ANNUAL REPORT 2016/17

WATER RESEARCH COMMISSION

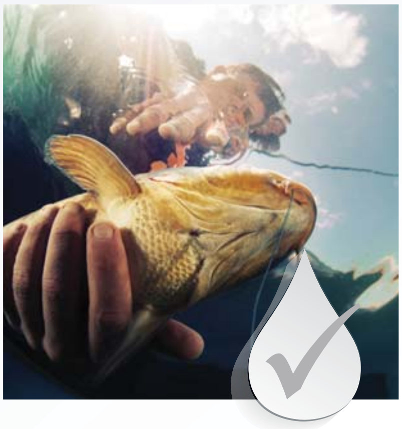
Registered name:	Water Research Commission
Physical address:	Lynnwood Bridge Office Park 4 Daventry Road Lynnwood Manor, 0081
Postal address:	Private bag X03 Gezina Pretoria, 0031
Telephone number:	+27 12 761 9300
Email address:	info@wrc.org.za
Website address:	www.wrc.org.za
External auditors:	Auditor-General of South Africa
Bankers:	Standard Bank
Company/Board Secretary:	Ms Reshmili Lutchman

ISBN 978-0-621-45391-1
Report No. RP 114/2017

TABLE OF

CONTENTS:

ANNUAL REPORT



SECTION B
OVERVIEW OF PERFORMANCE

SECTION C
GOVERNANCE

SECTION D
WRC CONSOLIDATED FINANCIAL STATEMENTS

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

LIST OF ABBREVIATIONS:

AGSA
Auditor-General of South Africa

BBBEE
Broad Based Black Economic Empowerment

CEO
Chief Executive Officer

CFO
Chief Financial Officer

CMA
Catchment Management Agency

CSIR
Council for Scientific and Industrial Research

DST
Department of Science and Technology

DEA
Department of Environmental Affairs

DEWATS
Decentralised Wastewater Treatment System

DoA
Delegation of Authority

DST
Department of Science and Technology

DWS
Department of Water and Sanitation

EWSETA
Energy and Water Sector Education and Training Authority

FSM4
4th Faecal Sludge Management Conference

Gates Foundation
Bill & Melinda Gates Foundation

HCD
Human capital development

HDI
Historically disadvantaged institution

IPRD
Innovation Partnership for Rural Development

IWA
International Water Institute

IWMI
International Water Management Institute

IWRM
Integrated water resource management

KPA
Key performance area

KSA
Key Strategic Area

MEC
Member of Executive Council

MOA
Memorandum of Agreement

MOU
Memorandum of Understanding

MTEF
Medium Term Expenditure Framework

NDP
National Development Plan

NFEPA
National Freshwater Ecosystem Priority Areas

NGP
New Growth Path

NIRESA
Network on Irrigation Research and Extension for Smallholder Agriculture

NPC
National Planning Commission

NWA
National Water Act

NWRS 2
National Water Resource Strategy Two

OECD
Organisation for Economic Cooperation andDevelopment

PAW
Plant-Available-Water

PDI
Previously disadvantaged individual

PDP
Personal development plan

PFMA
Public Finance Management Act

PPC
Parliamentary Portfolio Committee

R&D
Research and development

RDI
Research, development and innovation

SAB
South African Breweries

SADC
Southern African Development Community

SALGA
South African Local Government Association

SASTEP
South African Sanitation Technology Demonstration Programme

SMME
Small Medium and Micro Enterprises

SCM
Supply Chain Management

SDG
Sustainable Development Goal

SIPS
Strategic Intergrated Projects

S&T
Science and Technology

STREAM
Standardised Reserve Analysis and Monitoring Tool

TIA
Technology Innovation Agency

TR
Treasury Regulations

UNDP
United Nations Development Programme

UNESCO
United Nations Educational, Scientific and Cultural Organisations

UP
University of Pretoria

VIP
Ventilated Improved Pit (latrine)

WaterKCAP
Water Knowledge and Capacity Building Programme

WAS
Water Administration System

WHO
World Health Organisation

WIN-SA
Water Information Network for Southern Africa

WISA
Water Institute of Southern Africa

WR2012
Water Resources 2012

WRA
Water Research Act

WRC
Water Research Commission

WRL
Water Research Levy

WSA
Water Services Act

WSI
Water Services Institution

WSLG
Water Sector Leadership Group

W-WEP
Woman in Water Empowerment Programme

YWP
Young Water Professionals

Minister's Foreword

Nomvula Mokonyane, Minister of Water and Sanitation

Water is the basis of all life. It is a critical resource, indispensable not only for the maintenance of human life and health but also for the conservation of ecosystems and the socio-economic advancement of any country.

Today, water occupies a central space in all planning and management activities. The South African Government has long since recognised that the pathway to South Africa's prosperity must be built on the foundation of ensuring access to basic needs for all. Over the past two decades we have expanded access to improved drinking water sources to over 92% of households and safe and dignified sanitation to 80% of households.

As proud as we are of this achievement we are not blind to the challenges that remain. As well as wiping out remaining backlogs amid continuing population growth and urbanisation, we have to operate and maintain existing infrastructure. Yet we remain steadfast to our target to achieve universal coverage long before the 2030 target set by the United Nations Sustainable Development Goals (SDGs).

These ambitions are made difficult by South Africa's naturally precarious water situation. South Africa's low average annual rainfall and low per capita water availability forces us to expand our thinking beyond traditional forms of water supply. South Africa is fast approaching physical water scarcity. We must continuously strive to expand our water mix with alternative water resources such as reclaimed and desalination water as well as groundwater. At the same time, it is up to all water users to tighten their water belts and use water more efficiently and effectively.

As policymakers we are grateful when good quality research is able to inform policy. We cannot progress as a country unless our technological advances are used for the good of all humanity. The water-related innovations and developments from the Water Research Commission (WRC) and similar institutions must and will assist us to make the necessary advances towards the sustainable management of our water resources. Research and development, along with innovation, has been recognised by the South African Government as holding the key towards ensuring a water-secure future for the country.

We also rely on the scientific community to assist in the planning process. In this role, we rely on and appreciate the work of the WRC and its partners to lead national initiatives aimed at securing the future of the country's water assets.

In our quest for progress we must ensure that we transform the sector and make it inclusive of especially women and youth. I am especially proud of the Women in Water Empowerment Programme, which took place with the WRC on 14 October 2016. The purpose of the programme is to provide support to women-owned and led enterprises to be effective and efficient in delivering proper water- and sanitation-related services to the public. The programme will run over three years.

We congratulate the WRC on leading the new sanitation revolution with its partners such as the Bill & Melinda Gates Foundation and the Department of Science and Technology (DST). The new toilet systems developed through these initiatives are making a real difference to people on the ground, and are being recognised both nationally and internationally. One of these sanitation technologies, the pour/low flush toilet, was recognised by the South African Breweries (SAB) Foundation as one of the recipients of the Social Innovation Grant Seed Award presented on 27 October 2016. This on-site sanitation option may address the aspirations of many South Africans for a flush toilet, while overcoming the logistical challenges involved with standard sewerage systems, and working conservatively within the limits of South Africa's water resources.

As its main stakeholder, the Department will continue to work together with the WRC to provide integrated solutions to the complex, inter-disciplinary problems facing the water sector, and promote investment in knowledge creation, transfer and dissemination in strategic research areas.

Thanks goes to WRC CEO, Dhesigen Naidoo, and his team for their hard work and commitment in ensuring that the Commission remains at the cutting edge of water-related research in South Africa.

Nomvula Mokonyane
Minister of Water and Sanitation

Chairperson's Address

Dr Nozibele Mjoli, Chairperson of the Board

On behalf of the Board of the WRC, I am pleased to report on the activities and performance highlights of the Commission for 2016/17. The WRC continued to play its role as the water knowledge hub, providing South Africans with sustainable solutions for addressing water security challenges

During the year under review South Africa experienced extreme floods and droughts in different parts of the country. These weather events have underlined South Africa's vulnerability to the negative impacts of climate change. While the drought had been broken in most parts of the country by the end of 2016/17, regions such as the Western Cape continued to experience severe drought, which was threatening social and economic development. The WRC is playing an important role in the development and piloting of innovative solutions needed to ensure water security and sustainable sanitation for South Africa.

During 2016/17, the water research levy income increased by only 3.5%. This low increase does not match the increasing demand for new research and innovation products needed to guide policy-makers in responding to the negative impacts of extreme floods and severe droughts, which are becoming more frequent in South Africa due to climate change. Ensuring the long-term financial sustainability of the WRC continues to be a challenge.

Various high-profile research projects were completed during the past financial year. These include the Surface Water Resources of South Africa 2012 (WR2012) study, which plays a major role in providing key hydrological information to water resource managers, planners, researchers and decision-makers throughout South Africa. The WRC and its research partners also published the first *South African Mine Water Atlas*. The Atlas serves as a comprehensive source of information on the true extent of mining impacts on surface and ground water resources.

Various innovative solutions were developed by the WRC to improve water demand management at a household level, such as a mobile application, that enables individual households to track their water consumption.

A WRC study produced a decision-making framework for guiding municipalities and water service providers on how to introduce reclaimed water schemes and improve consumer buy-in for these systems. The WRC also developed a Standardised Reserve Analysis and Monitoring tool (STREAM) which can monitor the Reserve in catchments characterised by run-of-river abstractions, limited flow monitoring infrastructure and decentralised water resource infrastructure. The tool was successfully tested in the Koue Bokkeveld in the Olifants-Doring catchment, Western Cape.

The WRC has contributed to the improvement of sanitation service delivery by funding the publication of a handbook for management of school sanitation facilities to empower school management to minimise the failure of sanitation facilities due to poor operation and maintenance. Another WRC study generated information on recycling of nutrients using decentralised wastewater treatment system (DEWATS) technology which will inform policymakers and town planners in the design of new social housing developments that integrate agriculture in the planning and design of low cost sanitation technologies.

In October 2016, the WRC, in partnership with the Minister of Water and Sanitation, Mrs Nomvula Mokonyane, launched the Women in Water Empowerment Programme (W-WEP). The purpose of the programme is to increase the participation of women-owned enterprises as service providers in government-funded water sector projects.

The WRC has continued to invest in building competent water sector professionals and also promoted gender and racial diversity in the leadership of research projects it funds. No less than 495 post-graduate students were supported through WRC-funded research in 2016/17, 49% of these students were women and 58% of them were from previously disadvantaged groups.

As part of its contribution to human capital development for the water sector, the WRC, in partnership with the Department of Water and Sanitation (DWS), launched a new Master's programme in April 2016. This programme is focusing on developing the skills required to support the implementation of the National Water Act of 1998. The Master's programme was developed in response to the identified education and training needs of the DWS, other government departments, non-governmental organisations and the private sector.

To further streamline the water sector skills pipeline and prepare the water sector employees for the water jobs and opportunities of the future, the WRC and the Energy and Water Sector Education Training Authority signed a collaborative agreement on 15 March 2017. This collaboration will focus on exploring how to unlock opportunities for exposing water sector professionals to emerging water solutions and innovations using existing bursary schemes, learnerships and internship programmes.

During the year under review, the WRC has continued to strengthen and build new international research partnerships to accelerate innovation in the water and sanitation sector. The Commission was one of the key collaborative partners in the 2016 World Water Week which was held in Stockholm, Sweden, from 28 August to 2 September 2016. The WRC also played a leading role in organizing the 4th Faecal Sludge Management Conference (FSM4) which was held in Chennai, India, from 19 to 23 February 2017. Minister Mokonyane was one of the keynote speakers at this international conference.

The WRC's achievement has also been recognised internationally. During 2016/17 the WRC was a recipient of the 2016 Water Award from the Foundation of the HSH Prince Albert II of Monaco for its contribution to research and development. This award recognised the WRC's contribution towards a better understanding of the environment and its outstanding work in the field of water resource management, water supply and sanitation.

In addition, Mr Dhesigen Naidoo, WRC CEO, was awarded the prestigious Africa Water Leadership Award at a special ceremony held in Mauritius on 7 December 2016. The award recognises leaders who can steer their business through turbulent times while applying the best of business modules to manage and keep their missions afloat.

I wish to thank the Minister of Water and Sanitation, Deputy Minister and officials of the Department of Water and Sanitation for their support. My sincere gratitude goes to the members of the Board, WRC executive management, staff, stakeholders, researchers, international and national partners for their commitment and support for the WRC 's research and innovation.

Dr Nozibele Mjoli
Chairperson of the Board

CEO's Address

Dhesigen Naidoo, WRC CEO

In South Africa, we are reminded on a daily basis that water is not a limitless asset.

Navigating the world of water is overwhelmingly complex and challenging. As 2006 Stockholm Water Prize Laureate, Asit K. Biswas, reminds us: "The world of water will change more in the next 20 years compared to the past 2 000. We must anticipate events and not follow them." The SDG target 6.1 aims to achieve universal and equitable access to safe and affordable drinking water for all by 2030. This global goal will not be reached unless there is a dramatic shift in the way in which water services are delivered, especially in remote rural communities and informal urban settlements.

Business cannot thrive in societies that thirst. We received a stark reminder of this in South Africa when the highest impact El Niño event to be felt in two decades plunged much of the country into severe drought. The year 2016 was the warmest ever experienced, and the impact of high temperatures combined with low rainfall was significant, especially on the agricultural sector. Towards the end of 2016/17 widespread rain had thankfully relieved the situation in much of the country, although Cape communities were still anxiously awaiting the onset of the winter rain season.

South Africa's water scarcity is now an undisputed fact, and the vulnerability of all, from ordinary householders to major industrial players, is now clear. Water security cannot be pegged on the hope of a return to normal rainfall patterns alone. We have to adapt to the new water availability. This means curbing water demand significantly and striving for higher levels of water efficiency in all areas. There is also a great need to harness alternative water sources. South African communities can no longer depend solely on expensive dams and water pipelines to supply them with their water needs.

This 'business unusual' approach requires innovative solutions. Research, development and innovation (RDI) is the key to achieving a robust, affordable and sustainable water supply. The WRC realises this and remains the largest funder of water-related research in South Africa, currently funding more than 65% of such research in the country. This tradition of investing in sound and relevant research form the roots of the WRC Knowledge Tree.

The WRC Knowledge Tree (Figure 1) aims to:

- Inform policy- and decision-making;
- Contribute to sustainable development solutions;
- Develop products and services for the real economy;
- Actively contribute to human capital development;
- Directly empower communities; and
- Enable the national transformation project.

The WRC cannot achieve its mission of a water-secure South Africa without strategic partnerships, both global and local. The Commission maintains close relationship with key stakeholders, such as the departments of Water and Sanitation, Science and Technology, Agriculture, Forestry and Fisheries, and Cooperative Governance, in addition to various sector partners. The WRC also serves as a strategic partner to various international organisations such as the Stockholm International Water Institute, the Bill & Melinda Gates Foundation, Global Water Coalition and Sustainable Sanitation Alliance, among others. On 8 July 2016, this network of international partners was strengthened further when the WRC signed a memorandum of understanding (MoU) with the Deutsche Gesellschaft für Internationale Zusammenarbeit, also known as GIZ. The MoU established an overarching framework for strategic collaboration to enhance and implement science and technology, explore synergies in bridging science and technology policy gaps, and collaborate on any other water-related themes mutually agreed for the benefit of South Africa and, where desirous, for the benefit of Africa. The MoU will allow the WRC to tap into the GIZ's three local programmes, namely the International Water Stewardship Programme, the South African-Energy Programme and the Climate Support Programme.

The WRC has also realised that the achievement of a higher level of water security and the expansion of the frontiers of dignity through accessible safe sanitation will require us as the water science and technology community to up our game. We need to accelerate our efforts to bring knowledge to action. This requires us to more actively package scientifically derived knowledge in a form that brings a much larger group of people into the conversation in a manner that strongly empowers participation and influences decision-making. The WRC research portfolio reflects this, with 24 community-based research projects funded to facilitate positive relationships with communities through their active participation. Similarly, 29 SMMEs were funded as project leaders to promote small business development and job creation.

We have also expanded our efforts to bring laboratory proven solutions to demonstration as the bridge to

FIGURE 1. THE WRC TREE

on-the-ground implementation at scale. In the WRC portfolio alone we have 13 such candidates. In 2016/17 some highlights in this regard include the launch of the Kwa-Madiba small-scale hydropower scheme, a run-off-river scheme on the Thina River, in the OR Tambo District Municipality; and Vitasoft, an innovative system to treat mine-water; as well as the Commission's various alternative sanitation technologies, such as pour-flush sanitation and the Arumloo, to name but a few.

We would like to emphasise our gratitude to the Minister and Deputy Minister for their acute leadership, the WRC Board for their continuous guidance and generous support, and the broader stakeholder base for an incredible partnership during the year. Finally, thanks to the WRC management team and staff for their commitment and hard work as we continue to serve the nation.

Dhesigen Naidoo
WRC CEO

Executive Summary

The 2016/17 financial year saw the end of what proved to be the most extreme El Niño event globally in twenty years. Even so, it was arguably the most impactful of the four drought years of this episode in South Africa. Drought and water scarcity had become the national conversation and public demand for information, knowledge solutions and toolboxes to cope with the drought was at an all-time high. The WRC was a major player and principal knowledge partner in supporting the efforts of the water sector, led by the Ministry of Water and Sanitation, in the national campaign to manage the drought impacts. The WRC was also a partner of increasing importance to the global dialogue on water and sanitation developments.

The WRC continued to be a partner to Government, the private sector and civil society in the national socio-economic development and transformation project and operated in complete alignment with the strategy of the DWS, Government and the National Development Plan. In addition to contributing to several Government Outcomes, the WRC's strategic outcome-orientated goals comprise five impact areas based on the operationalisation of the WRC Knowledge Tree, a fundamental guiding framework and corporate planning tools used by the WRC to define, measure and evaluate research impact.

The Commission counted several performance highlights for 2016/17, including the development of new products and services; project outcomes that informed policy and decision-making, empowered communities and drove sustainable development solutions; as well as research and development that promoted transformation and redress. New innovations included the MOVE patching system providing water quality modellers with a powerful tool to improve both the quality and the efficiency of the patching of water quality records. Another innovation with important application for water quality is a new method to identify and quantify pharmaceutical waste in water samples. New knowledge created through WRC research included hazard and drought risk assessment, drought vulnerability and resilience for communal and commercial farmers; drought indicators for South Africa, and a framework for provincial drought management plans.

The year also saw a number of 'firsts' for the water sector, such as the completion of the first local study on risk governance for the water sector produced for Local Government decision-makers to better equip the municipal level efforts in climate change adaptation. As part of the study a risk maturity model was developed.

The WRC was also prominent in key international water events, being a strategic partner to the Swedish International Water Institute (SIWI) in the World Water Week, in Sweden, and successfully carrying its role as organising partner to the Bill and Melinda Gates Foundation for the 4th Faecal Sludge Management Conference in India. During the year under review the Commission won important international accolades. These included an award for the WRC from the Prince Albert II of Monaco Foundation for sterling work in improving water access as well as prestigious Water Leadership Awards for members of WRC staff.

In recent years the WRC has been increasingly called upon to not only develop new knowledge in the water and sanitation science and technology domain, but also to support and further develop human capacity and skill as well as lead technology, product and industry development. This not only necessitated an expanded mandate but also a suitable organisational structure. In 2016/17, the WRC successfully operationalised its new structure of two core teams – research and development (R&D) and impact and innovation (I&I). The R&D branch is responsible for the generation of new water knowledge, while the I&I branch seeks to, among others, position the Commission as a premier knowledge hub and create a robust and vibrant innovation ecosystem.

With regards to the WRC's research portfolio, the Commission initiated 106 new projects and completed 87 projects during 2016/17. This represents a cumulative increase in the amount of new and finalised research projects funded over the past five years. The WRC aims to provide South Africa with future researchers as well as a source of skilled human capital for other institutions within the water sector. During 2016/17 the WRC supported 495 post-graduate students through its research projects, 58% of which were previously disadvantaged individuals. About half of the Masters and PhD students supported by the WRC are women.

With regards to the WRC's financial performance, the Water Research Levy is the Commission's main source of revenue. The WRC had a total income (including levy and leverage income) of R 310.5 million during 2016/17. Levy income as a percentage of total income has decreased from 73% to 69%. This was a direct result of the reduced sales volume during the drought. In addition, the WRC has increased emphasises on leverage or contract income as a key source of funds. In this domain, despite a depressed economic environment globally, the WRC saw an increase to R82.8 million.

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

The Commission can now pursue this on the back of a highly successful 2016/17 based on a year of continued high performance and a clean audit.

