion	Sovereign	20 250 000	-	20 250 000
Guaranteed Grant Income Receivable - non-current portion	Sovereign	163 577 961	-	163 577 961
Hambros Sinking Fund - Current Portin	Baa3	30 375 000	-	30 375 000
Hambros Sinking Fund - Non-current Portion	Baa3	342 179 273	-	342 179 273
		861 600 878	**-**	**861 600 878**

2025	External credit rating at 31 March 2025	Gross carrying amount	Net carrying amount
Cash and cash equivalents	Baa3	388 588	388 588
Investments - Non-current Portion	Baa3	1 000 000	1 000 000
Receivables from exchange transactions	*See concentration by counterparty	723 199	723 199
Guaranteed Grant Income Receivable - current portion	Sovereign	20 250 000	20 250 000
Guaranteed Grant Income Receivable - non-current portion	Sovereign	173 358 187	173 358 187
Hambros Sinking Fund - Current Portion	Baa3	30 375 000	30 375 000
Hambros Sinking Fund - Non-current Portion	Baa3	348 409 396	348 409 396
		574 504 370	**574 504 370**

Credit quality and concentration

Cash and cash equivalents and money-market and sinking-fund investments are held with Standard Bank of South Africa Limited and its Eswatini branch - a National Treasury-approved investment-grade counterparty. The Hambros Bond sinking-fund is invested per the terms of the structured deposit dated 28 September 2023 and in complementary short-dated money market deposits. The Business Flexi Advantage 20% account (R244 645 860 opened 11 April 2025) matures within twelve months of the reporting date.

The Guaranteed Grant Income Receivable of R183 827 961 represents the remaining commitment of the Government of the KoE to fund its share of the interest servicing on the Hambros bond (R20 250 000 annually) and ultimately its share of capital at redemption.

The sovereign grade comprises the Guaranteed Grant Income Receivable of R183 827 961 (2025: R193 608 187) and amounts receivable from the Ministry of Natural Resources of the Kingdom of Eswatini of R302 329 (2025: Rnil). The investment grade comprises cash and cash equivalents of R58 849 585 (2025: R352 953 227), the Standard Bank Business Flexi investment of R244 645 860 (2025: Rnil) and the Hambros bond sinking fund investments of R372 554 273 (2025: R378 784 396). The unrated grade comprises amounts receivable from the Eswatini Electricity Company of R148 318 (2025: R71 037) and staff debtors of R160 470 (2025: R149 429).

Figures in Rand/Lilangeni	2026	2025

32. Risk management (continued)

The Guaranteed Grant Income Receivable represents an obligation of the Government of the Kingdom of Eswatini, rated B2, which is guaranteed as to both capital and interest by the Government of the Republic of South Africa, rated Ba2, under the guarantee executed on 23 October 1997 and recorded in the National Treasury Statement of Financial Guarantees Issued. The nil expected credit loss conclusion for this class reflects the guarantee provided by the Government of the Republic of South Africa and not the credit standing of the Kingdom of Eswatini alone.

All financial assets are subject to the measurement of expected credit losses. No financial asset is credit-impaired, and the loss allowance in respect of each credit risk rating grade is Rnil in both the current and the comparative period.

Receivables from exchange transactions	723 199	388 588

*** Concentration by counterparty:**	**External credit rating at 31 March**	**2026**	**2025**
Ministry of Natural Resources of the Kingdom of Eswatini	Sovereign	302 329	-
Eswatini Electricity Company	No rating*	148 318	71 037
Eskom Electricity deposit	B2 long-term corporate family rating with a stable outlook	112 082	168 122
Staff debtors	No rating	160 470	149 429
		723 199	**388 588**

* Staff debtors are not externally credit-rated, as individual employees are not rated by credit rating agencies. Recovery risk is nonetheless low, as amounts are deducted directly from employees' salaries. The Eswatini Electricity Company (EEC), a wholly state-owned parastatal established under the Eswatini Electricity Company Act, 2007, has not issued publicly - rated debt and therefore carries no Moody's, S&P, or Fitch credit rating.