Section A

STRATEGIC OVERVIEW

Access to sufficient water of an appropriate quality is necessary for life, for economic growth and for social development. It underpins the well-being and prosperity of South Africa and all of its people. The past two financial years emphasised just how important water is to the survival and prosperity of the South African nation. For the South African water science community the challenges are clear – translating research, development and innovation (RDI) into real solutions to address poverty, inequality and unemployment, while applying knowledge solutions to advance opportunities to enable economic growth, improve competitiveness and ensure prosperity. Another important factor is building society's resilience to future issues such as weather extremes caused by climate change. This section provides a strategic overview of the WRC for the 2016/17 period, the fifth year in its current five-year strategic planning cycle.

ABOUT THE WRC

The WRC was established through the Water Research Act (WRA), Act No. 34 of 1971. The WRC operates and accounts for its activities in accordance with the Public Finance Management Act (PFMA), Act No. 1 of 1999 as amended, and is listed as a Schedule 3A public entity.

THE PRIMARY FUNCTION OF THE WRC IS TO:

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

VISION

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

MISSION

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

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

VALUES

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

STRATEGIC OUTCOME-ORIENTED GOALS

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

The WRC strives to achieve as many of the WRC Knowledge Tree impact areas as reasonably possible in the research that it funds. This applies within a research project, to post-project actions, and to follow-on projects. By 2016/17 the Knowledge Tree had been well entrenched in the WRC's activities, with all research proposals articulating objectives of the Knowledge Tree branches.

The WRC's actions are further driven by five core principles:

- **Investment in the 'multiplier effect'.** The multiplier effect relates to, first, the WRC Knowledge Tree and, secondly, speaks to the continuous improvement of a programmatic approach to choose a significant proportion of new projects in each funding cycle that build on the knowledge base of existing and previous funding cycles.
- **Research concentration for accelerated knowledge and solutions development:** This will be done through the development of WRC Lighthouses. These are trans-disciplinary, multi-Key Strategic Area (KSA) and inter-institutional mega-projects (platforms) that will examine priority water issues across the innovation value chain.
- **A further diversification of the research philosophy:** This will allow the WRC to expand the number of projects in the portfolio that move from the classical independent-observer scientific approach to an action-research paradigm. This entails the broadening of our scope to one that actively involves communities in the research project, and engages key partners to upscale and maintain interventions post-project.
- Several key points of focus will be further enhanced through **elevations in research** during this five-year period; for example, through the development of new WRC Lighthouses, and the broadening of scope of others, while building new research cadres and capability and expanding participation in Centres of Excellence.
- **Elevations in important impact areas:** The WRC is pursuing elevations in several key impact areas through, among others, technology scanning, reverse engineering, and the pursuit of ready-to-use solutions in a plug-and-play mode.

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

TABLE 1. THE WRC'S STRATEGIC OUTCOME-ORIENTATED GOALS

1

Inform policy and decision-making

The WRC aims to commission appropriate evidence-based knowledge generated to guide decision-making, influencing the development of policy, practice or service provision, shaping legislation, altering behaviour, contributing to the understanding of policy issues, and reframing debates.

2

Develop new products and services for economic development

The WRC capitalises on those projects that have potential to develop new intellectual property or to introduce innovations which create new or improved technologies, products and services that can be used in the real economy. Effectively, this is the WRC's contribution to job creation and economic development through water science innovations.

3

Enhance human capital development (HCD) in the water and science sectors

The WRC strives to have high levels of student participation in its projects. Although the emphasis is on post-graduate degrees, inclusion of undergraduates has also been investigated. There is also a particular emphasis on previously-disadvantaged individuals (PDIs) and women. The WRC also aims to support institutional development through mentorship provided to new research leaders.

4

Empower communities

The WRC places an emphasis on projects that (a) include communities not only as end-users of research but as active participants in the research process from the project design phase; (b) have a direct impact on the livelihoods of communities through water-related interventions; and (c) build sufficient capacity to assist with the post-project sustainability of those interventions.

5

Promote transformation and redress

This goal focuses on growing PDI involvement/leadership in projects, as well as helping to promote socio-economic development through the reduction of poverty and inequality in South Africa, particularly of marginalised groups such as women and youth..

6

Drive sustainable development solutions

The WRC prioritises those projects that provide sustainable development solutions that have had positive effects on the environment, economy and society, including: protection of water resources, optimal water use, equity between generations, equitable access, environmental integration and good governance. Additionally, this goal focuses on developing knowledge products that are fit-for-use to ensure the uptake of research.

LEGISLATIVE AND OTHER MANDATES

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

CONSTITUTIONAL MANDATE

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

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

LEGISLATIVE MANDATES

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

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

WATER RESEARCH ACT (ACT NO. 34 OF 1971 AS AMENDED)

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

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

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

NATIONAL WATER ACT (ACT NO. 36 OF 1998)

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

WATER SERVICES ACT (ACT NO. 108 OF 1997)

The objective of the Water Services Act (WSA) is to provide for the right of access to basic water supply and basic sanitation by setting national standards and norms. Section 156, read in conjunction with Part B of Schedule 4 of the Constitution of the Republic of South Africa (Act No. 108 of 1996), vests in the Executive Authority the responsibility to support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and to perform their functions. Again, the applicability of the WSA to the WRC rests in the WRC's duty to respond to water supply and sanitation needs with research and development that helps to address those needs.

PLANNED LEGISLATIVE MANDATES

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

Review of the water-related legislation

The DWS is currently reviewing the NWA, the WSA and the WRA.

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

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

Water Research Amendment Bill

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

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

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

POLICY MANDATE

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

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

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

ALIGNMENT OF WRC ACTIVITIES TO NWRS-2

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

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

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

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

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

ORGANISATIONAL ENVIRONMENT

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

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

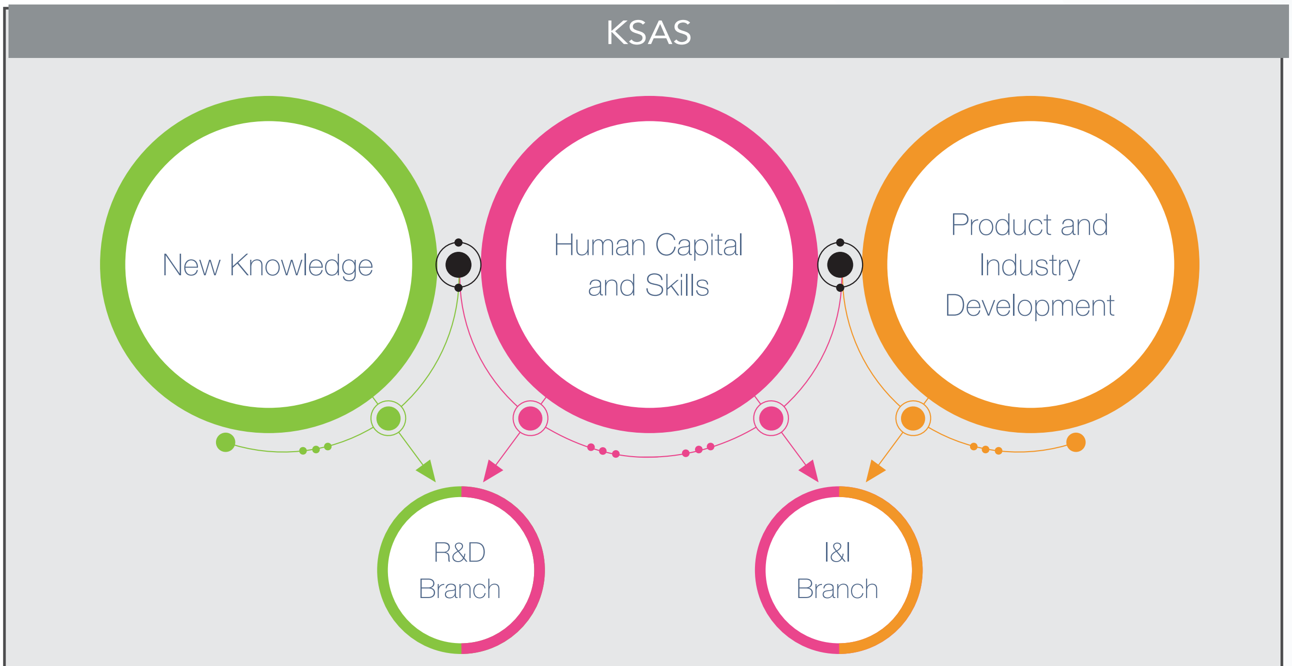


FIGURE 2. THE WRC'S REORIENTATION TOWARDS INNOVATION AND IMPACT

As such, two core teams have been developed:

1. **Research and development** – which focuses on the generation of new knowledge as well as the mechanisms needed to support this, including human capital development and skills development
2. **Impact and Innovation** – which entails a redefined focus on technology, product and industry development, business development and innovation realisation on the one hand, and enabling mechanisms such as knowledge dissemination, communication and marketing on the other.

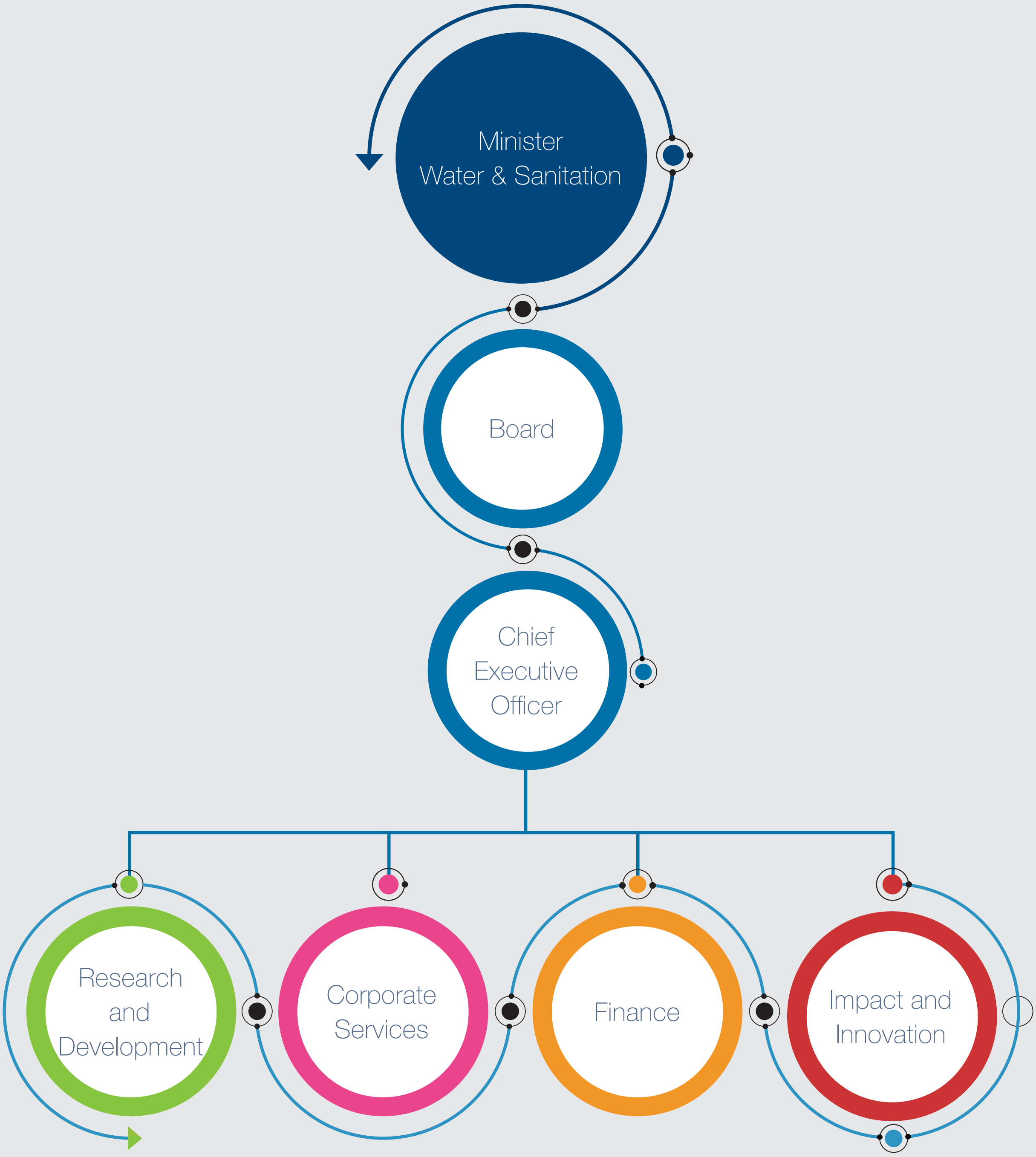


FIGURE 3: WRC ORGANISATIONAL STRUCTURE

The following structure defines the internal governance framework:

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

RESEARCH AND DEVELOPMENT

The R&D branch is responsible for the generation of new water knowledge through research and development projects. The knowledge generated results in new or refined technologies and innovations that are deployed in the water sector to address specific needs and challenges. The branch is actively involved in human and institutional capacity development using research projects, research products and services. The branch supports other branches in the WRC with knowledge, innovations and technologies that enable them to fulfil their functions. The R&D branch has three key strategic areas (or departments), which are Water Resources and Ecosystems, Water and Wastewater Management, and Water Utilisation in Agriculture.

The R&D portfolio in the WRC has to address both the challenges and opportunities in the water and related sectors. Some of the challenges are global in nature, whereas the majority can be viewed in a local context. Water scarcity or security has been identified as a major risk in attaining sustainable economic growth and development. In a water-scarce region such as ours (SADC), where countries share water resources and cultures, water scarcity threatens socio-economic development and environmental sustainability. The WRC continues to support and start new research initiatives which adequately address these challenges and associated risks. Socio-economic challenges have been given a special focus. The R&D portfolios actively seek to develop products and services geared to overcome the 'cubed' challenge (poverty, inequality, and unemployment). The branch places emphasis on ensuring that knowledge solutions support growth (economic and social), the competitiveness of water-related industries and thus enterprises, and on supporting the continuous development of current and future water knowledge workers (especially researchers and students).

INNOVATION AND IMPACT

Solutions to the country's growing water challenges lie, in part, with the development and adoption of new innovative technologies, and development of new products and services leading to the creation of new industries. But current investment in water innovation is extremely low, especially investment by the astute promoters of innovation – such as venture capital and corporate research and development. This low investment may explain the low levels of innovative output, as measured by patent filings and adoption and dissemination of new innovations. The WRC has taken a strategic decision to address this challenge, and responded by establishing a new branch, Innovation and Impact.

This branch seeks to address the above issues by focusing on the following:

- Positioning the WRC as a premier knowledge hub, leading the sector in terms disseminating multimedia and interactive knowledge products, integrating knowledge generated by other bodies, making available and accessible credible water data and information, and the general uptake and use of water management knowledge by the relevant sectors of the population.
- Becoming a national leader in water conversations, ensuring that water and water-related knowledge permeates though all sectors of our population leading to better understanding of water management issues and hence behavioural changes, and positioning the WRC and its personnel as the credible conversation leader in all media channels.
- Creating a robust and vibrant innovation ecosystem that allow the WRC to play a lead and co-ordinating role with strategic sector partners in accelerating technologies to the 'market'.
- Creating an environment whereby professionals and non-professionals can contribute and channel their knowledge and innovative skills to solving water problems from a multidisciplinary point of view.

PERFORMANCE OVERVIEW

PERFORMANCE ENVIRONMENT

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

Technological innovation, improvements in communication, increased collaboration and international partnerships have enhanced the ability of the WRC to conduct better research, to train students at higher levels, and to organise for better translation of research into products and services for the economy. These improvements, together with new resources, will guarantee the ability of the South African water RDI community to make a significant difference to South Africa's water fortunes. The following section provides an overview of the WRC's performance during 2016/17.

INFORMING POLICY AND DECISION-MAKING

NEW MONITORING PROGRAMME FOR IMPROVED MANAGEMENT OF SOUTH AFRICA'S WETLAND RESOURCES

Wetlands are complex and dynamic ecosystems that provide indispensable services to the people and environment of South Africa. In order to protect and manage the remaining wetlands of the country, assessment, monitoring and reporting on the state of wetlands is crucial. The DWS conceptualised a National Aquatic Ecosystem Health Monitoring Programme in the 1990s. Although a number of monitoring programmes have been implemented under this initiative, a wetland monitoring programme has yet to be established.

With this in mind, the WRC, with its research partners, set out to design a National Wetland Monitoring Programme. A core suite of practical and user-friendly indicators were selected for the monitoring programme. The programme design was then tested on selected sites. The design was based on an approach of minimising duplication, minimising resource use (while maximising the value of outputs of wetland assessment and monitoring), adaptive management and maximum engagement and participation by stakeholders.

DIALOGUE TOWARDS THE ESTABLISHMENT OF A HYDROLOGY DATA CENTRE FOR SOUTH AFRICA

South Africa and the United States are working towards developing science partnerships and fostering international collaborations through several mechanisms. In February 2016, a Joint Committee Meeting on Science and Technology highlighted the importance of water resource issues and suggested that a bilateral dialogue be held to charter a path forward. This set the course for the Dialogue on the Establishment of a Hydrology Centre for South Africa, which was organised by the WRC with a number of South African and US stakeholders on 27-28 June 2016. The dialogue focused on the development of a framework for establishing a facility that will act as a focal point for all water quantity, water quality and precipitation data to support water resources management and improve drought resilience in South Africa.

LAND USE PLANNING AND DEVELOPMENT IN KARST TERRAINS

Large parts of South Africa, notably the urban areas of Gauteng, are underlain by dolomite bedrock. Developments in the understanding of the karst vadose (unsaturated) zone supply insights into various aspects, such as ingress scenario subsidence and sinkhole formation; groundwater recharge in karst regions; aquifer vulnerability of karst groundwater; as well as improved land use planning and investigation to mitigate risks associated with development on soluble rock. The WRC is funding a three-year project on the karst vadose zone, which aims to inform stakeholders on these matters to ensure safe development in dolomite land and to protect already scarce water resources. The project team comprises engineering geologists, hydrogeologists, and vadose zone hydrologists with academic and consulting experience in risks associated with development of dolomitic land. With more than 90% of the sinkholes in Gauteng being ascribed to water ingress and the dolomite aquifers presenting a significant groundwater resource, developments in the understanding of these systems are important. To introduce the subject to stakeholders, a special closed dialogue was held on 4 November 2016 focusing on land use planning and development in karst terrains.

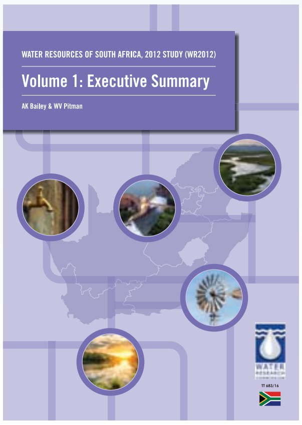
DIALOGUE ON THE ROLLOUT AND IMPLEMENTATION OF THE NATIONAL GROUNDWATER STRATEGY

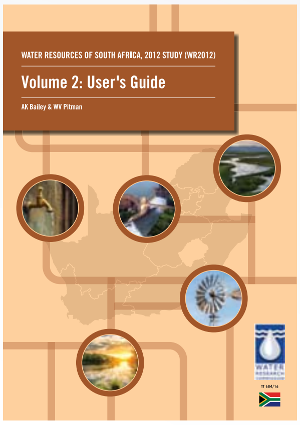
The management of open access, local resource, groundwater, is complex and the evolution of appropriate groundwater management systems is a long-term process. The way forward will have to be tackled strategically together with stakeholders, with a strong national groundwater champion role coming from the DWS and the science leadership role from the WRC. A dialogue on 22 November 2016 aimed to bring a mutual understanding of the key groundwater governance issues involved and the role of different stakeholders within an overall governance framework. Based on this, stakeholders mapped a joint way forward in terms of the rollout of the National Groundwater Strategy.

ROADMAP WORKSHOPS SECURING WATER FOR THE FUTURE

Increasing water scarcity has placed water as the biggest societal and economic risk for the next ten years. Most risks are global in nature and have the potential to cause significant negative impact across entire countries and industries. This reality places renewed emphasis on the need for innovative solutions, technologies and processes as well as highly skilled individuals that will be able to rise to the challenge of navigating these complexities going into the future. In order to overcome the challenge of water-related innovation and associated skills needs in the South Africa's water sector, the Water Research, RDI Roadmap was conceptualised and co-created by the DST and the WRC. In a nutshell, the Roadmap is a plan that focuses on investing in research, innovation upscaling and deployment, and the skills needed to achieve the investment ambition of the Roadmap. The Roadmap broadly focuses on unlocking alternative sources of water; governance, management and planning of supply and demand; unlocking new ways of managing built and ecological infrastructure; improving the business efficiency of the water sector through dealing with non-revenue water as well as innovating around pricing, monitoring metering and billing. During 2016/17, the WRC rolled out national roadshows in various parts of the country to introduce the finalised plan to interested stakeholders and allow them to meet the instruments that have been put in place to support the implementation of the Roadmap.

GUIDING WATER RESOURCES MANAGEMENT IN SOUTH AFRICA





The nine-volume guideline for South Africa's national water resources has been published. The Surface Water Resources of South Africa 2012 study, known as WR2012, is the sixth water resource assessment study to be undertaken in South Africa. The study, as with its predecessors, will play a major role in providing key hydrological information to water resource managers, planners, designers, researchers and decision-makers throughout South Africa. Each water resource assessment study builds on the technology and knowledge gained from the one that preceded it. The latest study, which covered South Africa, Lesotho and Swaziland, built on the previous assessment (WR2005) by using updated and new data and information as well as new tools and technology. Knowledge of various new developments and an analysis of trends that have emerged in the water sector in the past five years guided the researchers in project implementation. The WR2012 study also took into account difficulties experienced by water resource users and, where possible, has made improvements in response to these. The evaluation and improvement of existing tools, development of new tools and development of a website for WR2012 (www.waterresourceswr2012.co.za) allow for national water resources planning which is more accurate and more efficient, and allows for easier updating in the future. The naturalised mean annual runoff was determined as 49 251 million m^3/annum – virtually the same as the runoff calculated during the previous (WR2005) study.

DEVELOPING NEW PRODUCTS AND SERVICES FOR ECONOMIC DEVELOPMENT

LAUNCH OF BIOMIMICRY TOOL IN CAPE TOWN

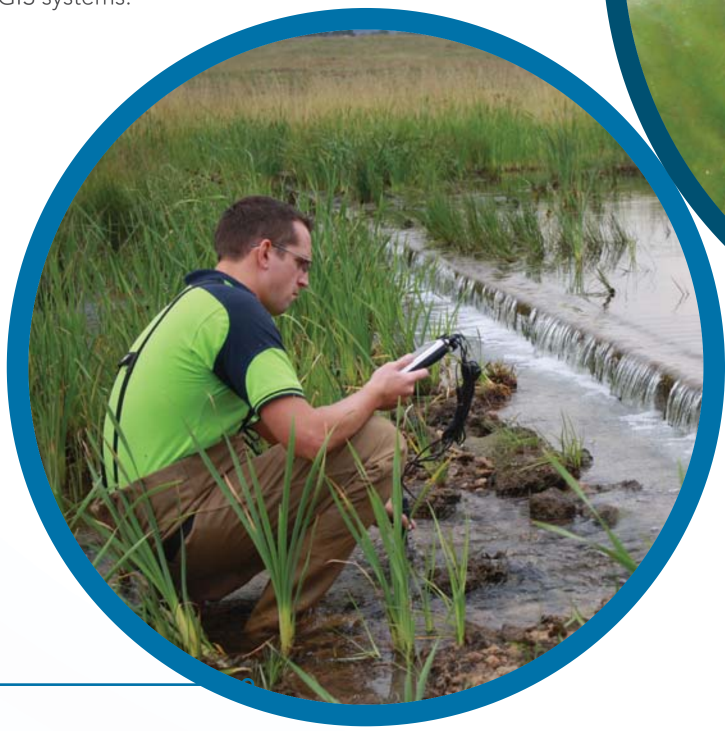
Biomimicry looks to nature for solutions to current day challenges. Since nature tends to evolve with its environment, solutions found using this methodology are often sustainable and have minimal impact on its surrounding ecosystem. Solutions evolving from biomimicry methodology can significantly contribute to wastewater treatment, managing stormwater runoff, mitigating effects of erosion and contaminated runoff, to name but a few. As such the WRC with its research and funding partners has been investing in research to advance biomimicry technologies in South Africa. On 12 August, 2016, the WRC hosted a workshop in Cape Town to share the outcomes of two biomimicry projects focused on sustainable wastewater treatment and management with relevant stakeholders. During this workshop the WRC also launched its biomimicry water tool. The tool, a useful reference for all biomimicry research and development, includes innovation for addressing challenges in the water sector in a sustainable manner.

NEW ATLAS SET TO IMPROVE DECISION-MAKING AROUND MINING AND WATER

Relatively small volumes of water are used by mining companies compared to other industrial sectors, but water is needed for extraction and concentration of metals and non-metallic minerals. Water is also used to generate electricity required for crushing ore, on-site processing, smelting, refining and other aspects of treating resources to improve their properties. The WRC, with its research partners, created the country's first *South African Mine Water Atlas*. The Atlas is intended as a comprehensive reference of the true extent of mine-influenced water in the country, both on the surface and underground. The Atlas consolidates data on mineralogy, water quality, flow, present ecological state, and hydrogeological information, thereby assisting water resource managers from all sectors to understand where the vulnerabilities are. In essence, the Atlas is meant to be an educational resource for water users, including legislators and the public, as well as a tool to facilitate decision-making and the setting of key questions for both investors and developers. It is important to note that the Atlas does not prescribe where a developer can or cannot mine, but rather what risks or threats there are to South Africa's water resources in an unmitigated scenario. This is intended to present the key questions intuitively and graphically, and facilitate understanding of the issues from a broader geographic context.

DECISION SUPPORT TOOL TO MINIMISE IMPACT OF COAL MINES ON WETLANDS

By virtue of their positions in the landscape and relationship to drainage networks, wetlands are frequently impacted by coal-mining activities, especially opencast methods. The impacts are ongoing, since coal is a strategic resource and will continue to be mined to support the country's development. However, regulatory authorities and the public now have an improved understanding of the range of economic, social, ecological and hydrological costs of wetland loss and degradation. Regulators are increasingly insisting that mines avoid, minimise and mitigate their impacts on wetlands, and internalise the true costs of wetland loss into their balance sheets. The WRC, with its research partners, developed a *High Risk Wetlands Atlas* to guide both mining companies and regulators with regard to high risk wetlands and associated landscapes. The Atlas identifies key wetland landscapes in the grassland biome of Mpumalanga that are particularly important or irreplaceable in terms of biodiversity, water resource management and ecosystem services. In addition to the Atlas, there is a User's Guide and a DVD that contains the required software to use the Atlas, as well as the underlying spatial data for those who use their own GIS systems.



HANDBOOK FOR MANAGEMENT OF SCHOOL SANITATION

In 2014/15, the WRC commissioned a study to better understand the needs of learners with regards to school sanitation as well as the key issues that contribute to the failure of sanitation at schools. Principals and learners were interviewed and focus groups and surveys were conducted with learners. Following the results of this investigation, *a Handbook for Managing School Toilets* was completed in the first quarter of 2016/17. The handbook provides ideas for activities around launching a new management programme in order to help everyone at school make a fresh start with the toilets and to cultivate a sense of ownership.

MEETING FAMILIES' NUTRITIONAL REQUIREMENTS THROUGH ENHANCED FOOD PRODUCTION

The co-existence of the phenomena of adult obesity and child malnutrition raises serious concerns about household food security in South Africa. A baseline and scoping study commissioned by the WRC revealed numerous knowledge gaps with regard to smallholder production and food security in South Africa. Thus, this follow-up project, which was finalised during 2016/17, set to address the gaps in knowledge and to propose a set of options for strengthening rain-fed and irrigated crop production in the rural areas investigated. More particularly, the study investigated the consumption and production patterns of rural households in four selected communities in the poorest local municipalities in South Africa. The study showed that the diets of poor rural households in South Africa lack diversity and do not include the frequent consumption of a diversity of fruit and vegetables necessary for ensuring good nutrition, human productivity and child development. The study did find an encouraging link, however, between engagement in agriculture and improved dietary quality, although many households reported a lack of access to water for productive purposes. In upcoming research the WRC will be investigating water harvesting and irrigation technologies to enable and encourage the production of crops with high nutrient and water productivity, to reduce labour costs for women in particular.

WORKSHOP CELEBRATES WORLD FISHERIES DAY

Besides pollution, habitat degradation, threats from alien and invasive fish, drought and climate change, the disruption of fish migratory routes poses a serious threat to many fish. The WRC hosted a special dialogue on 21 November 2016 to celebrate World Fisheries Day. The dialogue focused on the role of fish in society, and particularly the role of freshwater fisheries and fishing in the economy. The dialogue further explored existing and future research opportunities in the area of inland fisheries.

STUDY AIMS TO BREAK CYCLE OF DISEASE

During the course of previous sanitation research fieldwork conducted for the WRC, researchers noted that open defaecation was sometimes reported to be practised by householders at homes which had been provided with an on-site toilet by Government. While global initiatives to eliminate open defaecation have often made the assumption that where basic sanitation is provided open defaecation is eradicated, this appeared not to be the case in the South African context. In addition, respondents in these studies made mention of the practice of geophagia or soil-eating. This WRC project, completed during the year under review, was initiated to understand the beliefs, knowledge, attitudes, practices and consequences associated with open defaecation and soil eating, and to explore the role that these practices may play in the transmission of helminthic infections and diarrhoeal diseases. This was the first time that such a study had been conducted in South Africa. The study found that there were various reasons for household members to continue with the practice of open defaecation despite having a toilet on-site. Factors included fears over young children falling into open pits and safety issues with regards to using outside toilets at night, among others. Geophagia was found to be a widespread practice, although few households realised the dangers of helminth infections linked to eating soil, particularly in areas where open defaecation occurs.

THINK TANK DELIBERATES CLIMATE CHANGE, FOOD AND AGRICULTURE CONNECTION

On 18 October 2016, delegates from agri business, research institutions, government departments, and universities gathered to deliberate the challenges facing the agricultural sector in the face of persistent food insecurity and climate change. Organised by the WRC together with its sector partners, the universities of Pretoria and KwaZulu-Natal, the Agricultural Research Council and the Department of Agriculture, Forestry and Fisheries, the workshop discussed possible solutions to the challenges related to food security and nutrition, as highlighted by World Food Day (16 October). The workshop was also used as a platform to share information on the WRC's latest research on this topic, including research exploring the potential of increased production of food crops to meet nutritional requirements of rural poor people, and studies investigating the nutritional water productivity of various indigenous food crops.

MOBILE APP HELPS CAPE TOWN COMMUNITIES SAVE WATER

The drought experienced in many areas of South Africa during the past year again affirmed the need for water-saving measures to be implemented across sectors. *Drop Drop* is a standalone application (app) that was developed by the University of Cape Town, with funding from the WRC. The application runs on Android smartphones and was developed to enable individual households to track their water consumption. It allows users to access information on their daily water usage, predicted month-end water bill, water conservation methods, the municipal contacts, and information about the water system. In order to generate all this information, the user needs to enter the water meter readings into the app on a daily or at least regular basis. The app is targeted at mid- to high-income households, where the majority of high residential water consumption occurs. The pilot project demonstrated that making using of the app, even if only briefly, consistently reduced households' water consumption compared to their own historic usage patterns, as well as compared to individuals that did not use the app.

REFINING THE WATER USE EFFICIENCY OF WINE GRAPES

Close to 70% of vineyards for the production of wine in South Africa are irrigated and/or established under the drip irrigation system (compared to less than 23% twenty years ago). In a first for South Africa, a WRC study tested different drip irrigation strategies and canopy manipulation combinations to improve the water use and yield of wine grapes. The study was carried out in a commercial vineyard outside Robertson in the Breede River valley. Three different irrigation strategies were applied to the grapevines in addition to nine different irrigation/canopy manipulation treatments. Among others, the study found that irrigation applied at low plant-available-water (PAW) depletion levels more than doubled irrigation volumes compared to grapevines irrigated at high PAW depletion levels. Due to the accelerated sugar accumulation which resulted in different harvest dates, canopy management practices indirectly reduced pre-harvesting irrigation volumes. Under the given conditions, the different canopy manipulations did not affect total lead area per grapevine within an irrigation strategy. Grapes from grapevines subjected to severe water constraints ripened more rapidly than those experiencing no or medium water constraints. This and other results are contained in the final report, *Deficit irrigation and canopy management practices to improve water use efficiency and profitability of wine grapes* **(WRC Report No. 2080/1/16)**, *which was published in the 2016/17 year*.

NEW PROTOCOL TO MONITOR THE ECOLOGICAL RESERVE

Extensive R&D has gone into methodologies aimed at determining the ecological reserve in South Africa, i.e. quantifying the volumes, quality, timing and frequency of flows required to support ecosystem processes in local rivers. The WRC set out to develop simple tools to monitor the reserve that can be applied in rural catchments with limited water resource management capacity and monitoring, but which have a high conservation and biodiversity value. The resultant method, the Standardised Reserve Analysis and Monitoring tool (STREAM), can monitor the reserve in catchments characterised by run-of-river abstractions, limited flow monitoring infrastructure, decentralised water resource infrastructure. The method is not intended for monitoring real-time compliance in complex catchments with major water resource infrastructure or for developing operating rules for dams. The tool was successfully tested in the Koue Bokkeveld, an area in the Olifants-Doring catchment, in the Western Cape.

INTEGRATING AGRICULTURE IN DESIGNING ON-SITE, LOW-COST SANITATION TECHNOLOGIES

The disposal of effluent generated from low-cost sanitation technologies such as the decentralised wastewater treatment system (DEWATS) poses challenges to the environment. Such effluent has been shown to contain high concentrations of essential nutrients necessary for crop production. Integrating agriculture in the planning and design of low cost sanitation technologies could provide safe and sustainable mechanisms for disposing of such effluent by retaining the nutrients for crop production and releasing water into hydrological systems. A WRC study, completed during the year under review, generated information on recycling of nutrients from DEWATS technology and other human excreta-derived materials that will inform policymakers and town planners in the design of new social housing developments that include an agricultural component. This objective was achieved through field, tunnel and laboratory activities that focused on the nutrient uptake aspect, with some attempt at achieving nutrient balances and thus estimates of nutrient loss. The soil processes that govern the two most critical elements in human waste for both plant growth and possible environmental problems, namely nitrogen and phosphorus, were the main focus.

IMPROVING KNOWLEDGE ON THE ADVANTAGES OF USING RECLAIMED WATER

Reclaimed water is water recovered from domestic, municipal, or industrial wastewater treatment plants that has been treated to standards that allow it to be safely used for designated purposes, including domestic purposes. Reclaimed water has been advocated as an alternative water-supply option in many areas, but has been met with some resistance. Public resistance to the use of reclaimed water is mainly attributed to the ways in which this water supply has been introduced to areas in the past, in many cases, in an ad hoc manner. Many approaches have been developed to address the natural resistance and uninformed perceptions of people towards this water source without clear guidance as to how reclaimed water should be introduced in a municipal environment. A WRC study produced a decision-making framework to guide municipalities and water service providers to introduce reclaimed water schemes and improve public buy-in for these systems.

KEEPING AN EYE ON SA'S DAMS THROUGH SATELLITE TECHNOLOGY

Nutrient-enrichment of freshwater systems not only result in persistent algal blooms, but can – in extreme cases – cause fish kills and mass mortalities of bottom-dwelling invertebrates. The National Eutrophication Monitoring Programme coordinates the collection and analysis of dam water samples to assess the nutrient status of dams countrywide. A WRC project set out to exploit satellite-based earth observation data to monitor more than 100 dams around the country, providing both historical and real-time information. Collaborators on this project include CyanoLakes (Pty) Ltd, DWS, CSIR and the South African National Space Agency. The Earth Observation National Monitoring Programme will integrate remotely sensed estimates of cyanobacteria blooms and eutrophication into the national water management database of DWS, using the information to assess historical changes in water quality, and for near real time monitoring purposes. This will dramatically increase South Africa's ability to monitor both and assess changes in water quality on a national scale.

TRANSFORMING RURAL COMMUNITIES WITH SMALL-SCALE HYDROPOWER

The electrification of rural communities with reliable and sustainable electricity supply remains challenging. Small hydropower schemes can play a critical role in providing energy access to remote areas in South Africa, as standalone, isolated mini-grids. The DST is piloting a range of innovative technology solutions to enhance service delivery through an initiative called the Innovation Partnership for Rural Development (IPRD) programme. The DST has contracted two implementation agencies, one of which is the WRC, to showcase and test a suite of water, sanitation, micro-hydroelectric power and smart geyser technology solutions at municipal demonstration sites. The WRC contracted the University of Pretoria to conduct research within the IPRD programme on building capacity for the implementation of small-scale hydropower development for rural electrification in South Africa. Out of this project the Kwa-Madiba small-scale hydropower scheme, a run-off-river scheme on the Thina River, in the OR Tambo District Municipality, Eastern Cape, was developed. The intake is located at the top of the Thina Falls, and the turbine room and tailrace at the bottom. The intake and the turbine room are connected by a 42-m long, 355-mm diameter intake pipeline and a 116-m long, 355-mm diameter penstock constructed through directional drilling. Through this project electricity will be provided to around 30 households.

PROMOTING TRANSFORMATION AND REDRESS

EMPOWERING WOMEN THROUGH WATER USE SECURITY

Women's access to productive resources, such as land, modern inputs, technology, education and financial services, is a critical determinant of agricultural productivity. Agriculture is important to women, but female farmers in general have less access to the productive resources and services required for agricultural production. In an attempt to address some of these challenges, the WRC has completed three projects which focus on empowerment of women. Based on some of the challenges and opportunities highlighted by these projects, the WRC with its research partners hosted a dialogue focusing on the empowerment of women in the agricultural sector on 19 August 2016.

LAUNCH OF WOMEN IN WATER EMPOWERMENT PROGRAMME (W-WEP) PROGRAMME

On 14 October 2016, the Minister of Water and Sanitation, Nomvula Mokonyane, along with the WRC, launched a Women in Water Empowerment Programme (W-WEP) to mentor and transform women entrepreneurs in the water sector. The purpose of the programme is to provide support to women-owned and -led enterprises to be effective and efficient in delivering proper water- and sanitation-related services to the public. The programme will run over three years. Among the speakers at the launch were anti-apartheid icon, Sophia de Bruyn, the last surviving leader of the 1956 Women's March. The programme comprises two legs, namely the W-WEP Mentorship Programme and the W-WEP Entrepreneurship Incubator. The objectives of the programme are to:

- Identify and address the key gaps between the current scenario and expected future scenario for the participation of women-owned businesses in the water sector
- Accelerate the growth and success of women entrepreneurial companies through an array of business support resources and services; this includes, among others, capital, coaching, common services, and networking connections
- Develop business talent to enhance performance of women professionals and women-owned businesses and create readiness for transition to the next level of operation
- Develop a succession and retention plan for professionals and women-owned businesses to sustain organisational excellence in terms of service delivery
- Measure business impact and effectiveness of the programme during and after implementation

TRAINING A NEW GENERATION OF AGRI LEADERS

The WRC, in collaboration with Rhodes University, held a successful workshop on rural freshwater aquaculture at the Tsolo Agricultural and Rural Development Institute, near Umtata in the Eastern Cape on 30 May 2016. The WRC has funded research into various aquaculture projects and manuals, dealing with issues such as the re-establishment of freshwater aquaculture in South Africa, the revitalisation of state hatcheries and the training of extension officers. The WRC is of the view that aquaculture should not be seen purely as a way of producing food. In fact, there are many forms of aquaculture that produce a marketable commodity that is not necessarily eaten, but sold for cash. This, in turn, can be used to purchase food. A flourishing example of this is the ornamental fish trade, where fish are produced for sale to the pet trade. Another, often ignored, form of aquaculture is the production of quality seed for sale to other fish farms in the form of fingerlings.

ENHANDING HUMAN CAPITAL DEVELOPMENT IN THE WATER AND SCIENCE SECTORS

NEW RDM MASTERS PROGRAMME LAUNCHED

A new Masters programme, focused on developing the skills required for the implementation of the National Water Act, was launched by the WRC, together with the DWS on 28 April 2016. The Masters programme was developed after evaluating the education and training needs of the DWS and other government departments, non-governmental organisations and the private sector. The assessment took into account various imperatives, including South Africa being a country in transition, its affirmative action policy, staff and career development concerns, capacity building required for achieving sustainable development and the need to link and interact with efforts by Southern Africa and the international community. While South Africa has been hailed internationally for the progressiveness of its water legislation, implementation of concepts such as the Reserve has been hampered by a lack of necessary skills in the sector. The new course, which has already been implemented by North-West University, aims to provide training at a professional scientific level that qualifies candidates on a nationally and internationally recognised level to achieve a holistic understanding of the processes, functions and components of inland and estuarine aquatic ecosystems for management purposes. The Masters comprises ten modules, which can also be presented as a series of short courses. These include, among others: an introduction to environmental water requirements; resource economics in integrated water resource management; surface and groundwater hydrology; hydraulics and hydrodynamics; fluvial geomorphology; aquatic ecology; and implementation and management options for water supply.