No individual counterparty concentration exceeds 20% of the class total.

Provision matrix - receivables from exchange transactions

Ageing band	**Gross carrying amount 2026 (R)**	**Gross carrying amount 2025 (R)**
Current (0-30 days)	34 947	34 132
31-60 days	415 709	36 905
61-90 days	(9)	-
Sub-total - trade debtors (aged)	450 647	71 037
Staff debtors (payroll-offset settlement)	160 470	149 429
Deposits (Eskom)	112 082	168 122
Total receivables from exchange transactions	**723 199**	**388 588**

The R415 709 outstanding for 31 to 60 days at 31 March 2026 comprises amounts due from the Ministry of Natural Resources of the Kingdom of Eswatini and the Eswatini Electricity Company, being state counterparties with no history of non-payment, and staff debtors recovered directly through the payroll. The rebuttable presumption that credit risk has increased significantly where an amount is more than 30 days past due has accordingly been rebutted and no expected credit loss has been recognised.

32. Risk management (continued)

Defaults and breaches - the Authority has not defaulted on and has not breached the terms of any financial liability during the current or comparative period; the Hambros bond coupons and the sinking-fund arrangements have been serviced in accordance with their terms.

Market risk

The Authority is exposed to two components of market risk:

Interest rate risk arising from cash-flow variability on variable-rate money-market and Business Flexi deposits; and

Fair-value interest rate risk arising from the fixed-rate Hambros bond and the fixed-yield Standard Bank structured deposit. The Authority is not exposed to material foreign currency risk: the presentation currency is the South African Rand (R) the trial balance and general ledger are maintained in Rand and the Kingdom of Eswatini's Lilangeni (SZL) is pegged 1:1 to the Rand with Eswatini bank balances recorded in Rand-equivalent amounts. The Authority is not exposed to other price risk (it holds no equity or other price-sensitive investments).

Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

KOBWA is exposed to interest rate risk through variable and potentially volatile market interest rates. The Parties guarantee KOBWA's operational and funding needs, thereby mitigating KOBWA's exposure to market interest rate volatilty to being very negligible.

The variable-rate financial assets to which the sensitivity analysis is applied comprise cash and cash equivalents of R58 832 085, the Standard Bank Business Flexi investment of R244 645 860 and the Hambros bond sinking fund interest servicing fund of R85 735 319, totalling R389 213 264 as reflected in the variable rate column of the interest rate risk table above. No financial liability bears interest at a variable rate, and accordingly the sensitivity analysis is applied to financial assets only.

	Interest rate (fixed) / benchmark (variable)	Carrying amount	Fixed rate	Variable rate	Non-interest-bearing
Financial assets					
Cash and cash equivalents	SBSA call rate + margin (variable); petty cash non-interest	58 849 585	-	58 832 085	17 500
Investments - Standard Bank Business Flexi	7.949% initial (variable benchmark-linked); reprices within 12 months	244 645 860	-	244 645 860	-
Receivables from exchange transactions	Non-interest-bearing trade and staff debtors and refundable deposits	723 199	-	-	723 199
Fincop revolving fund	Non-interest-bearing trade refundable deposits	1 000 000	-	-	1 000 000
Guaranteed Grant Income Receivable	Implicit rate at initial recognition (unwind rate - see Note 10 in draft AFS)	183 827 961	183 827 961	-	-
Hambros bond sinking-fund - Structured Deposit (Capital)	9.24% NACQ (fixed) - Standard Bank structured deposit	286 818 954	286 818 954	-	-
Hambros bond sinking-fund - Interest servicing fund	Variable money-market rates	85 735 319	-	85 735 319	-
Total financial assets		861 600 878	470 646 915	389 213 264	1 740 699