GIVING NEW RESEARCHERS A LEG UP THROUGH WRC 101 WORKSHOPS

The WRC has noted an encouraging trend of research groups submitting proposals who have not previously applied for funding for water and sanitation research. In order to further stimulate and assist new and young researchers, the WRC led a series of so-called WRC 101 training workshops during the first quarter of 2016/17. These informative one-day training courses are aimed at assisting aspiring project leaders to understand the WRC research cycle; find the research priorities of the WRC and the fund allocation for each of these priorities; prepare a comprehensive proposal with tips to improve the chances of success; manage the technical, administrative and financial aspects of a WRC project; understand the contractual and financial audit requirements; and know what resources are available to enhance the success of the project. Workshops were held in Gauteng, Durban and Limpopo.

NEW PARTNERSHIPS FOR CAPACITY BUILDING

Annually supporting an average of 400 students, the WRC is a key player in supporting not only the development of new knowledge but also the advanced skills required to develop these solutions. In turn, the Energy and Water Sector Education and Training Authority (EWSETA) has a pivotal role to play in orienting its 353 water sector levy payers towards emerging water solutions and innovations and driving investments in skills and training. To streamline the water sector skills pipeline and prepare water sector employees for the water jobs and opportunities of the future, the WRC and EWSETA signed a collaborative agreement on 15 March 2017. This collaboration focuses on exploring how to unlock opportunities for exposure to emerging water solutions and innovations using existing bursary, learnership and internship processes. Also, using mechanisms such as the Water Technologies Demonstration Programme, the partnership hopes to unlock opportunities to expose new water sector entrants to technology demonstrations and management processes. This partnership also allows for the co-creation of new and more relevant mechanisms that will accelerate and streamline the water skills pipeline.

ENHANCING LEADERSHIP AND UPTAKE OF SCIENCE

NATIONAL INITIATIVES

WRC participates in leading water event

The WRC played a leading role in the biennial conference of the Water Institute of Southern Africa, which took place at the Durban International Convention Centre rom 15-19 May. The theme of the event was 'Water – the Ultimate Constraint'. WRC research managers and project leaders presented a number of papers and led several workshops under a range of sub-themes, from community water supply and sanitation, environmental and health-related aspects to industrial water and effluent, legislation, mine-water, plant operation, potable water, and groundwater to name a few. The event also saw the inauguration of Executive Manager, Dr Valerie Naidoo, as the President of the organisation while immediate Past President and WRC Research Manager, Dr Jo Burgess, was named a Senior Fellow of WISA.

Special accolade for WRC Research Manager

WRC Research Manager, Mr Bonani Madikizela, has been recognised by the Wildlife and Environmental Society of South Africa, who presented him with an honorary lifetime achievement award on 17 September 2016. Mr Madikizela was one of 90 Lifetime Conservation Achiever Award winners, celebrated for their life dedication to conservation in South Africa. The awards were introduced specially for the organisation's 90th anniversary. The Lifetime 90 Achievement Award presented to Mr Madikizela was in recognition of his sterling work in fighting against the degradation of South Africa's freshwater ecosystems and for the restoration of biodiversity in natural resources. Mr Madikizela has spent more than 20 years working with natural resources, focusing in particular on water resource quality and bio-monitoring with respect to inland freshwater ecosystems such as rivers, dams and wetlands.

Pour flush/Low flush toilet scoops SAB Foundation Social Innovation Seed Grant Award

On 27 October 2016 the WRC's pour flush/low flush toilet scooped a Social Innovation Seed Grant Award from the South African Breweries (SAB) Foundation. WRC Research Manager, Dr Sudhir Pillay, received the award on behalf of the organisation. The WRC was one of 23 finalists across the health, disability, education, energy, water and sanitation, and livelihoods and sustainable agriculture sectors. The pour flush toilet aims to bridge the gap between basic sanitation (VIP toilets) and full-flush sanitation while improving the safety and dignity of recipient communities. The system has a similar look and feel to a full flush toilet but uses significantly less water. The Ndakana village, in Amathole District Municipality, in the Eastern Cape is the latest community to benefit from the installation of the pour flush toilet, a project being rolled out by the WRC in collaboration with the Department of Science & Technology and the Bill and Melinda Gates Foundation. The low flush addressed the aspirations of many South Africans for flush toilet, while overcoming the logistical challenges involved with standard sewerage and working within the limits of the country's water resources.

WRC research partner wins international prize

Sanitation research group, Water for People Uganda, took second place at the Civil Society Innovation Awards. The awards were announced at the WASH Futures 2016 conference held in Brisbane, Australia, from 16-20 May 2016. The awards are aimed at highlighting and promoting the work of civil society organisations and non-government organisations in improving water, sanitation and hygiene service delivery and sustainability. Varied and interesting submissions were received from all over the world. Water for People focus on the development of low-cost sanitation technologies for faecal sludge management. The organisation is one of the recipients of research funding from the Gates Foundation's Sanitation Research Fund for Africa, for which the WRC is the implementing agent.

INTERNATIONAL INITIATIVES

International award from HSH Prince Albert II of Monaco

On 30 June 2016, the WRC was awarded the 2016 Water Award by the Foundation of the HSH Prince Albert II of Monaco for its contribution towards a better understanding of the environment and the Commission's outstanding work in South Africa in the field of water resource management, water supply and sanitation. The prize was received by the CEO, Dhesigen Naidoo, on behalf of the WRC. The Foundation was established by Prince Albert in 2006 and is dedicated to environmental protection, sustainable development, with a particular focus on climate change, biodiversity and water.

Prestigious international award for WRC CEO

Dhesigen Naidoo, WRC CEO, was awarded the prestigious Africa Water Leadership Award at a special ceremony in Mauritius, on 7 December 2016. The award recognises leaders who can steer their business through turbulent times while applying the best of business modules to manage and keep their missions afloat. Among the criteria considered for this nomination were the impact Mr Naidoo's leadership has made to the lives of others within the water sector and the quality of the WRC's research outputs, their global reach and ability to contribute to social change.

WRC takes the lead at global sanitation conference

The WRC played a leading role at the 4th Faecal Sludge Management Conference (FSM4), held in Chennai, India, in February. Among others, the Commission hosted an African Day on Faecal Sludge Management, with funding support from the Bill & Melinda Gates Foundation through the Sanitation Research Fund for Africa Programme. The workshop highlighted advances in research and development in sanitation on the African continent, as well as good practices and innovation in the sanitation space. The workshop included solutions applied at demonstration scale, and provided an opportunity for the sanitation community of practice to learn from one another about the advances in sanitation technology. Leading panel discussions, Water and Sanitation Minister, Nomvula Mokonyane, noted that Africa, with South Asia had the potential to lead the global sanitation revolution. The minister also stressed the need for international partnerships and investment in carrying out research innovation and uptake on the African continent. During the FSM4 conference both WRC CEO, Dhesigen Naidoo, and Executive Manager, Jay Bhagwan, were recognised for their leadership efforts in championing the advance and shaping thinking around the innovation of sanitation on a global scale.

WRC PLAYS LEADING ROLE IN WORLD WATER WEEK IN STOCKHOLM, SWEDEN

The WRC was a key collaborative partner in the 2016 World Water Week which took place in Stockholm, Sweden, from 28 August to 2 September 2016. Hosted and organised by the Stockholm International Water Institute, World Water Week is a leading annual global event for concretely addressing the planet's water issues and related concerns of international development. The theme of the 2016 event was 'Water for sustainable growth'. WRC senior managers participated in several sessions and discussion, including the closing plenary. Among others, WRC Research Manager, Dr Jo Burgess, presented at a session on energy/resource efficiency and carbon reductions in water and sanitation services. The workshop explored local solutions to the global problem achieving energy efficiency in water and sanitation. WRC CEO, Dhesigen Naidoo, also participated in a session which explored building resilience to drought and water scarcity while Group Executive, Dr Stanley Liphadzi, presented at a session on microbial resistance: linkages between humans, livestock and water in peri-urban areas. Executive Manager, Jay Bhagwan, presented at a session on opportunities for mainstreaming resource recovery and reuse in developing countries.

WRC signs memorandum with GIZ

On 8 July 2016, the WRC signed a memorandum of understanding (MOU) with the Deutsche Gesellschaft für Internationale Zusammenarbeit also known as GIZ. The MOU established an overarching framework for strategic collaboration to enhance and implement science and technology, explore synergies in bridging science and technology policy gaps and collaborate on any other water-related themes mutually agreed for the benefit of South Africa and, where desirous, for the benefit of Africa. The MOU will allow the WRC to tap into the GIZ's three local programmes, namely the International Water Stewardship Programme, the South African-Energy Programme and the Climate Support Programme.

Successful irrigation knowledge sharing event held

WRC hosted another successful workshop of the Network on Irrigation Research Extension for Small-scale Agriculture (NIRESA), on 2 March 2017 at the University of Pretoria. The theme for this year's workshop was 'The role of water footprints in the agricultural sector' and included two presentations of WRC project reports. The first project was focused on water footprinting of selected vegetable and fruit crops produced in South Africa, while the second investigated the water footprints of selected field and forage crops. Participants were generally impressed to see how the water footprinting theme is being championed by the WRC and its strategic partners. The workshop also included a visit to two experimental sites of the University of Pretoria. Established in 1996, NIRESA is aimed at facilitating the exchange of ideas and practices between researchers and advisory agents in different agricultural disciplines.

KEY PERFORMANCE AREAS

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

Research portfolio

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

TABLE 2: RESEARCH PORTFOLIO PERFORMANCE TARGETS FOR 2016/17

OBJECTIVE	PERFORMANCE INDICATOR	TARGET	ACTUAL	VARIANCE	NOTES ON VARIANCE
To enhance knowledge through new research	The number of new research projects initiated	87	106	+19	New contracts were initiated as funding became available
To complete and finalise research projects scheduled for the financial year	The number of completed research projects	84	87	+3	Increased efforts to address outstanding finalisations
To continuously accommodate students as active participants in WRC projects	The minimum number of students supported on WRC research projects	400	495	+95	Students showed an increased interest in WRC projects
To increase emphasis on projects that have a direct impact on the lives and livelihoods of communities through water-related interventions	The number of community-based research projects funded by the WRC	24	24	0	No variance
To enhance economic development in communities supporting small, medium and micro enterprises (SMMEs)	The number of WRC projects with SMMEs as lead organisation	27	29	+2	New contracts were initiated as funding became available
To focus on growing the previously disadvantaged individuals	The number of WRC project leaders from designated groups	57	60	+3	New contracts were initiated as funding became available
To enhance the profile of project leadership to promote continuous transformation of the water R&D sector	The number of projects with participation from historically disadvantaged institutions	10	12	+2	New contracts were initiated as funding became available
To increase the number of new innovations/products and services produced from WRC research	The number of new innovations/products and services produced from wrc research	23	28	+5	The year 2016/17 saw an increase in the number of innovations from research projects
	The number of demonstrated innovations/ products and services produced from WRC research	13	13	0	No Variance

OBJECTIVE	PERFORMANCE INDICATOR	TARGET	ACTUAL	VARIANCE	NOTES ON VARIANCE
To ensure that the WRC increasingly contributes to sustainable solutions for the water sector by creating knowledge products and events that disseminate knowledge produced from WRC research	The number of dialogues held during the financial year	18	31	+13	The financial year saw an increase in demand for knowledge sharing events
	The number of manuals and guidelines published in the financial year	26	33	+7	The WRC had the opportunity to produce extra publications from its research projects
	The number of issues of the *Water Wheel* magazine published in the financial year	6	6	0	No variance
	The number of issues of the journal, Water SA, published in the financial year	4	4	0	No variance
	The number of conferences/ workshops/summits held by the WRC	20	27	+7	The financial year saw an increase in demand for knowledge sharing events
	The number of policy briefs produced and distributed to relevant government departments and entities	14	15	+1	The target was exceeded due to the WRC identifying important issues that DWS needed to be advises on
	The number of ministerial briefs produced by the WRC and received by the Minister's office	14	14	0	No variance
	The number of WIN-SA publications produced and distributed to relevant institutions	30	30	0	No variance

In 2016/17, the WRC initiated 106 new projects and also completed 87 projects. This represents a cumulative increase in the amount of new and finalised research projects funded over the past five years.

Over the past 5 years the WRC has finalised 426 research projects (Figure 3) indicating a significant contribution to knowledge in the water sector. An average number of 85 projects were finalised per year, over the past 5 years. Over the same 5-year period 477 new projects (Figure 4) were initiated, ensuring the continuous contribution of new knowledge to the sector. The large number of initiated projects was largely as a result of the WRC's new and existing funding partnerships.

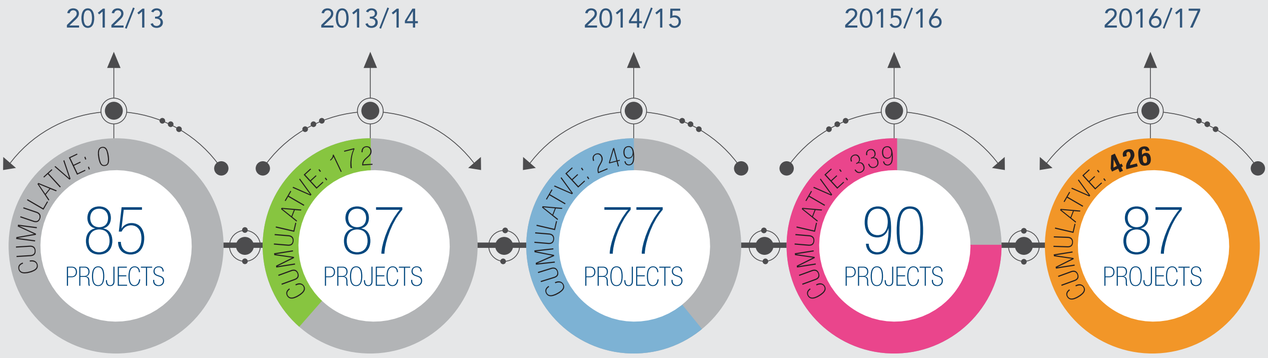


FIGURE 4. ANNUAL AND CUMULATIVE NUMBER OF PROJECTS FINALISED OVER THE PAST FIVE YEARS

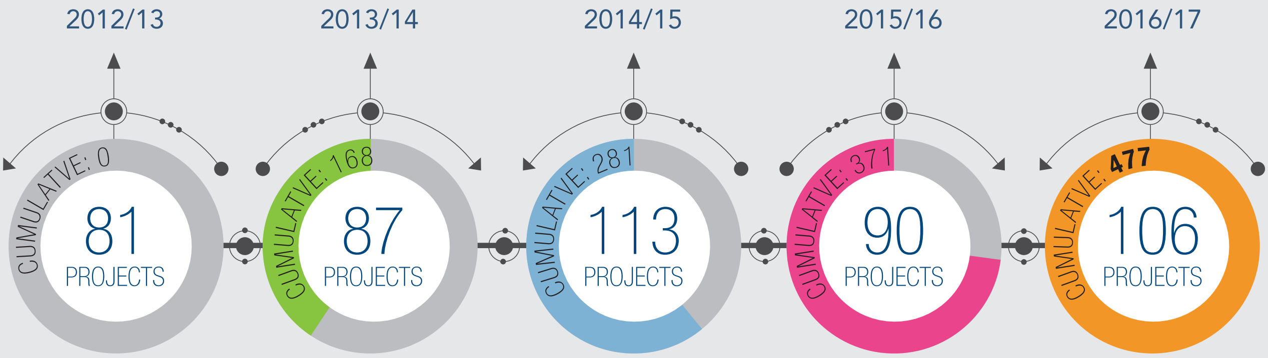


FIGURE 5. ANNUAL AND CUMULATIVE NUMBER OF PROJECTS INITIATED OVER THE PAST FIVE YEARS

BUILDING CAPACITY

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

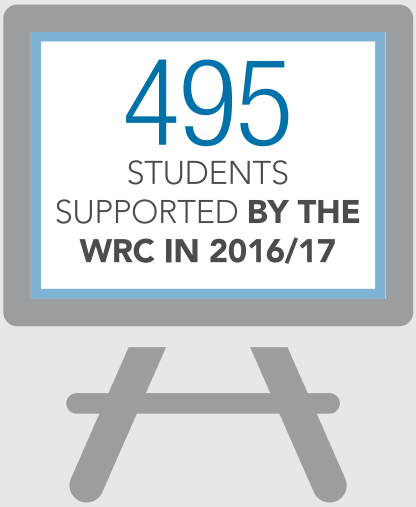


FIGURE 6. 495 – NUMBER OF STUDENTS SUPPORTED BY WRC IN 2016/17.

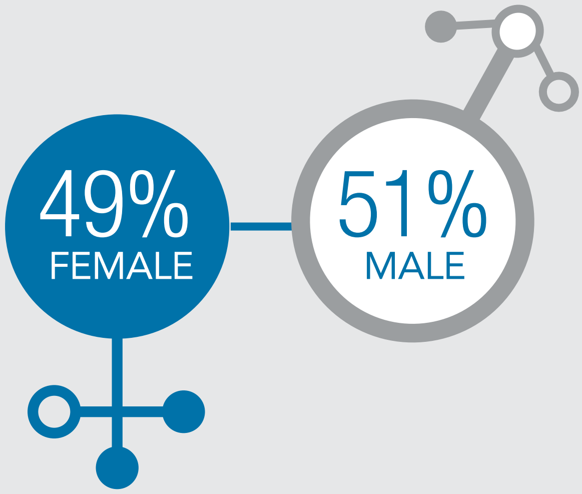


FIGURE 7. 49% PERCENTAGE OF STUDENTS ARE FEMALE (51% ARE MALE).

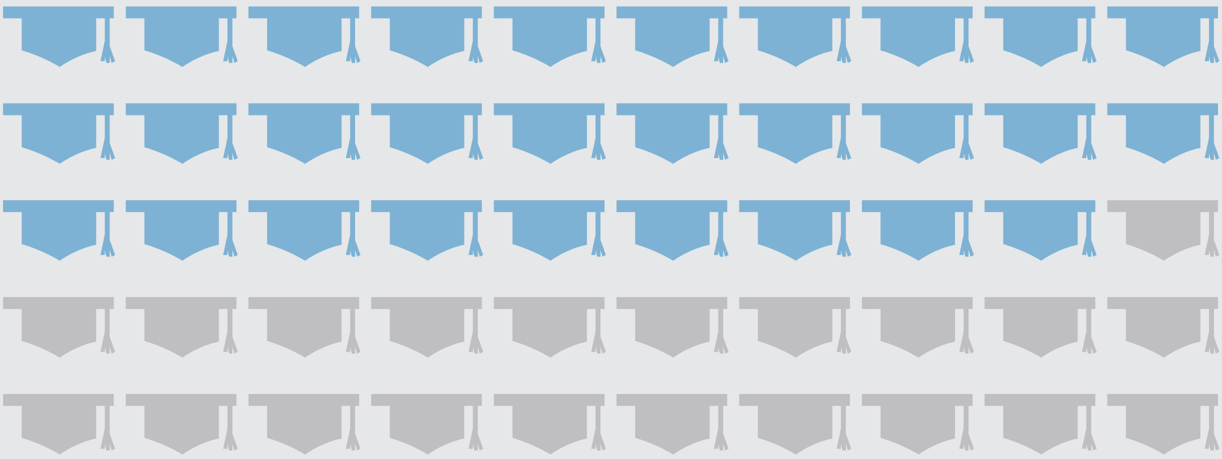


FIGURE 8. 58% OF STUDENTS SUPPORTED BY THE WRC ARE PDIs.

In recent years the WRC has adjusted its portfolio to train and mentor new research leaders. More than 60% of research leaders on new projects are now from designated groups and most are younger than 50 years old. This is both assisting with the national transformation project as well as building the next generation of researchers. Historically, most projects lay within universities, however, it is encouraging to note that 29 WRC projects were being led by small, medium and micro enterprises in the last financial year.

While stakeholder participation in research has always formed an important part of WRC research activities, this year the Commission is also playing increased emphasis on community participation as a KPA. The WRC is proud report that it has 24 community-based research projects in its project portfolio.

The WRC is further encouraged by the number of innovations and/or new products stemming from its research. No less than 13 innovations were recorded in the past financial year.

HUMAN RESOURCES

This KPA addresses organisational transformation and focuses on the enhancement of effective leadership and an improved level of staff competence.

TABLE 3. HUMAN RESOURCES PERFORMANCE TARGETS FOR 2016/17

OBJECTIVE	PERFORMANCE INDICATOR	TARGET	ACTUAL	VARIANCE	NOTES ON VARIANCE
Maintain healthy staff diversity profile	% of staff from designated groups	90%	90%	0	No variance
	% staff that are Black	75%	81%	6%	The best applicant for the positions were from this group
	% of female staff members	56%	59%	+3%	The best applicant for the positions were from this group
Improve employee development and wellness	Personal development plans (PDPs)	100% of employees to have completed PDPs	100%	0	No variance
	In-house training courses	10 courses	15	+5	During 2016/17 there was an increased need for internal courses
	External training courses	25 courses	25	0	No variance

CORPORATE SOCIAL RESPONSIBILITY (CSR)

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

The specific objectives of the WRC's CSR strategy is to:

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

Community

The WRC contributed to communities through sustainable interventions that will have a direct improvement on the lives and livelihoods of communities. This included the involvement of communities in research projects, building capacity through knowledge transfer and training, as well as the use of innovations/technology from research projects in the community.

Employee wellness

The WRC's performance is directly influenced by the health and wellbeing of its employees. In today's dynamic environment it is critical for the WRC to step forward and invest in its human capital as a competitive advantage. With this comes a need to nurture the wellness of its employees. During the year under review the WRC achieved this through education and activities that supported positive lifestyle changes, among others.

Environment

The WRC acknowledges that the environment is a fundamental aspect of social responsibility. The business activity of the WRC has an impact to a great or lesser degree on the environment. The WRC aims to reduce the impact of the Commission's activities on the environment and ensure that it meets the needs of the present without compromising the ability of future generations to meet their own needs.

The WRC places significant importance on reducing its carbon footprint. This was one of the primary specifications required for its new premises. In September 2016, the WRC moved to the Bloukrans Building in the Lynnwood Bridge office precinct. This building has a five-star green rating in terms of the Green building Council of South Africa.

CSR ACTIVITY HIGHLIGHTS 2016/17

As part of the WRC's environmentally conscious awareness, it has voluntarily calculated its Greenhouse Gas (GHG) inventory, also known as a carbon footprint, for 2016/17.

TABLE 4. SUMMARY OF THE WRC'S GHG INVENTORY FOR FY2015 AND FY2016 WITH A YEAR ON YEAR COMPARISON

OBJECTIVE	EMISSIONS FY2016	EMISSIONS FY2015	DIFFERENCE
Scope 1: Direct Emissions	2.0 tCO_2e	1.6 tCO_2e	
Petrol (used in company cars)	2.0 tCO_2e	1.6 tCO_2e	25%
Scope 2: Energy Indirect Emissions	637.0 tCO_2e	832.5 tCO_2e	
Electricity	637.0 tCO_2e	832.5 tCO_2e	-23%
Scope 3: Other Indirect Emissions	479.3 tCO_2e	523.2 tCO_2e	-8%
3.1 Purchased goods and services	27.4 tCO_2e	127.2 tCO_2e	-78%
3.2 Capital goods	0 tCO_2e	NC	-
3.3 Fuel and energy related emissions not included in Scope 1 and 2	77.7 tCO_2e	86.2 tCO_2e	-10%
3.5 Waste generated in operations	28.5 tCO_2e	28.4 tCO_2e	1%
3.6 Business travel	123.4 tCO_2e	147.5 tCO_2e	-16%
3.7 Employee commuting	210.7 tCO_2e	133.8 tCO_2e	57%
3.12 End of life treatment of products	5.2 tCO_2e	11.7 tCO_2e*	-56%
3.13 Downstream leased assets	6.4 tCO_2e	NC	-
Emissions intensity	0.16 $tCO2_e/m^2$	0.19 $tCO2_e/m^2$	-18%
	14.2 $tCO2_e$/employee	25.6 $tCO2_e$/employee	-45%

Sharing the benefits of saving water with car washes and taxi owners

On 8 March 2017, the WRC organised a water-wise workshop for car wash owners and taxi associations in Mamelodi East in partnership with the Department of Water and Sanitation, Walter Sisulu Environmental Centre, Adopt Moreletaspruit

Forum and Community Colours. The purpose of the workshop was to raise awareness among these interest groups on water issues, particularly about saving water and using water responsibly in their businesses and at household level. The workshop was well attended, and attendees were engaging and keen to learn and contribute towards water conservation. The WRC provided attendees with material on saving water to share with their networks.

WRC adopts Moreletaspruit

In celebration of Mandela Day on 18 July 2016, WRC along with its partners, the Department of Water and Sanitation, Friends of Faerie Glen Nature Reserve, Adopt Moreleta Forum, Friends of Moreletaspruit, and the City of Tshwane launched a clean-up operation on the banks of the Moreletaspruit. The river transects the eastern suburbs of Pretoria. Basic water quality tests were also performed on the river using the miniSASS method, a citizen water health monitoring tool in which the health of a river is determined by the community of macroinvertebrates sampled. As a sign of its commitment to water resource protection, the WRC has adopted the Moreletaspruit catchment, in which it now resides given its new premises at Lynnwood Bridge.

WRC joins primary school in Mamelodi to celebrate SA's trees

The WRC celebrated Arbor Day in Tshwane, Mamelodi East in Pretoria, with Bula Dikgoro Primary School and the Agricultural Research Council (ARC) on 9 September 2016. Arbor Week is a national campaign initiated to celebrate South Africa's trees and to raise awareness about their importance. The theme for Arbor Week 2016 was Forests and Water. As part of this celebration, the WRC entered into a partnership with Bula Dikgoro Primary School in Mamelodi East to pilot the first of its school vegetable garden programme activities. The objective of this partnership is to assist the school in developing an additional vegetable garden to augment the school's feeding programme.

Reaching out to surrounding communities to share water knowledge

The South African Government is committed, as part of its key outcomes, to working towards the protection of its environmental assets and to securing natural resources that are well protected and continually enhanced. As part of this commitment the WRC, in partnership with non-governmental organisations, Outlook Foundation and Edbook Media, Government Communication and Information System (GCIS) Tshwane and the City of Tshwane, launched the Water and Environment Library Shelf Campaign. The campaign is aimed at raising awareness about the water and environmental issues affecting our South Africa communities. The campaign is aimed at sharing information from the latest water research studies with community libraries and Thusong Service Centres. The latter are one-stop service centres, dotted around the country, which provide information and services to communities. Knowledge material has been selected to provide information specific to each community.

Commemorating global handwashing day

The WRC, in collaboration with the National Department of Health and Life4U Foundation, visited Mmamarumo Primary School in Hammanskraal, to commemorate Global Handwashing Day, held annually on 15 October. Water-saving techniques and handwashing activities shared with the school equipped the learners and educators with knowledge for building their own tool for washing hands, the 'Tippy Tap', using material from recycled waste. A home-made handwashing device could help schools and households deal with the sanitation challenge. The Global Hand Washing campaign is dedicated to raising awareness of hand washing with soap as a key approach to disease prevention. The campaign aims to raise awareness and mobilise communities, households, hospitals, schools, and workplaces to wash hands with soap to curb life-threatening diseases.

FINANCIAL WELLBEING

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

TABLE 5: SUMMARY OF FINANCIAL PERFORMANCE FOR 2016/17

	OBJECTIVE	PERFORMANCE INDICATOR	TARGET	ACTUAL	VARIANCE	NOTES ON VARIANCE
Financial performance	**Maintain income leverage growth**	The total amount of leverage income	R71.7 million	R82.8 million	R11.1 million	The positive budget variance for the 2016/2017 financial year in respect of research, development and innovation costs directly relates to expenditure incurred in respect of leverage funded projects that exceeded the WRC's expectations.
Audit response	**Improve response to internal audit results**	Measured as % of the previous year's internal audit queries fully addressed.	100%	100%	0	No variance.
	Improve response to external audit results	Measured as an unqualified vs. qualified audit report.	Achieve unqualified audit	Unqualified audit	0	No variance.
	% of previous year's external audit queries fully addressed	100% of operational findings fully addressed in specified action timeframes as per the agreed external audit response plan.	100%	100% achieved	0	No variance.

SUMMARY OF FINANCIAL INFORMATION

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

TABLE 6: REVENUE COLLECTION

	2016/17			2015/16		
Sources of revenue	Budget (R'000)	Actual amount collected (R'000)	(Over)/ Under collection (R'000)	Budget (R'000)	Actual amount collected (R'000)	(Over)/ Under collection (R'000)
Water Research Levies	209,422	207,322	(2,100)	201,438	200,031	(1,407)
Leverage	71,698	82,795	11,097	67,512	60,965	(6,548)
Other income*	9,376	9,994	617	10,107	12,324	2,217
Disinvestment of investments	19,997	19,997				
Total	**310,494**	**320,108**	**9,614**	**279,057**	**273,320**	**(5,738)**

** Other income does not include amounts from non-cash transactions which were not budgeted for.*

EXPLANATIONS

Water Research Levies

The actual levy income for the 2016/2017 financial year is lower than levy income projections. The revised budget took into account that lower consumption volumes expected as a result of the possible impact of the drought experienced in South Africa. The drought, however, had a bigger impact than originally anticipated.

Leverage income

The higher than budgeted leverage income generated during the 2016/17 financial year directly relates to higher than anticipated research, development and innovation (RDI) expenditure incurred in respect of leverage funded projects.

Investment revenue (included in other income)

The investment revenue for the 2016/2017 financial year was more than budgeted due to higher than anticipated interest income earned during the financial year.

Disinvestment of investments

The WRC Board recommended the disinvestment of WRC assets in terms of section 54.2 of the Public Finance Management Act (PFMA), No. 1 of 1999 to the Executive Authority, the Minister of Water and Sanitation. The Minister approved the disinvestment of the investments of the WRC amounting to R20 million and approved the utilisation of these funds for the fit-out of the Lynnwood premises.

TABLE 7: INCOME INDICATORS FOR THE YEAR UNDER REVIEW COMPARED TO THE PREVIOUS FINANCIAL YEAR

Indicator	2016/17 (actual)	2015/16 (actual)
Levies as a percentage of total income	69%	73%
Other sources of income as a percentage of total income*	31%	27%
Leverage income as a percentage of other income	89%	83%

**Other sources of income include leverage income*

Table 7 presents income indicators for the year under review, compared to the previous financial year. As can be seen from the table above, levy income as a percentage of total income decreased from 73% to 69%, due to numerous factors, such as drought. In addition, the WRC has increased the emphasis of leverage income as a key source of funding in respect of research. This is reflected in the relative increase from 83% to 89%. The impact of the funds received in respect of the disinvestment of investments were excluded in the calculation of the indicators above, as this was a once-off undertaking.

TABLE 8: EXPENDITURE: COMPARISON OF BUDGET VERSUS ACTUALS

	2016/17			2015/16		
Expenditure	Budget (R'000)	Actual expenditure (R'000)	(Over)/ Under expenditure (R'000)	Budget (R'000)	Actual expenditure (R'000)	(Over)/ Under expenditure (R'000)
Fixed costs	10,448	11,361	(912)	7,112	6,036	1,076
Running costs	12,078	10,112	1,966	10,741	10,014	727
Human resources	68,376	65,254	3,123	53,784	52,217	1,568
RDI funding	200,032	213,306	(13,275)	202,532	201,047	1,485
Corporate expenses	2,528	1,964	564	2,866	1,821	1,044
Capital expenditure	17,031	15,865	1,166	2,023	657	1,367
Total	**310,494**	**317,862**	**(7,368)**	**279,057**	**271,792**	**7,266**

EXPLANATIONS

Running costs

In line with the WRC cost saving initiatives, there were savings on budget projections during the 2016/2017 financial year within professional consultancies and subsistence and travel.

The WRC also embarked on projects in respect of drought that was not anticipated in the budget projections.

Research, development and innovation costs

The budget variance for the 2016/2017 financial year in respect of research, development and innovation costs directly relates to expenditure incurred in respect of leverage funded projects that exceeded the WRC's expectations. These additional expenditure was funded by leverage partners.

Capital expenditure

The budget variance for capital expenditure of R1.2 million is primarily due to the anticipated commencement of the replacement of the project management system. The WRC undertook Supply Chain Management procedures through competitive bidding processes to award a contract for the replacement of the project management system. This contract only commenced after year-end and, therefore, the expenditure will only be incurred as from the 2017/2018 financial year.

TABLE 9: EXPENDITURE INDICATORS FOR THE YEAR UNDER REVIEW COMPARED TO THE PREVIOUS FINANCIAL YEAR

Indicator	2016/17 (actual)	2015/16 (actual)
Fixed costs	3.8%	2.2%
Running costs	3.3%	3.7%
Human resources	21.5%	19.2%
RDI funding	70.4%	74.0%
Corporate expenses	0.6%	0.7%
Capital expenditure	0.3%	0.2%
Total	**100%**	**100%**

The impact of the capital expenditure that was incurred during the 2016/2017 financial year relating to the fit-out of the new premises were excluded in the calculation of the indicators above, as this was a once-off undertaking. This was funded by the disinvestment of the investments.

The table above reflects a change in the ratio between the WRC's investment in RDI funding, and other support costs (human resource and infrastructure costs). This is in line with the WRC's commitment to improve its internal processes that supports it core process of knowledge creation, sharing, dissemination and transfer while still maintaining a ratio of 70% for research, development and innovation.

CAPITAL INVESTMENT, MAINTENANCE AND ASSET MANAGEMENT PLAN

IT equipment (desktop and laptop computers) is leased and is treated as financial leases and capitalised accordingly. The fixed asset registers are timeously updated with new acquisitions of assets. An asset verification was done at year-end which included a physical verification and the assessment of the condition of each verified asset. All assets on the asset register are in use and in good condition.

TABLE 10: SUMMARY OF CAPITAL ASSET EXPENDITURE

	2016/17			2015/16		
Infrastructure projects (R '000)	Budget	Actual expenditure	(Over)/ Under expenditure	Budget	Actual expenditure	(Over)/ Under expenditure
IT Equipment & Software	2,192	2,701	(510)	1,819	484	1,335
Office Furniture & Equipment	6,762	5,249	1,512	204	173	31
Office fit-out (leasehold improvements)	8,078	7,914	164	0	0	0
Vehicle	0	0	0	0	0	0
Total	**17,031**	**15,865**	**1,166**	**2,023**	**657**	**1,366**

ANALYSIS OF RDI EXPENDITURE

TABLE 11: SUMMARY OF RDI PAYMENTS

	2016/17		
KSA	Budget (R '000)	Actual expenditure (R '000)	(Over)/Under expenditure (R '000)
Water Resource Management (KSA 1)	42,292 [21%]	49,388 [23%]	(7,096)
Water Linked Ecosystem (KSA 2)	21,496 [11%]	21,742 [10%]	(246)
Water Use and Waste Management (KSA 3)	39,302 [20%]	41,259 [19%]	(1,957)
Water Utilization in Agriculture (KSA 4)	34,556 [17%]	34,952 [16%]	(395)
Knowledge Dissemination (KSA 5)	10,580 [5%]	11,056 [5%]	(476)
Other levy funded projects (KSA 6 – 8)	306 [0%]	0 [0%]	306
Empowerment fund	1,995 [1%]	980 [0%]	1,015
Other leverage funded projects	49,505 [25%]	53,931 [25%]	(4,425)
TOTAL (R)	**200,032**	**213,306**	**(13,275)**

The actual expenditure on R&D within the key strategic areas was in line with the WRC's budget and strategic objectives. The budget variance for the 2016/2017 financial year in respect of RDI costs amounting to R13.3 million is primarily (R10.5 million) related to expenditure incurred on leverage funded projects. This is comprised of R4 million related to "Other leverage funded projects" and R6.5 million related to "Water Resource Management (KSA 1)" in respect of the Women Empowerment programme. This additional expenditure did not require any additional funding from the WRC since this is funded by leverage funded partners (as can be seen in table 5).

In addition to the above, the WRC embarked on projects in respect of drought amounting to R3.3 million that was not anticipated during the budget projections.

PERCENTAGE UTILISATION OF RESEARCH FUNDS IN 2016/17

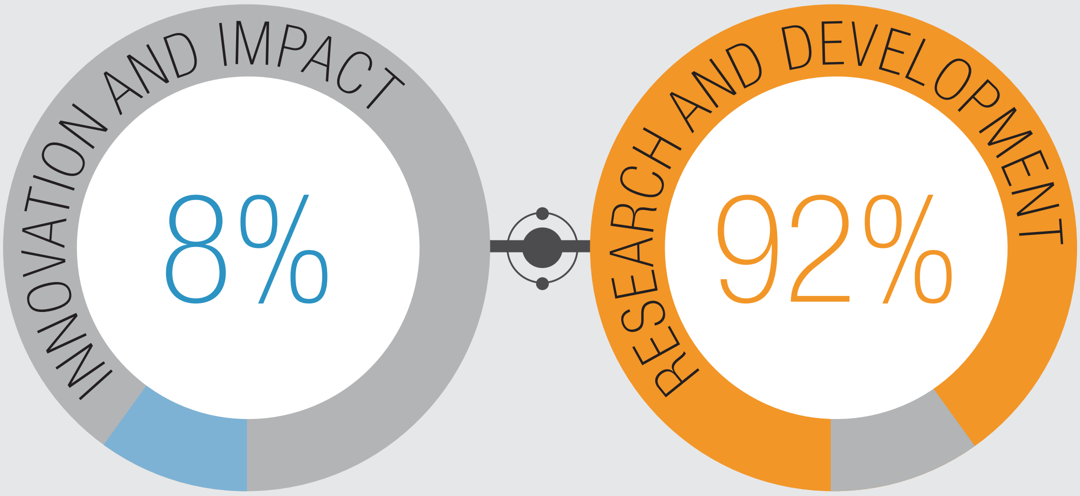


FIGURE 9. UTILISATION OF RESEARCH FUNDS.

The percentage utilisation of research project funds by the KSAs during 2016/17 (Figure 9) indicates that approximately 8% (2015/2016: 6%) was invested in projects that focused on Innovation and Impact, whereas 92% (2015/2016: 94%) was invested in R&D.

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

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

Going forward, the emphasis will shift to the Innovation and Impact branch which will have an impact on the future utilisation of research project funds.

Section C

GOVERNANCE

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

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

THE WRC BOARD

The WRC Board are standing (left to right): Mr Anil Singh (representing the Director-General of the Department of Water and Sanitation), Mr Imraan Patel, Dr Aldo Stroebel, Ms Mpumi Msezane, Mr Dhesigen Naidoo (CEO) and sitting (left to right): Prof Sibusiso Vil-Nkomo (Vice Chairperson), Dr Nozibele Mjoli (Chairperson) and Dr Ntombifuthi Nala. Absent from photograph: Dr Mosidi Makgae, Mr MAC Ndhlovu and Ms Khulekelwe Mbonambi.

THE EXECUTIVE MEMBERS

The Executive members of the WRC are (from left to right): Dr Shafick Adams, Dr Stanley Liphadzi, Dr Valerie Naidoo, Dr Mandla Msibi, Mr Dhesigen Naidoo (CEO), Dr Gerhard Backeberg, Mr Fazel Ismail, Mr Jay Bhagwan and Ms Reshmili Lutchman.

PORTFOLIO COMMITTEES

TABLE 12. WRC BOARD PORTFOLIO COMMITTEES

COMMITTEE	NO. OF MEETINGS HELD	NO. OF MEMBERS	NAME OF MEMBERS
Research and Innovation	1	8	Dr Mosidi Makgae **(Chairperson)** Dr Aldo Stroebel Mrs Mpumi Msezane Dr Ntombifuthi Nala Mr Imraan Patel Adv Anil Singh Ms Ndileka Mohapi Mr Dhesigen Naidoo (CEO)
HR, Social and Ethics	2	6	Mr Mxolisi Aldophus Cassius Ndhlovu **(Chairperson)** Ms Mpumi Msezane Dr Ntombifuthi Nala Dr Mosidi Makgae Prof Sibusiso Vil-Nkomo Mr Dhesigen Naidoo (CEO)
Remuneration Committee	3	6	Prof Sibusiso Vil-Nkomo **(Chairperson)** Dr Nozibele Mjoli Dr Mosidi Makgae Ms Khulekelwe Mbonambi Mr Mxolisi Aldophus Cassius Ndhlovu Mr Dhesigen Naidoo (CEO)
Audit, Risk and Finance Committee	5	5	Ms Khulekelwe Mbonambi **(Chairperson)** Prof Sibusiso Vil-Nkomo Dr Aldo Stroebel Mr Mxolisi Aldophus Cassius Ndhlovu Mr Dhesigen Naidoo (CEO)

THE ACCOUNTING AUTHORITY/BOARD

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

ROLE OF THE BOARD

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

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

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

BOARD CHARTER

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

The Board Charter was last updated on 30 May 2016.