32. Risk management (continued)

Financial liabilities					
Payables from exchange transactions	Non-interest-bearing	5 603 949	-	-	5 603 949
Accrued interest payable - Hambros bond	Represents interest already accrued; not itself interest-rate sensitive	21 093 751	-	-	21 093 751
Financial liabilities at amortised cost - Hambros bond	13.5% per annum fixed (coupon) - bullet redemption 31 October 2027	373 179 844	373 179 844	-	-
Amounts payable to the Parties	Non-interest-bearing (contractual non-exchange payable)	33 207 850	-	-	33 207 850
Total financial liabilities		433 085 394	373 179 844	-	59 905 550

Interest rate sensitivity analysis

The reasonably-possible change in interest rates has been assessed at 100 basis points (parallel shift) as a default assumption applied consistently by South African public sector entities in the absence of a specific analysis by the Authority.

Interest rate sensitivity analysis

Movement	**Financial assets - variable rate exposure**	**Sensitivity - impact on surplus/deficit**	**Net impact on surplus/deficit**
+100 basis points (increase in interest rates)	389 213 264	3 892 133	3 892 133
-100 basis points (decrease in interest rates)	389 213 264	(3 892 133)	(3 892 133)

Sensitivity computed by applying a ±100 basis point parallel shift to variable-rate financial-asset carrying amounts.Fixed-rate financial assets and liabilities give rise to fair-value interest-rate risk but no cash-flow impact and are not included in the sensitivity computation above.

Collateral and credit enhancements

The Authority has not pledged any financial assets as security for any financial liability. No collateral has been received from any counter-party that may be sold or re-pledged.

Credit enhancements received:
The Hambros bond is guaranteed as to both capital and interest by the Government of the Republic of South Africa under a guarantee executed on 23 October 1997 in favour of registered holders of KOBWA Loan No. 1. The guarantee is recorded in the National Treasury Statement of Financial Guarantees Issued for the reporting period (Annexure 3A guarantee reference (21); closing balance R373 179 844. The guarantee reduces the credit risk to which lenders of the bond are exposed and constitutes a credit enhancement in respect of the Authoritys financial liability.

First-time application of revised GRAP 104

The current reporting period (1 April 2025 to 31 March 2026) is the first reporting period for which the revised GRAP 104 Financial Instruments applies to the Authority. Revised GRAP 104 has a mandatory effective date for reporting periods beginning on or after 1 April 2025.

Figures in Rand/Lilangeni	2026	2025

32. Risk management (continued)

Election on comparatives

The Authority has not to re-state comparative information on first-time application of revised GRAP 104 as stated in the transitional provisions of the Standard (read with GRAP 3 and ASB Directives 2,3 and 5). The 31 March 2025 comparative amounts are therefore presented on the basis previously applied under GRAP 104 (2009). Although the classification and measurement of every class of financial instrument is unchanged on transition, with all classes remaining measured at amortised cost, GRAP 104 (revised) replaces the incurred loss model with an expected credit loss model, so the measurement of the loss allowance has changed. The expected credit loss requirements have been applied retrospectively. The difference between the loss allowance previously recognised under the incurred loss model and the expected credit loss allowance measured at the date of initial application, 1 April 2025, has been recognised as an adjustment to opening accumulated surplus. The comparative period has not been restated..

Re-classification of financial assets and financial liabilities on first-time application at 1 April 2025

The measurement criteria for all financial instruments have not changed. All instruments are still measured at amortised cost

Class	**Carrying amount at 1 April 2025 (R)**	**Re-measurement on transition (R)**	**Carrying amount after transition (R)**
Financial assets			
Cash and cash equivalents	352 953 227	-	352 953 227
Receivables from exchange transactions	388 588	-	388 588
Fincorp revolving fund	1 000 000	-	1 000 000
Guaranteed Service Revenue Income Receivable	193 608 187	-	193 608 187
Hambros bond sinking-fund investments	378 784 396	-	378 784 396
Financial liabilities			
Payables from exchange transactions	10 087 151	-	9 810 467
Accrued interest payable - Hambros bond	21 093 750	-	21 093 750
Financial liabilities at amortised cost - Hambros bond	371 995 543	-	371 995 543
Amounts payable to the Parties	30 712 362	-	30 712 362