The following Board Committees have been established:
1. Audit Risk and Finance Committee (AR&F)
2. Remuneration Committee (RemCom)
3. Human Resources, Social and Ethics Committee (HRS&E)
4. Executive Committee (Exco)
5. Research and Innovation Committee (RIC)

THE BOARD MEMBERS

Dr Nozibele Mjoli (Chairperson of the Board)
Appointed on 1 February 2016. Dr Mjoli is the Managing Director of Hlathi Development Services. WRC Board and Committee meetings attended: Board (8), AR&F (3), RemCom (3), RIC (1).

Prof Sibusiso Vil-Nkomo (Vice Chairperson of the Board and Chairperson of the Remuneration Committee)
Appointed on 1 February 2016. Prof Vil-Nkomo is the Senior Research Professor for Centre for Advancement of Scholarship (CAS) at the University of Pretoria. He also serves as the Chairperson of two boards, namely the Agricultural Research Council and Mapungubwe Institute for Strategic Reflection (MISTRA) respectively. WRC Board and Committee meetings attended: Board (8); AR&F (5), RemCom (2), HRS&E (1), RIC (1).

Ms Mpumi Msezane
Appointed on 1 February 2016. Ms Msezane is the Head of Environment at Trans Caledon Tunnel Authority (TCTA). She also serves as a non-executive Director on the Johannesburg Road Agency Board. WRC Board and Committee meetings attended: Board (6), HRS&E (1).

Mr Nala Mhlongo
Appointed on 1 February 2016 to February 2017 to serve only on the Audit, Risk & Finance Committee and may attend Board Meeting by invitation. Mr Mhlongo heads up his own accounting and management consulting firm. WRC committee meetings attended: AR&F (4).

Mr Imraan Patel
Appointed on 1 February 2016 (for a second term). Mr Patel is the Deputy Director-General at the Department of Science and Technology responsible for socio-economic innovation partnerships. WRC Board and committee meetings attended: Board (6).

Dr Ntombifuthi Patience Nala
Appointed on 1 February 2016. Dr Nala is a Communication Researcher for the Government Communication and Information System (GCIS). WRC Board and committee meetings attended: Board (7), HRS&E (1), RIC (1).

Dr Aldo Stroebel
Appointed on 1 February 2016. Dr Stroebel is the Executive Director Strategic Partnerships at the National Research Foundation, and Visiting Fellow at the Institute for African Development at Cornell University, USA. He is a member of the Boards of the ARC and the National Education and Training Forum for Agriculture, Forestry and Fisheries (NETFAFF). Board and Committee meetings attended: Board (5), AR&F (5), RIC (1).

Mr Mxolisi Adolphus Cassius Ndhlovu (Chairperson HRS&E Committee)

Appointed on 1 February 2016. Mr Ndhlovu is a Director at MAC Ndhlovu Inc. Attorneys. He is a member of the Law Society of South Africa and a member of Institute of Directors (IOD). WRC Board and committee meetings attended: Board (5), AR&F (4), RemCom (3), HRS&E (1).

Ms Masaccha Khulekelwe Mbonambi (Chairperson of AR&F Committee)

Appointed on 1 February 2016. Ms Mbonambi is the Founder and Director of Mtzobozi Financial Governance & Compliance Services. WRC Board and committee meetings attended: Board (5), AR&F (2).

Dr Mosidi Elizabeth Makgae (Chairperson RIC)

Appointed on 1 February 2016. Dr Makgae is a Scientific Research and Programmes Manager at the Council for Geosciences. WRC Board and committee meetings attended: Board (4), RemCom (2), HRS&E (1), RIC (1).

Mr Dhesigen Naidoo (WRC CEO and Ex-officio member)

Appointed on 1 October 2011. Mr Naidoo is the CEO of the WRC. WRC Committee meetings attended: Board (7), AR&F (5), RemCom (3), HRS&E (1), RIC (1).

Adv Anil Singh (DWS Deputy-Director General and Ex-officio Board member)

Appointed on 21 April 2016. WRC Committee meetings attended: Board (1).

REMUNERATION OF BOARD MEMBERS

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

TABLE 13. REMUNERATION PAID TO EACH BOARD MEMBER IN 2016/17 (IN RESPECT OF PREPARATION FOR AND ATTENDANCE OF MEETINGS)

NAME	REMUNERATION (RATE PER MEETING)	TOTAL (R)
Dr Nozibele Mjoli (Chairperson from 1 February 2016)	R2 296	R72 979
Prof Sibusiso Vil-Nkomo (Vice-Chairperson from 1 February 2016)	R1 736	R71 879
Ms Mpumi Msezane	R1 736	R33 080
Dr Mosidi Elizabeth Makgae	R1 736	R32 006
Dr Ntombifuthi Patience Nala	R1 736	R37 460
Dr Aldo Stroebel	R1 736	R38 964
Mr Mxolisi Adolphus Cassius Ndhlovu	R1 736	R54 386
Ms Masaccha Khulekelwe Mbonambi	R1 736	R70 447
Mr Nala Mhlongo	R1736	R17 539
Mr Imraan Patel	N/A	N/A
Mr Dhesigen Naidoo (Ceo)	N/A	N/A
Adv Anil Singh	NA	N/A

RISK MANAGEMENT

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

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

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

TABLE 14. SUMMARY OF WRC RISK REGISTER

RISK NAME	CONTROLS (BUSINESS PROCESS TO MANAGE THE RISK EXPOSURE)
Institutional human capital deficit	• Partnerships and collaboration with other organisations that have the capability • Interim capacity deployment on a project to project basis • Investment and exposure in training
Financial sustainability	• MOA (memorandum of agreement) of monthly payments with DWS • Escalation provisions for funding • Governed by legislation, government gazette • Diversified levy agencies (DWs, Rand Water and Umgeni Water) • Significant leverage income to offset dependency • Regular interaction with shareholder (DWS) and stakeholders on funding issues • Strategy to further diversify funding • Prioritisation of available funds
Insufficient uptake of research	• Involvement of end users in design and rollout of research projects • New partnerships for implementation (TIA, SASOL,SALGA) • Packaging of research to various stakeholders • Development of policy and ministerial briefs to influence decision making • Direct support for IP development and commercialisation. • Development of manuals, guidelines and support tools for implementation. • Incorporation of research uptake into WRC research proposal template. • Inclusion of research impact and uptake interventions in WRC Corporate Plan.
Constraints in keeping up with changes and trends in water research	• Capacity building as part of research contracts and research prioritisation (including post docs) • Mechanism of WRC dialogues, symposiums, conferences to be at forefront of development • Engagement with research partners • Partnership to be at cutting edge of technology and research • Support publication and exposure of students and training material • Conference participation to enhance knowledge

Constraints in keeping up with changes and trends in water research	• Stakeholder involvement in research portfolio • Annual strategic review of research portfolio • Periodic institutional review of research portfolio • Engaging performance of researchers • Development programme for individuals • Implementation of new strategy • Increasing international partnerships and engagement
Inadequate availability, continuity and growth of adequate research expertise	• Capacity building as part of research contracts and research prioritisation in particular post graduate student support • Introduction of lighthouse • Engagement with research partners • Support publication and exposure of students and training material • Lobby for increased research funds through DWS and DST and other players • Marketing research careers (through schools, universities etc.) • Rolling out of international strategy
Inadequate financial systems supporting operations	• Inadequate budgeting and monitoring and reputational damage. • Unfavourable audit opinion • Collapse of the financial management system • Lack of morale
Inadequate ability to deal with complexity of research issues and challenges	• Implementation of the lighthouse programme to engage both complexity and trans-disciplinarily • Technical, policy and ministerial briefs to ensure faster exposure to research outcomes • Annual strategic review of research portfolio • Partnerships to facilitate implementation • Periodic institutional review of research portfolio • Development of the social science Inter disciplinarily program • Implementation and monitoring of the Knowledge Tree objectives
Profile of the WRC within SADC, Africa and Global	• Attendance of international conferences etc. • Involvement in global, African and SADC level projects • WRC international strategy implemented • Interaction with stakeholders on SADC, Africa and global involvement • Conducting SADC wide projects with donor partners • Contracts in place with researchers to acknowledge the WRC
Business interruption / disaster	• Offsite backups of core systems and data, disaster recovery site and plans • Uninterrupted power supply • Anti-virus software (renewed annually and daily updates) and firewalls • Insurance • Emergency response teams • Evacuation plans and procedures • Fully functional private network (van) • Logical and physical access controls • Fire proof strong room for research contracts (Offsite) • Digitisation of documentation • 3G and cell phone enablement • 24 hour security with armed response • Outsource courier service provider • Annual simulation testing • Uninterrupted+L10 water and power supply

Fraud and corruption	• Financial and management (reconciliatory, supervisory, etc.) Controls • Monitoring daily cash balance • Segregation of duties • Audit trails • Delegation of authority • Change controls • Fraud prevention plan implemented and work shopped annually • 24 hour fraud hotline • Whistle blowing policy implemented • Code of ethics
Potential for biased/ compromised science	• Declaration of interests • Decision protocols • Contract management • Reference group system • Anti- fraud measures
Losing competitive edge	• Balanced strategy • Performance management system • Legislative mandate • Stakeholder engagements • Change management policies and procedures
Poor quality or compromised researched outputs	• Reference group peer review system • Multiple approver procedure. • Requirement for declaration publications and intellectual property. • Conference presentation for further technical peer review • Encourage peer reviewed publication
Non-compliance to acts, regulations, legislations, policies and procedures	• Good internal knowledge of the pfma and other legislation and all regulations with regular internal audit of performance and compliance • Good relationship with treasury and auditor general secures continuous updates • Ongoing training • Regular self-assessment • Compliance is the responsibility for all executive managers. • Dialogues with various stakeholders and with decision makers. • Policy and ministerial briefs for decision making. • Policy research in the wrc portfolio. • Secondary auditing procedures. • Appointment of a compliance manager. • Appointment of health and safety representatives • Health and safety awareness campaigns and reviews

INTERNAL AUDIT AND AUDIT COMMITTEES

The WRC has an in-house internal audit function. The WRC has adopted formal terms of reference as its Internal Audit Charter. The in-house internal audit function prepared a rolling three-year internal audit plan, which on the recommendation of the Audit and Risk Committee was approved by the Board. The in-house internal audit function reports directly to the Audit and Risk Committee. For the 2016/17 financial year it performed the following audits:

- Leverage income review
- Asset Management review
- Supply Chain Management review
- Business Continuity and Disaster recovery review
- IT general controls review
- Performance Information review
- Follow-up review

- Ad-hoc: Supply Chain Management – Observation of bids closing and adjudication thereof for above R500 000
- Ad-hoc: Building Move

TABLE 16. AUDIT COMMITTEE MEMBER DETAILS

NAME	QUALIFICATIONS	INTERNAL/ EXTERNAL	DATE APPOINTED
Ms Khulekelwe Mbonambi (Chairperson)	B.Com Accounting, B.Com (Hons), a certificate in Board Governance, certificate in Enterprise Risk Management	External	1 February 2016
Nala Mhlongo	Chartered Management Accountant, Chartered Global Management Accountant, Chartered Accountant, B.Com (Hons), B.Com	External	15 October 2010
Prof Sibusiso Vil-Nkomo	PhD from University of Delaware (USA)	External	1 February 2016
Prof Aldo Stroebel	PhD from UFS and Cornell University (USA), Postdoctoral research at Wageningen University (The Netherlands)	External	1 FEBRUARY 2016
Mr Mxolisi Aldophus Cassius Ndhlovu	LLB, LLM, Advanced Certificate in Insolvency Practice, Certificate in PPP (GTAC)	External	1 February 2016
Dhesigen Naidoo	CEO and ex-officio	Internal	1 October 2011

FRAUD AND CORRUPTION

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

CODE OF ETHICS AND BUSINESS CONDUCT

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

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

COMPANY /BOARD SECRETARY

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

Responsibilities of the Company Secretary include:

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

WRC CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2017

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT 2016/17

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

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

The external auditors are engaged to express an independent opinion on the Annual Financial Statements of the public entity.

The Annual Financial Statements for the year ended 31 March 2017 have been audited by the external auditors and their report is presented on pp. 68-71.

The financial statements set on pp. 72-124 which have been prepared on the going concern basis, were approved by the Board members on 31 May 2017 and were signed on its behalf by:

Dhesigen Naidoo
Chief Executive Officer

Dr Nozibele Mjoli
Chairperson of the Board

REPORT OF THE AUDIT AND RISK COMMITTEE

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

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

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

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

The Audit and Risk Committee has:

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

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

Ms K Mbonambi
Chairperson of the Audit and Risk Committee

REPORT OF THE AUDITOR-GENERAL TO EXECUTIVE AUTHORITY OF THE WATER RESEARCH COMMISSION

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

UNQUALIFIED OPINION

1. I have audited the consolidated and separate financial statements of the Water Research Commission (WRC) and its subsidiaries set out on pages 70 to 120, which comprise the consolidated and separate statement of financial position as at 31 March 2017, and the consolidated and separate statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amount for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the WRC as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act 1 of 1999) (PFMA).

EMPHASIS OF MATTER

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

Disposal of Erf 706 Rietfontein (Pty) Ltd

4. The WRC commenced with the process of disposal in respect of Erf 706 Rietfontein (Pty) Ltd in accordance with the PFMA. The WRC appointed Cahi Auctioneers on 7 April 2017 through a competitive bidding process. The property will be auctioned during the 2017/18 financial year. Subsequent to the year-end it was requested that the loan agreements be amended, which allows ERF 706 to repay the loan after the disposal of the Marumati building as well as the suspension of any further interest up to the date of disposal. This amendment was approved and is effective as from 1 June 2017.

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY

5. The accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

6. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the WRC's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is an intention to liquidate the public entity or to cease operations, or there is no realistic alternative but to do so.

AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

7. My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 consolidated and separate financial statements.

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

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

INTRODUCTION AND SCOPE

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

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

11. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected portfolio presented in the annual performance report of the public entity for the year ended 31 March 17:

Portfolio	Pages in the annual performance report
Portfolio 1 - Research portfolio	41 - 44

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

13. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following portfolio.

OTHER MATTERS

14. I draw attention to the matters below.

Achievements of planned targets

15. Refer to the annual performance report on pages 39 to 47 for information on the achievement of planned targets for the year and explanations provided for the overachievement of a significant number of targets.

Adjustment of material misstatements

16. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of the Research Portfolio. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

REPORT ON AUDIT OF COMPLIANCE WITH LEGISLATION

INTRODUCTION AND SCOPE

17. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to

report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings, not to gather evidence, but to express assurance.

18. I did not identify any instances of material non-compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA.

OTHER INFORMATION

19. The WRC and its subsidiary accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the consolidated and separate financial statements, the auditor's report thereon and those selected portfolios presented in the annual performance report that have been specifically reported on in the auditor's report.

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

21. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected portfolio presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

22. I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. I did not identify any significant deficiencies in internal control.

OTHER REPORTS

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

Investigations

24. The board of the WRC has appointed Gildenhuys Malatji Attorneys to conduct investigations into the validity of possible irregularities that was reported to the Board. The investigations are still ongoing.

Auditor-General

Pretoria
31 July 2017

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated and separate financial statements, and the procedures performed on reported performance information for selected portfolio and on the public entity's compliance with respect to the selected subject matters.

FINANCIAL STATEMENTS

2. In addition to my responsibility for the audit of the consolidated and separate financial statements as described in the auditor's report, I also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority.
- Conclude on the appropriateness of the board of directors, which constitutes the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Water Research Commission and its subsidiary's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a public entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

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

INDEX:

WRC CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

	Note(s)	Group 2017 R	Group 2016 R	WRC 2017 R	WRC 2016 R
Assets					
Current assets					
Loans to wholly controlled entity	3	-	-	28,350,951	1,020,000
Operating lease asset	4	-	2,053	-	-
Receivables	5	37,963,373	40,871,626	37,966,998	43,337,072
VAT receivable		78,024	18,824	-	-
Cash and cash equivalents	6	155,333,825	217,063,755	154,159,500	212,525,155
Property, plant and equipment	7	497,955	-	-	-
		193,873,177	**257,956,258**	**220,477,449**	**256,882,227**
Non-current assets					
Property, plant and equipment	7	19,576,625	4,546,311	19,576,625	3,550,403
Intangible assets	8	1,314,213	1,715,018	1,314,213	1,715,018
Investment in wholly controlled entity	9	-	-	755,939	755,939
Loans to wholly controlled entity	3	-	-	-	26,278,991
Other financial assets	10	-	14,123,916	-	14,123,916
Receivables	5	834,907	834,907	834,907	834,907
Employee benefit asset	11	74,830	-	74,830	-
		21,800,575	**21,220,152**	**22,556,514**	**47,259,174**
Total assets		**215,673,752**	**279,176,410**	**243,033,963**	**304,141,401**
Liabilities					
Current liabilities					
Finance lease obligation	12	976,247	160,913	976,247	160,913
Operating lease liability	4	3,424,121	-	3,424,121	-
Payables	13	114,692,500	175,341,738	114,669,452	175,323,698
Accruals - leave and bonus	14	5,160,653	4,751,610	5,160,653	4,751,610
		124,253,521	**180,254,261**	**124,230,473**	**180,236,221**
Non-current liabilities					
Finance lease obligation	12	1,590,082	18,564	1,590,082	18,564
Employee benefit obligation	11	-	210,266	-	210,266
		1,590,082	**228,830**	**1,590,082**	**228,830**
Total liabilities		**125,843,603**	**180,483,091**	**125,820,555**	**180,465,051**
Net assets		**89,830,148**	**98,693,319**	**117,213,408**	**123,676,350**
Accumulated surplus		89,830,148	98,693,319	117,213,408	123,676,350

STATEMENT OF FINANCIAL PERFORMANCE

		Group		WRC	
	Note(s)	2017 R	2016 R	2017 R	2016 R
Revenue					
Revenue from exchange transactions					
Rental received	15	247,349	236,884	-	-
Recovery of expenditure	15	25,906	11,097	14,529	-
Other income	15	811,338	555,124	818,200	555,124
Interest received - investment	16	8,993,319	9,172,636	13,234,424	12,940,458
Dividends received - investment	16	6,603	66,867	6,603	66,867
Total revenue from exchange transactions		**10,084,515**	**10,042,608**	**14,073,756**	**13,562,449**
Revenue from non-exchange transactions					
Water research levies	17	207,322,204	200,031,249	207,322,204	200,031,249
Leverage income	17	82,795,007	60,964,552	82,795,007	60,964,552
Tenant allowance	17	2,120,117	-	2,120,117	-
Total revenue from non-exchange transactions		**292,237,328**	**260,995,801**	**292,237,328**	**260,995,801**
Total Revenue		**302,321,843**	**271,038,409**	**306,311,084**	**274,558,250**
Expenditure					
Administration		50,015	125,102	50,015	125,102
Debt impairment		-	13,190	-	13,190
Depreciation, amortisation and impairment	18	4,382,674	1,765,444	3,884,721	1,267,491
Employee-related costs	19	64,645,066	50,379,234	64,645,066	50,379,234
Finance costs	20	185,789	32,278	185,789	32,278
General expenses	21	15,667,218	14,917,483	15,662,141	14,217,017
Impairment loss on financial assets carried at amortised costs	22	-	-	2,174,563	-
Lease rentals on operating lease	23	11,125,660	385,172	11,125,660	2,606,547
Repairs and maintenance		1,136,810	1,330,866	1,054,290	898,500
Research, development and innovation costs	24	213,700,449	201,047,393	213,700,449	201,047,393
Total expenditure		**(310,893,681)**	**(269,969,782)**	**(312,482,694)**	**(270,560,372)**
Operating surplus / (deficit)	25	**(8,571,838)**	**1,068,627**	**(6,171,610)**	**3,997,878**
Gain on disposal of assets and liabilities		9,499	3,690	9,499	3,690
Fair value adjustments	26	(300,833)	1,380,116	(300,833)	1,380,116
		(291,334)	**1,383,806**	**(291,334)**	**1,383,806**
Surplus/ (deficit) for the year		**(8,863,172)**	**2,452,433**	**(6,462,946)**	**5,381,684**