GRAP 104 (Revised) - Initial adoption

The application of the revised GRAP 104 expected credit loss model at 1 April 2025 has resulted in no material day-one adjustment because:

~ Trade and other receivables from exchange transactions are immaterial (R388 588 at 1 April 2025) and populated predominantly by sovereign and state-owned counter-parties with no history of default under existing arrangements;
~ The low credit risk simplification applies to cash and Standard Bank deposits which are with a National Treasury-approved investment-grade counter-party;
~ The Guaranteed Grant Income Receivable (R193 608 187 at 1 April 2025) is due from the Government of the Kingdom of Eswatini and is 100 percent guaranteed by the Government of the Republic of South Africa, with no history of default; the 12-month expected credit loss on this sovereign exposure is assessed as Rnil; and
~ The Hambros bond sinking-fund investments (R378 784 396 at 1 April 2025) are held with The Standard Bank of South Africa Limited, a National Treasury-approved investment-grade counter-party to which the low credit risk simplification has been applied; the 12-month expected credit loss is assessed as Rnil.
Any day-one adjustment would have been recognised in opening accumulated surplus.

The comparative period's incurred-loss model (under GRAP 104 (2009)) did not result in the recognition of any loss allowance in the 31 March 2025 financial statements. Applying the expected credit loss model of revised GRAP 104 at 1 April 2025 also results in a nil loss allowance. The day-one adjustment on transition to the expected-credit-loss model is therefore Rnil and the ending impairment allowance under GRAP 104 (2009) reconciles to the opening loss allowance under revised GRAP 104 at Rnil. This assessment is documented in the accounting records.

Figures in Rand/Lilangeni	2026	2025

32. Risk management (continued)

Practical expedients applied on first-time application

The Authority has applied the following practical expedient:

No material financing transaction is presumed for receivables and payables from exchange transactions whose settlement period is one year or less from the date of recognition so these are measured at their transaction price. No other practical expedient has been applied.

33. Guarantees

The Government of the Republic of South Africa has provided a 100% guarantee for the R375 million principal and interest of the Hambros Bank Limited Loan.

The Government of the Kingdom of Eswatini has provided a 40% back-to-back guarantee to the RSA Government in respect of the Guaranteed Grant Income Receivable of R183 827 961 (Note 8).

34. Prior period errors

Fincorp Investment

During the current year it was determined that the FinCorp Investment was incorrectly classified as as Receivables from exchange transactions, the miscalssification was corrected..

Guaranteed grant income receivable

During the current financial year, KOBWA identified an error in the unwinding of interest (effective interest method) applied to the Guaranteed Grant Income Receivable. The error originated in a prior financial year and resulted in the interest portion of the receivable being overstated by R5 095 155 at 31 March 2024, which consequently overstated the comparative balance at 31 March 2025 as previously reported.

As the error was identified after the annual financial statements for the year ended 31 March 2025 had been approved and issued, it has been corrected retrospectively in accordance with GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors, by restating the opening balance of accumulated surplus at 1 April 2024 and the comparative amounts for 31 March 2025. As the error arose in reporting periods before 1 April 2024, being the beginning of the earliest period presented, the correction has been made against the opening balance of accumulated surplus at that date. The unwinding of interest recognised for the year ended 31 March 2025 was not affected by the error and has accordingly not been restated.

Employee Long Service Awards

During the current financial year, KOBWA identified an error, the provision for long service awards needed to be recognised.

The ommision has been corrected by recognising the provision and properly disclosing the current and non-current portions of the provision.