STATEMENT OF CHANGES IN NET ASSETS

	Accumulated surplus	Total net assets
	R	R
Group		
Balance at 1 April 2015	**96,240,884**	**96,240,884**
Changes in net assets		
Surplus / (deficit) for the year	2,452,431	2,452,431
Total changes	2,452,431	2,452,431
Balance at 1 April 2016	**98,693,320**	**98,693,320**
Changes in net assets		
Surplus / (deficit) for the year	(8,863,172)	(8,863,172)
Total changes	(8,863,172)	(8,863,172)
Balance at 31 March 2017	**89,830,148**	**89,830,148**
WRC		
Balance at 1 April 2015	**118,294,666**	**118,294,666**
Changes in net assets		
Surplus / (deficit) for the year	5,381,684	5,381,684
Total changes	5,381,684	5,381,684
Balance at 1 April 2016	**123,676,352**	**123,676,352**
Changes in net assets		
Surplus / (deficit) for the year	(6,462,944)	(6,462,944)
Total changes	(6,462,944)	(6,462,944)
Balance at 31 March 2017	**117,213,408**	**117,213,408**

CASH FLOW STATEMENT

		Group		WRC	
	Note(s)	2017 R	2016 R	2017 R	2016 R
Cash flows from operating activities					
Receipts					
Cash receipts from customers		248,163,630	317,068,271	250,397,116	316,779,358
Interest income		9,516,727	10,179,038	9,516,727	10,179,038
Dividends received		6,603	66,867	6,603	66,867
		257,686,960	327,314,176	259,920,446	327,025,263
Payments					
Cash paid to suppliers		(307,104,288)	(281,785,946)	(306,993,499)	(284,088,212)
Net cash flows from operating activities	29	**(49,417,328)**	**45,528,230**	**(47,073,053)**	**42,937,051**
Cash flows from investing activities					
Purchase of property, plant and equipment	7	(16,415,900)	(236,104)	(16,415,900)	(236,104)
Proceeds from sale of property, plant and equipment	7	9,499	45,239	9,499	45,239
Purchase of other intangible assets	8	(19,266)	(190,227)	(19,266)	(190,227)
Loans to wholly controlled entity repaid		-	-	1,020,000	1,020,000
Proceeds from disinvestment of investments	15	13,794,854	-	13,794,854	-
Net cash flows from investing activities		**(2,630,813)**	**(381,092)**	**(1,610,813)**	**638,908**
Cash flows from financing activities					
Employee benefit obligation		(4,690,721)	(5,154,005)	(4,690,721)	(5,154,005)
Finance lease payments		(173,366)	(173,865)	(173,366)	(173,865)
Net cash flows from financing activities		**(4,864,087)**	**(5,327,870)**	**(4,864,087)**	**(5,327,870)**
Net increase/(decrease) in cash and cash equivalents		**(56,912,228)**	**39,819,268**	**(53,547,953)**	**38,248,089**
Cash and cash equivalents at the beginning of the year		217,063,754	173,942,447	212,525,155	170,975,027
Effect of exchange rate movement on cash balances		(4,817,700)	3,302,040	(4,817,700)	3,302,040
Cash and cash equivalents at the end of the year	6	**155,333,826**	**217,063,755**	**154,159,502**	**212,525,156**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R
Revenue					
Revenue from exchange transactions					
Other income	671,244	502,897	**1,174,141**	1,084,593	**(89,548)**
Interest and dividends received - investment	7,824,548	377,790	**8,202,338**	8,908,922	**706,584**
Total revenue from exchange transactions	**8,495,792**	**880,687**	**9,376,479**	**9,993,515**	**617,036**
Revenue from non-exchange transactions					
Water research levies	213,121,207	(3,699,085)	**209,422,122**	207,322,204	**(2,099,918)**
Leverage income	71,697,924	-	**71,697,924**	82,795,007	**11,097,083**
Disinvestment of investments	-	19,997,276	**19,997,276**	19,997,276	-
Total revenue from non-exchange transactions	**284,819,131**	**16,298,191**	**301,117,322**	**310,114,487**	**8,997,165**
Total Revenue	**293,314,923**	**17,178,878**	**310,493,801**	**320,108,002**	**9,614,201**
Expenditure					
Fixed costs	9,208,482	1,239,946	**10,448,428**	11,360,673	**912,245**
Running costs	11,304,235	773,823	**12,078,058**	10,112,039	**(1,966,019)**
Human resources	68,376,453	-	**68,376,453**	65,253,786	**(3,122,667)**
Research, development and innovation	198,950,737	1,080,845	**200,031,582**	213,306,351	**13,274,769**
Corporate expenses	2,960,880	(432,898)	**2,527,982**	1,964,144	**(563,838)**
Capital expenditure	2,514,136	14,517,162	**17,031,298**	15,864,882	**(1,166,416)**
Total Expenditure	**293,314,923**	**17,178,878**	**310,493,801**	**317,861,875**	**7,368,074**
Actual amount on comparable basis as presented in the budget and actual comparative statement	-	-	-	**2,246,127**	**2,246,127**

Refer to note 39 for explanations for material differences between budget and actual amounts, and for explanations for the movement from the approved budget to the final budget.

Refer to note 40 for a reconciliation of budget surplus/deficit with the surplus/deficit in the Statement of Financial Performance.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. PRESENTATION OF FINANCIAL STATEMENTS

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

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

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

These accounting policies are consistent with the previous period.

1.1 CONSOLIDATION

Basis of consolidation

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

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

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

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

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

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

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

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

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Non-controlling interest in the net assets of the economic entity are identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets.

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

A special purpose entity is consolidated when the substance of the relationship between the economic entity and the special purpose entity indicates that the special purpose entity is controlled by the economic entity.

1.2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Receivables

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

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

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

Fair value estimation

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

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

Impairment testing

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

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

Useful lives and residual values

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

Employee benefit obligations (Medical aid scheme)

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

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

Other key assumptions for post retirement obligations are based on current market conditions. Additional information is disclosed in Note 11.

Effective interest rate

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

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

1.3 PROPERTY, PLANT AND EQUIPMENT

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight Line	30 years
Furniture and fixtures	Straight Line	3 to 33 years
Motor vehicles	Straight Line	5 years
Office equipment	Straight Line	3 to 13 years
Computer equipment	Straight Line	3 to 12 years
Leasehold improvements	Straight Line	Years according to lease term
Finance lease assets	Straight Line	Years according to lease term

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

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

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

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

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

1.4 INTANGIBLE ASSETS

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

Intangible assets are derecognised:

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

1.5 INVESTMENT IN WHOLLY CONTROLLED ENTITY

Group financial statements

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

WRC financial statements

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

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

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the entity; plus
- any costs directly attributable to the purchase of the controlled entity.

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

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

1.6 FINANCIAL INSTRUMENTS

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

A financial asset is:

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

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

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

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

Classification

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

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

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

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

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Financial Instruments at fair value

Cash and cash equivalents

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

Other financial assets

Other financial assets include investments with recognised financial institutions.

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

These investments are measured initially and subsequently at fair value. Gains and losses arising from changes in fair value are recognised directly in net assets until the security is disposed of or is determined to be impaired.

Financial instruments at amortised cost

Loans

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

Receivables

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

Payables

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

Fair value measurement considerations

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

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

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

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

Financial liabilities

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

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

Presentation

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

Offsetting of financial instruments

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

1.7 LEASES

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

Finance leases — lessee

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

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

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic interest rate on the remaining balance of the liability.

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

Operating leases — lessee

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

1.8 IMPAIRMENT OF ASSETS

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

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

Identification

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

Recognition and measurement (individual asset)

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

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

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

1.9 EMPLOYEE BENEFITS

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

Short-term employee benefits

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

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

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

Post-employment benefits

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

Post-employment benefits: Defined contribution plans

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

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

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

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets (if any).

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

Actuarial assumptions
Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.10 PROVISIONS AND CONTINGENCIES

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

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

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised.

1.11 REVENUE FROM EXCHANGE TRANSACTIONS

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

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

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

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

1.12 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

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

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

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

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

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the PFMA and is recognised when the recovery thereof from the responsible officials is virtually certain.

1.13 BORROWING COSTS

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

1.14 TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions

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

At each reporting date:

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

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

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

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

1.15 RESEARCH AND DEVELOPMENT EXPENDITURE

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

1.16 FRUITLESS AND WASTEFUL EXPENDITURE

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure is incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 IRREGULAR EXPENDITURE

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

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

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

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

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

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

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure is incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 CONDITIONAL GRANTS AND RECEIPTS

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

1.19 INCOME TAX EXPENSE

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

1.20 BUDGET INFORMATION

The financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget has been included in the financial statements. Refer to note 40.

1.21 RELATED PARTIES

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

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

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

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

1.22 EVENTS AFTER REPORTING DATE

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

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

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

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

OTHER EXPLANATORY NOTES

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

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

- GRAP 17 (as amended 2015): Property, plant and equipment

The amendments are only effective 1 April 2016. These amendments did not have a material impact on the Annual Financial Statements.

2.2 STANDARDS AND INTERPRETATIONS EARLY ADOPTED

The entity early adopted the following standards:

- GRAP 20: Related parties
- GRAP 21 (as amended 2015): Impairment of Non cash Generating Assets
- GRAP 26 (as amended 2015): Impairment of Cash generating assets

The amendments are only effective 1 April 2017. These amendments did not have a material impact on the Annual Financial Statements.

3. LOANS TO WHOLLY CONTROLLED ENTITY

	Group		WRC	
	2017 R	2016 R	2017 R	2016 R
Controlled entity				
Erf 706 Rietfontein (Pty) Ltd - Loan 1	-	-	27,939,738	24,734,980
The unsecured loan bears interest at 15% (2016 – 15%) and is repayable in equal monthly installments of not less than R60,000. The capital sum and interest thereon must be repaid in full by no later than 30 June 2017.				
Erf 706 Rietfontein (Pty) Ltd - Loan 2	-	-	2,585,776	2,564,011
The unsecured loans bears interest at prime plus 2% and is repayable within 60 days from receipt of a written demand.				
Allowance for impairment	-	-	(2,174,563)	-
	-	**-**	**28,350,951**	**27,298,991**
Non-current assets	-	-	-	26,278,991
Current assets	-	-	28,350,951	1,020,000
	-	**-**	**28,350,951**	**27,298,991**

CREDIT QUALITY OF LOANS TO WHOLLY CONTROLLED ENTITY

The credit quality of the loans are of a good quality. The maximum exposure to credit risk at the reporting date is the fair value of the loan mentioned above. The fair value approximates the carrying amount of the loans.

None of the loans to the wholly controlled entity defaulted during the year under review. The terms and conditions of the loans were not renegotiated during the period under review.

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

Due to the fact that the going concern assumption is no longer appropriate for Erf 706 Rietfontein (Pty) Ltd it resulted in the reclassification of certain debts as current.

The recent valuation of the property resulted in a decrease in its fair value from R29.8 million in 2016 to R27.2 million in the 2017 financial year, thus a R2.6 million reduction in market value. This is not unexpected given the fact that Rietfontein is not a recognised office node and therefore its ability to attract tenants will be somewhat limited.

The impact of this R2.6 million reduction in market value resulted in an indication of impairment in respect of the loan to the wholly controlled entity due to the possibility that ERF 706 will not be able to settle the full amount of the loans owed to the WRC. There is thus objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Subsequent to the year end it was requested that the loan agreements be amended which allows ERF 706 to repay the loan after the disposal of the Marumati building as well as the suspension of any further interest up to the date of disposal.

FAIR VALUE OF LOANS TO AND FROM WHOLLY CONTROLLED ENTITY

The fair value of the loans are determined by calculating the present value of future payments by using a discount rate of 15% and prime rate plus 2%. The entity does not hold any collateral as security for the loans.

LOANS TO CONTROLLED ENTITIES PAST DUE BUT NOT IMPAIRED

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

4. OPERATING LEASE ASSET AND LIABILITY

	Group		WRC	
	2017 R	2016 R	2017 R	2016 R
Balance at year end				
Operating lease asset	-	2,053	-	-
Operating lease liability	3,424,121	-	3,424,121	-
	3,424,121	**2,053**	**3,424,121**	**-**
Minimum operating lease asset receipts				
Within 12 months	45,991	41.434	-	-
Between 12 - 60 months	-	-	-	-
Longer than 60 months	-	-	-	-
	45,991	**41,434**	**-**	**-**

The company entered into a one-year lease agreement whereafter the tenancy is continued on a monthly basis on the same terms and conditions, with the option available for the lessee to renew the contract.

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

	Group		WRC	
	2017 R	2016 R	2017 R	2016 R
Minimum operating lease liability payments				
Within 12 months	8,123,739	-	8,123,739	-
Between 12 - 60 months	51,394,774	-	51,394,774	-
Longer than 60 months	41,685,559	-	41,685,559	-
	101,204,072		101,204,072	
	101,204,072	**-**	**101,204,072**	**-**

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

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

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

5. RECEIVABLES

	Group		WRC	
	2017	2016	2017	2016
	R	R	R	R
Receivables from non exchange transactions				
Receivables: Water Research Levies	36,507,111	35,992,615	36,507,111	35,992,615
Receivables from exchange transactions				
Receivables: Other	1,230,738	1,597,909	1,241,668	4,143,904
Deposits	842,212	842,212	834,907	834,907
Prepaid expenses	213,725	307,390	213,725	234,146
Advances	-	2,962,722	-	2,962,722
Provision for impairment loss	-	-	-	-
Recoverable fruitless and wasteful expenditure	4,494	3,685	4,494	3,685
	38,798,280	**41,706,533**	**38,801,905**	**44,171,979**
Non-current assets	834,907	834,907	834,907	834,907
Current assets	37,963,373	40,871,626	37,966,998	43,337,072
	38,798,280	**41,706,533**	**38,801,905**	**44,171,979**

Receivables pledged as security
No receivables were pledged as security for any financial liability.

The deposits (amounting to R834,907) have been reclassified from current assets to non-current assets due to the long-term nature of the balances.

The disclosure for the comparative year have been restated to provide the users with more useful information in respect of receivables related to fruitless and wasteful expenditure and prepaid expenditure.

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

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

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

All other receivables, which are not individually assessed and do not fall in the category of 120 days and more, are grouped together and assessed. During the evaluation of recoverability of these amounts receivable it became apparent that the full amount will be recoverable for the respective debtors. The fair value is thus equal to the full amount receivable as at year-end.

The recoverable amount of the debtors is equal to the fair value. None of the financial assets that are fully performing have been renegotiated in the last year.

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

Receivables past due but not impaired

Receivables are all considered for impairment. At 31 March 2017, R NIL (2016: R NIL) were past due but not impaired, whereas for the economic entity it was R NIL (2015: R NIL).

Receivables impaired

As at 31 March 2017, receivables of R NIL (2016: R 154,759) were (reversed) / impaired and provided for in the WRC, whereas for the economic entity it was R NIL (2016: R394,982).

The amount of the provision was R NIL as at 31 March 2017 (2016: R NIL) for the WRC, whereas for the economic entity it was R NIL (2016: R NIL).

The ageing of receivables is as follows:

	Group		WRC	
	2017 R	2016 R	2017 R	2016 R
Current – Gross	18,785,528	21,933,777	18,789,053	21,943,750
1 Month – Gross	9,651,031	10,299,329	9,651,031	10,370,332
2 Months – Gross	9,519,609	9,465,322	9,519,609	9,547,572
3 Months – Gross	842,112	8,105	842,212	2,310,325
	38,798,280	**41,706,533**	**38,801,905**	**44,171,979**

Reconciliation of provision for impairment losses on receivables

Opening balance	-	394,982	-	154,759
Provision for impairment	-	(394,982)	-	(154,759)
	-	-	-	-

The movement in the provision for impaired receivables are included in operating expenses in surplus or deficit. Receivables are generally written off when there is no expectation of recovery.

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

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

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	Group		WRC	
	2017 R	2016 R	2017 R	2016 R
Cash on hand	5,000	2,619	5,000	2,619
Bank balances	109,647,047	147,754,099	108,472,722	143,215,499
Short-term deposits	45,681,778	69,307,037	45,681,778	69,307,037
	155,333,825	**217,063,755**	**154,159,500**	**212,525,155**

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

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

All cash and cash equivalents held by the entity are available for use. The cash and cash equivalents are not pledged as security for financial liabilities.

Financial assets at fair value

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

Fair value hierarchy of financial assets at fair value

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

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

There were no significant transfers into or out of level 1, 2 or 3 for the years presented.

Level 2				
Cash and cash equivalents	**155,333,825**	**217,063,755**	**154,159,500**	**212,525,155**

7. PROPERTY, PLANT AND EQUIPMENT

	2017			2016		
GROUP	Cost R	Accumulated depreciation and accumulated impairment R	Carrying value R	Cost R	Accumulated depreciation and accumulated impairment R	Carrying value R
Buildings	8,691,522	(8,193,567)	497,955	8,691,522	(7,695,614)	995,908
Furniture and fixtures	5,727,313	(1,652,343)	4,074,970	1,575,930	(580,332)	995,598
Motor vehicles	300,391	(141,435)	158,956	300,391	(101,696)	198,695
Office equipment	1,809,332	(933,441)	875,891	826,906	(611,619)	215,287
IT equipment	6,615,620	(1,600,138)	5,015,482	3,729,981	(1,589,158)	2,140,823
Leasehold improvements	10,034,130	(582,804)	9,451,326	-	-	-
Total	**33,178,308**	**(13,103,728)**	**20,074,580**	**15,124,730**	**(10,578,419)**	**4,546,311**

	2017			2016		
WRC	Cost R	Accumulated depreciation and accumulated impairment R	Carrying value R	Cost R	Accumulated depreciation and accumulated impairment R	Carrying value R
Furniture and fixtures	5,727,313	(1,652,343)	4,074,970	1,575,930	(580,332)	995,598
Motor vehicles	300,391	(141,435)	158,956	300,391	(101,696)	198,695
Office equipment	1,809,332	(933,441)	875,891	826,906	(611,619)	215,287
IT equipment	6,615,620	(1,600,138)	5,015,482	3,729,981	(1,589,158)	2,140,823
Leasehold improvements	10,034,130	(582,804)	9,451,326	-	-	-
Total	**24,486,786**	**(4,910,161)**	**19,576,625**	**6,433,208**	**(2,882,805)**	**3,550,403**

Reconciliation of property, plant and equipment - Group - 2017

	Opening Balance R	Additions R	Depreciation R	Impairment loss R	Total R
Buildings	995,908	-	(497,953)	-	497,955
Furniture and fixtures	995,598	4,194,637	(1,091,149)	(24,116)	4,074,970
Motor vehicles	198,695	-	(39,739)	-	158,956
Office equipment	215,287	1,007,634	(338,409)	(8,621)	875,891
IT equipment	2,140,823	4,254,472	(1,151,313)	(228,500)	5,015,482
Leasehold improvements	-	10,034,130	(582,804)	-	9,451,326
Total	**4,546,311**	**19,490,873**	**(3,701,367)**	**(261,237)**	**20,074,580**

Included in the impairment loss (for the economic entity and the WRC) in respect of IT equipment is assets with a cost of R304,611 that could not be found on the premises of the WRC. The WRC has embarked on a process of appointing an expert to conduct an investigation into the matter to determine the causes. Thereafter, appropriate actions will be taken. There is thus a decrease in the future economic benefits or service potential associated with these assets and, as a result, an impairment loss of R213,128 was recognised during the 2016/2017 financial year. This resulted in a net carrying value on these assets at year end of R NIL.

An impairment loss was recognised amounting to R48,109 in respect of assets that were broken. There is thus no further future economic benefits or service potential associated with these assets and, as a result, an impairment loss was recognised. These assets were derecognised and removed from the asset register.