Effect on the Statement of Financial Position (year ended 31 March 2025)

	As previously disclosed	Adjustment	Restated amount
Payables from exchange transaction	9 810 467	276 689	10 087 156
Employee long service award - Current	-	(45 000)	(45 000)
Employee long service award - Non-current	-	(485 000)	(485 000)
Receivables from exchange transactions	1 388 588	(1 000 000)	388 588
Investment	-	1 000 000	1 000 000
Guaranteed grant income receivable - Interest portion	76 673 296	(5 095 155)	71 578 141
Designated project funds - current	30 654 084	3 993	30 658 077

Figures in Rand/Lilangeni	2026	2025

34. Prior period errors (continued)

Effect on accumulated surplus (1 April 2024):

Accumulated surplus at 1 April 2024	175 554 766	(5 690 154)	169 864 612

Effect on the statement of financial performance (year ended 31 March 2025):

Employee related cost	(26 277 313)	(65 000)	(26 342 313)
General expenses	(32 917 055)	(280 681)	(33 197 736)
	(59 194 368)	**(345 681)**	**(59 540 049)**

Payables from exchange transactions

During the 2024 / 2025 financial year, purchase orders raised prior to 31 March 2025 in respect of goods and services not yet delivered / invoiced were accrued for as part of the 2024 / 2025 year-end accrual process (Sundry Accruals). Upon settlement of the related invoices during 2025 / 2026, it was identified that the amounts accrued did not, in all cases, agree to the actual amounts invoiced by suppliers, resulting in variances (under- and over-statements of the 2024 / 2025 accrual). The variances arose because the accrual was measured by reference to the outstanding purchase order listing, which included purchase orders dated after 31 March 2025, purchase orders that had subsequently been cancelled, and purchase orders that had been captured more than once. The order dates, cancellations and duplications were evident from the purchase order records available when the annual financial statements for the year ended 31 March 2025 were authorised for issue, and accordingly the variances do not arise from a change in accounting estimate.

In terms of GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors, these variances arose from the incorrect measurement of a liability that existed at the prior reporting date (31 March 2025) and therefore do not meet the definition of a change in accounting estimate. They are accordingly accounted for as the correction of a prior period error, applied retrospectively by restating the opening accumulated surplus/(deficit) and the affected expenditure classifications, as if the error had never occurred.

Effect on the Statement of Financial Position and Statement of Financial Performance (year ended 31 March 2025)

Statement of Financial Position	**A previously disclosed**	**Adjustment**	**Restated amount**
Designated project funds movement	(244 566 404)	(3 996)	(244 570 400)
Amounts payable to the Parties	(6 284 351)	(276 688)	(6 561 039)

Figures in Rand/Lilangeni		2026	2025

34. Prior period errors (continued)

Statement of Financial Performance			
Advertising	1 968 863	(1 781)	1 967 082
Boats and trailers	67 100	1 332	68 432
Communication – Dam Management	322 678	6 156	328 834
Computer expenses	1 332 581	574	1 333 155
Consulting and professional fees	457 441	36 667	494 108
Corporate Social Responsibility	783 138	196 429	979 567
Dam Maintenance General	765 537	(42 591)	722 946
Dam Operations and Maintenance	2 786	428	3 214
Dam Structure Maintenance	3 064 215	79 563	3 143 778
Directors' fees, training and meeting-related costs	1 541 281	17 772	1 559 053
Information Centre Management	395 018	5 046	400 064
ISO Certification	264 782	18 263	283 045
KOBWA Houses Maintenance	801 525	(7 464)	794 061
Motor vehicle expenses	2 608 719	(69 746)	2 538 973
Office Maintenance Cost	1 394 131	(6 686)	1 387 445
Secretarial fees	378 739	9 232	387 971
Staff Recruitment Costs	236 355	1 835	238 190
Staff welfare	703 853	(569)	703 284
Telephone and fax	1 949 917	688	1 950 605
Tractors and Trailers Maintenance	1 740	716	2 456
Training	1 453 516	14 259	1 467 775
Travel – local	705 569	(17 623)	687 946
Water Quality and Dam Risk Management	2 293 493	38 180	2 331 673
Deficit for the year	**8 516 423**	**280 681**	**8 797 104**