Reconciliation of property, plant and equipment - Group - 2016

	Opening Balance R	Additions R	Disposals R	Depreciation R	Impairment loss R	Total R
Buildings	1,493,861	-	-	(497,953)	-	995,908
Furniture and fixtures	920,473	168,286	-	(88,334)	(4,827)	995,598
Motor vehicles	299,786	-	-	(90,279)	(10,812)	198,695
Office equipment	309,298	4,553	-	(98,191)	(373)	215,287
IT equipment	2,455,913	293,550	(41,549)	(565,843)	(1,248)	2,140,823
Total	**5,479,331**	**466,389**	**(41,549)**	**(1,340,600)**	**(17,260)**	**4,546,311**

Reconciliation of property, plant and equipment - WRC - 2017

WRC - 2017	Opening Balance R	Additions R	Depreciation R	Impairment loss R	Total R
Furniture and fixtures	995,598	4,194,637	(1,091,149)	(24,116)	4,074,970
Motor vehicles	198,695	-	(39,739)	-	158,956
Office equipment	215,287	1,007,634	(338,409)	(8,621)	875,891
IT equipment	2,140,823	4,254,472	(1,151,313)	(228,500)	5,015,482
Leasehold improvements	-	10,034,130	(582,804)	-	9,451,326
	3,550,403	**19,490,873**	**(3,203,414)**	**(261,237)**	**19,576,625**

Reconciliation of property, plant and equipment - WRC - 2016

	Opening Balance R	Additions R	Disposals R	Depreciation R	Impairment loss R	Total R
Furniture and fixtures	920,473	168,286	-	(88,334)	(4,827)	995,598
Motor vehicles	299,786	-	-	(90,279)	(10,812)	198,695
Office equipment	309,298	4,553	-	(98,191)	(373)	215,287
IT equipment	2,455,913	293,550	(41,549)	(565,843)	(1,248)	2,140,823
	3,985,470	**466,389**	**(41,549)**	**(842,647)**	**(17,260)**	**3,550,403**

Pledged as security

None of the assets were or are pledged as security.

	Group		WRC	
	2017 R	2016 R	2017 R	2016 R
Assets subject to finance lease (net carrying value)				
Office equipment	14,632	402,847	14,632	402,847
IT equipment	3,074,972	230,284	3,074,972	230,284
	3,089,604	**633,131**	**3,089,604**	**633,131**

Details of valuation

The effective date of the valuation was 31 March 2017. The valuation was performed by an independent valuer, Barry Peter Richardson, of Onyx Valuation Services, on 10 April 2017. Barry Peter Richardson is registered as a Professional Valuer with the South African Council for the Property Valuers Profession. Onyx Valuation Services is not connected to the entity and has recent experience in location and category of the property concerned. Barry Peter Richardson has no present or contemplated interest in this entity which would affect the statements or values contained in the valuation report. The valuation was therefore undertaken on a completely independent basis.

The property has been valued at R27,200,000 (2016: R29,800,000). The valuation is based on market related rentals.

The market value of the property was determined by using the income capitalisation method of valuation, which essentially uses market-related rentals and expense data to calculate net annual income determined at R3.2 million per annum. This was capitalised at a rate of 12%, yielding a value of R27.2 million. In determining market-related rentals, the Valuer considered rentals of offices in close proximity and in comparable areas for similar accommodation, including the Pretoria CBD. This valuation basis is appropriate, as the property will be sold at auction, and is likely to be acquired as a commercial property to be used for its rental income generating ability.

Other information

	Group		WRC	
	2017	2016	2017	2016
	R	R	R	R
Property, plant and equipment fully depreciated and still in use (Gross carrying amount)				
Furniture and fixtures	15,705	17,098	15,705	17,098
Office equipment	7,757	10,370	7,757	10,370
IT equipment	199,654	1,476,865	199,654	1,476,865
	223,116	**1,504,333**	**223,116**	**1,504,333**
Property, plant and equipment				
Non-current assets	19,576,625	4,546,311	19,576,625	3,550,403
Current assets	497,955	-	-	-
	20,074,580	**4,546,311**	**19,576,625**	**3,550,403**

The WRC commenced with the process of disposing the Marumati Building situated at Erf 706 Rietfontein in accordance with the Public Finance Management Act. The WRC appointed Cahi Auctioneers on 7 April 2017 through a competitive bidding process. The property will be auctioned during the 2017/18 financial year.

There is an expectation that the property may be sold within the next 12 months and, as a result, the building (with a carrying value of R497,955) has been reclassified as a current asset. This building is utilised for rental to others (tenants) as well as for WRC's administrative purposes untill the finalisation of it's disposal.

Details of properties

	Group		WRC	
	2017	2016	2017	2016
	R	R	R	R
Erf 706 Rietfontein				
– Purchase price	615,855	615,855	-	-
– Additions since purchase or valuation	8,075,667	8,075,667	-	-
	8,691,522	**8,691,522**	**-**	**-**

A register containing the information required by the PFMA is available for inspection at the registered office of the economic entity.

8. INTANGIBLE ASSETS

	2017			2016		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
GROUP	R	R	R	R	R	R
Computer software, other	4,236,568	(2,922,355)	1,314,213	4,217,302	(2,502,284)	1,1715,018

WRC	2017 Cost	2017 Accumulated amortisation and accumulated impairment	2017 Carrying value	2016 Cost	2016 Accumulated amortisation and accumulated impairment	2016 Carrying value
Computer software, other	4,236,568	(2,922,355)	1,314,213	4,217,302	(2,502,284)	1,1715,018

Reconciliation of intangible assets

	Opening Balance	Additions	Amortisation	Total
GROUP – 2017				
Computer software, other	1,715,018	19,266	(420,071)	1,314,213
GROUP – 2016				
Computer software, other	1,932,373	190,227	(407,582)	1,715,018

	Opening Balance	Additions	Amortisation	Total
WRC – 2017				
Computer software, other	1,715,018	19,266	(420,071)	1,314,213
WRC – 2016				
Computer software, other	1,932,373	190,227	(407,582)	1,715,018

Pledged as security

None of the intangible assets are pledged as security.

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

9. INVESTMENT IN WHOLLY CONTROLLED ENTITY

	WRC	
Name of company	Carrying amount 2017 R	Carrying amount 2016 R
An ordinary share in Erf 706 Rietfontein (Pty) Ltd (100% holding)	**755,939**	**755,939**

The carrying amounts of controlled entity are shown net of impairment losses.

No indication of impairment existed at the reporting date which is evident by the fair value of the property (obtained by an Independent valuator).

The WRC holds 100% of the ordinary shares in Erf 706 Rietfontein (Pty) Ltd, a property company. Erf 706 Rietfontein (Pty) Ltd owns one property as disclosed in note 7.

The WRC commenced with the process of disposing the Marumati Building situated at Erf 706 Rietfontein in accordance with the Public Finance Management Act. The WRC appointed Cahi Auctioneers on 7 April 2017 through a competitive bidding process. The property will be auctioned during the 2017/18 financial year. The auction results and bidder proposals will influence the entity's potential deregistration, as bidders may either choose to acquire the property or the entity's equity.

Controlled entity pledged as security

The investment is not pledged as security.

10. OTHER FINANCIAL ASSETS

	Group		WRC	
	2017 R	2016 R	2017 R	2016 R
Designated at fair value				
Old Mutual: Wealth life wrapped investment	-	3,517,031	-	3,517,031
Momentum: Flexible investment option	-	10,606,885	-	10,606,885
	-	**14,123,916**	**-**	**14,123,916**
Non-current assets				
Designated at fair value through profit and loss	-	14,123,916	-	14,123,916

Financial assets at fair value

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

The investments were disinvested during the financial year upon approval from the Minister of Water and Sanitation in terms of section 54(2) of the PFMA.

Fair value hierarchy of financial assets at fair value

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

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

The fair value hierarchy have the following levels:

Level 2				
Other financial assets	-	14,123,916	-	14,123,916

There were no significant transfers into or out of level 1, 2 or 3 for the years presented.

11. EMPLOYEE BENEFIT ASSET/ (OBLIGATION)

Pension and provident fund

Medical aid scheme

Defined benefit plan:
The WRC has made provision for a medical aid scheme covering retired employees and active employees before 1 April 2008. These funds are actuarially valued at intervals of not more than three years using the projected unit credit method. The Scheme was last actuarially valued at 31 March 2017. At that time the reporting actuary certified that the vested liability for continuation members will fluctuate depending on mortality rates of current continuation members and the rate of new retirements over the next few years. The active member liability will be affected by whether the actual withdrawals match those expected and the rate of medical aid inflation. In arriving at his conclusion, the actuary took into account certain assumptions at reporting date (expressed as weighted averages).

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

- The WRC closed the subsidy/benefit to new recruits to the WRC as of 1 of April 2008.
- The WRC employed the professional services of an independent consultant and actuary to value the quantum of the liability fund (i.e. risk ring fencing) and/or buy out (i,e, liability capping) the disclosed liability in order to manage the WRC's exposure to the associated costs and risks. In the 2010/2011 financial year, the WRC offered voluntary buy-outs to all in service members. Members that did not accept the buy-out offer and the pensioners already receiving the benefit have had the liability ring-fenced through an insurance cover administered by Momentum Group Limited.

The amounts recognised in the Statement of Financial Position are as follows:

	Group		WRC	
	2017 R	2016 R	2017 R	2016 R
Carrying value				
Present value of the defined benefit obligation – wholly unfunded	-	(210,266)	-	(210,266)
Present value of the defined benefit obligation – wholly funded	(34,055,937)	(32,643,734)	(34,055,937)	(32,643,734)
Fair value of plan assets	36,058,413	32,643,734	36,058,413	32,643,734
Asset not recognised in accordance with GRAP 25.68	(1,927,646)	-	(1,927,646)	-
Employee benefit asset / (obligation) recognised	**74,830**	**(210,266)**	**74,830**	**(210,266)**
Non-current assets	74,830	-	74,830	-
Non-current liabilities	-	(210,266)	-	(210,266)
	74,830	**(210,266)**	**74,830**	**(210,266)**
Movement for the year – medical aid fund				
Opening balance	210,266	4,502,615	210,266	4,502,615
Contributions by employer	(5,366,851)	(2,553,263)	(5,366,851)	(2,553,263)
Asset not recognised in accordance with GRAP 25.68	1,927,646	-	1,927,646	-
Net expense recognised in the Statement of Financial Performance	3,154,109	(1,739,086)	3,154,109	(1,739,086)
	(74,830)	**210,266**	**(74,830)**	**210,266**

Net expense recognised in the Statement of Financial Performance - medical aid fund

	Group		WRC	
	2017	2016	2017	2016
	R	R	R	R
Current service cost	206,000	227,484	206,000	227,484
Interest cost	(91,000)	(431,346)	(91,000)	(431,346)
Actuarial losses/ (gains)	3,039,109	(1,535,224)	3,039,109	(1,535,224)
Assets not recognised	1,927,646	-	-	-
	5,081,755	**(1,739,086)**	**3,154,109**	**(1,739,086)**
Reconciliation of the obligation				
Opening balance	32,854,000	33,968,815	32,854,000	33,968,815
Current service cost	206,000	227,484	206,000	227,484
Interest cost	3,249,000	2,583,654	3,249,000	2,583,654
Benefits paid	(2,558,198)	(2,215,381)	(2,558,198)	(2,215,381)
Net actuarial losses/ (gains)	305,135	(1,710,572)	305,135	(1,710,572)
	34,055,937	**32,854,000**	**34,055,937**	**32,854,000**

The total liability has increased by 4% (or R1,202 million) since the last valuation. The main reasons for the actual movement in the liability are listed next.

In-service members

The average in-service member liability has increased by 21% since the last valuation due to the following factors:

- an increase in the average age, which means that the remaining member is closer to retirement (less discounting); and
- a substantial increase in the average future employer contribution.

These impacts were partially offset by a decrease in the average past service and a slight increase in the net discount rate. The total in-service member liability has decreased by 70% due to the above being more than offset by a decrease in the number of members.

Continuation members

The average continuation member liability has increased by 10% due to an increase in the average employer contribution and a decrease in the average age, partially offset by a slight increase in the net discount.

The total continuation member liability has increased by 16% due to the above, combined with an increase in the number of members.

	Group		WRC	
Reconciliation of the plan assets	2017	2016	2017	2016
	R	R	R	R
Opening balance	32,643,734	29,466,200	32,643,734	29,466,200
Expected return	3,340,000	3,015,000	3,340,000	3,015,000
Actuarial (losses) / gains	(2,733,974)	(175,348)	(2,733,974)	(175,348)
Contributions by employer	5,366,851	2,553,263	5,366,851	2,553,263
Benefits paid	(2,558,198)	(2,215,381)	(2,558,198)	(2,215,381)
	36,058,413	**32,643,734**	**36,058,413**	**32,643,734**

Key assumptions used

Assumptions used on last evaluation as at 31 March 2017:

	Group	WRC
Average retirement age	65	65
Discount rates used	8.91%	8.91%
Healthcare cost inflation rate/Medical cost trend rate	7.40%	7.40%
Proportion of employees opting for early retirement	0%	0%
Net effective discount rate	1.4%	1.4%

During the valuation performed at the end of the 2015/16 financial year the yield curve was used for determining the discount rate, and the consumer price inflation was calculated as the difference between the nominal and yield curve. The healthcare cost inflation rate, also known as the medical cost trend rate was equal to CPI + 1%. The average retirement age during the 2015/16 financial year was also 65 years.

Basis for assumptions used in the 2016/2017 financial year

Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in Government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 8.91% per annum was used. The corresponding index linked yield at this term is 2.37%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 31 March 2017.

The rate is calculated by using a liability weighted average of yields for the three components of the liability. Each component's fixed interest and index linked yields were taken from the bond yield curve at that component's duration, using an iterative process (because the yield depends on the liability, which in turn depends on the yield).

Healthcare Cost Inflation Rate:

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A healthcare cost inflation rate of 7.40% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 5.90%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 1.40% which derives from ((1+8.91%)/(1+7.40%))-1.

The expected inflation assumption of 5.90% was obtained from the differential between market yields on index linked bonds consistent with the estimated term of the liabilities (2.37%) and those of fixed interest bonds (8.91%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: ((1+8.91% 0.50%)/(1+2.37%))-1.

The normal and average retirement age for all active employees was assumed to be 65 years. This assumption was made since there is only 1 active member left and they are close to the retirement age of 65. Withdrawal rates or early retirement does not have a significant impact due to the fact that most members are either very close to retirement or have already retired.

The expected rate of return on assets is based on the discount rate, i.e. 8,91%.

The next contribution rate increase is assumed to occur at 1 January 2018. The WRC expects to contribute R2,930,400 to the defined benefit plan in the following financial year.

Sensitivity analysis on accrued liability

The assumptions made in the liability calculations are best estimates of future levels of the various factors. These factors, in reality, may turn out to be different than the assumed values. There are various factors that influence the WRC's post-employment healthcare liability. The employer has little or no control over many of these: the medical scheme's benefit structure and related contribution rates, changes in legislation, increases in the cost of and utilisation of medicines and medical services, and advances in medical technology. As the results are sensitive to the assumptions made, it is important that they are treated with a degree of caution.

The assumption which tends to have the greatest impact on the results is the rate of healthcare cost inflation relative to the discount rate. Since most members are either very close to retirement or already retired, withdrawal rates or early retirement do not have a significant impact.

In order to illustrate the sensitivity of the results to the changes in certain key variables, the liability figure has been recalculated to show the effect of:

i. A 1% increase and decrease in the assumed rate of health care cost inflation;
ii. A 1% increase and decrease in the discount rate;
iii. A one-year age reduction in the assumed rates of post retirement mortality;
iv. A one-year decrease in the assumed average retirement age; and
v. A 10% decrease in the assumed proportion of in service members that continue to receive the subsidy after retirement.

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

Assumptions	Change	In-Service R	Continuation R	Total liability R	% Change
Central assumptions	-	1,427,000	32,629,000	34,056,000	-
Health care inflation	1%	1,605,000	35,461,000	37,067,000	9.00%
Health care inflation	(1%)	1,274,000	30,144,000	31,419,000	(8.00)%
Discount rate	1%	1,277,000	30,126,000	31,403,000	(8.00)%
Discount rate	(1%)	1,606,000	35,531,000	37,137,000	9.00%
Post-retirement mortality	(1year)	1,479,000	33,983,000	35,462,000	4.00%
Average retirement age	(1year)	1,581,000	32,629,000	34,209,000	-
Continuation of membership at retirement	(10%)	1,287,000	32,629,000	33,915,000	-

Sensitivity analysis on the accrued liability

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 9% higher than that shown.

Assumptions	Change	Interest cost R	Service cost R	Total liability R	% Change
Central assumptions	-	3,249,000	206,000	3,455,000	-
Health care inflation	1%	3,560,000	232,000	3,792,000	10.00%
Health care inflation	(1%)	2,978,000	184,000	3,162,000	(8.00)%
Mortality	20%	2,971,000	189,000	3,160,000	(9.00)%
Mortality	(20%)	3,609,000	228,000	3,837,000	11.00%

Sensitivity Analysis on Current service and Interest Costs for year ending 31/03/2017

The analysis above shows that past service liability is most sensitive to a change in health care inflation rate.

	31/03/2016	31/03/2017	Impact
Total unfunded liability (R millions)			
In–service members	4.719	1.472	(70%)
Continuation members	28.135	32.629	16%
All eligible individuals	32.854	34.056	4%
Average liability per individual (Rand)			
In–service members	1,179,750	1,427,277	21%
Continuation members	740,395	815,717	10%
All eligible individuals	782,238	830,633	6%

Comparison of Liability Results

Other assumptions

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables.

Membership

It was assumed that the marital status of members who are currently married will remain the same up to retirement. It has been assumed that 100% of in service members will remain on the WRC's healthcare arrangement should they stay until retirement.

Withdrawal from service:

Since all current in-service members are older than 55 years, no withdrawal rates have been applied.

Average retirement age:

The normal retirement age is 65. It has been assumed that the remaining employee will retire at age 65, which thus makes no allowance for early and ill health retirement.

Family profile:

It has been assumed that female spouses will be five years younger than their male counterparts. Further, we've assumed that 100% of eligible employees on a healthcare arrangement at retirement will have an adult dependant. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

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

	2017 R	2016 R	2015 R	2014 R	2013 R
Defined benefit obligation	(34,055,937)	(32,854,000)	(33,968,815)	(31,511,745)	(33,198,862)
Plan assets	36,058,413	32,643,734	29,466,200	27,503,639	28,395,122
Asset not recognised in accordance with GRAP 25.68	(1,927,646)	-	-	-	-
Net employee benefit asset / (liability)	74,830	(210,266)	(4,502,615)	(4,008,106)	(4,803,740)
Net expense recognised in the statement of financial performance	3,154,109	(1,739,086)	494,509	795,634	3,037,565

12. FINANCE LEASE OBLIGATION

	Group		WRC	
	2017 R	2016 R	2017 R	2016 R
Minimum lease payments due				
- within one year	1,238,563	173,366	1,238,563	173,366
- in second to fifth year inclusive	1,742,721	18,898	1,742,721	18,898
	2,981,284	192,264	2,981,284	192,264
less: future finance charges	(414,955)	(12,787)	(414,955)	(12,787)
Present value of minimum lease payments	**2,566,329**	**179,477**	**2,566,329**	**179,477**
Present value of minimum lease payments due				
- within one year	976,247	160,913	976,247	160,913
- in second to fifth year inclusive	1,590,082	18,564	1,590,082	18,564
	2,566,329	**179,477**	**2,566,329**	**179,477**
Non-current liabilities	1,590,082	18,564	1,590,082	18,564
Current liabilities	976,247	160,913	976,247	160,913
	2,566,329	**179,477**	**2,566,329**	**179,477**

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

The average lease term is 3 years and the average effective borrowing rate is 12% (2016: 13%).

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

Defaults and breaches

The entity did not default on any interest or capital portions on any of the finance leases. None of the finance leases were re negotiated during the year under review.

13. PAYABLES

	Group		WRC	
	2017 R	2016 R	2017 R	2016 R
Payables from non-exchange transactions				
Income received in advance	104,731,198	151,360,258	104,731,198	151,360,258
Payables from exchange transactions				
Payables	6,236,016	20,222,065	6,233,877	20,222,066
Accruals	3,704,376	3,741,373	3,704,376	3,741,373
Deposits received	20,910	18,042	-	-
	114,692,500	**175,341,738**	**114,669,452**	**175,323,698**

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

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

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

14. ACCRUALS - LEAVE AND BONUS

Reconciliation of accruals — leave and bonus

GROUP - 2017	Opening Balance	Additions	Utilised during the year	Payments	Re-measurement	Total
Accruals for leave	4,737,628	5,420,628	(4,204,438)	(1,108,648)	299,996	5,145,166
Accruals for bonuses	13,982	15,487	-	(27,896)	13,914	15,487
	4,751,610	**5,436,115**	**(4,204,438)**	**(1,136,544)**	**313,910**	**5,160,653**

GROUP - 2016	Opening Balance	Additions	Utilised during the year	Payments	Re-measurement	Total
Accruals for leave	3,426,754	4,426,974	(4,220,698)	(311,993)	1,416,591	4,737,628
Accruals for bonuses	221,887	15,862	-	(359,040)	135,273	13,982
	3,648,641	**4,442,836**	**(4,220,698)**	**(671,033)**	**1,551,864**	**4,751,610**

The disclosure of the comparative figures have been restated to show a true reflection of the substance of the transaction.

Reconciliation of accruals — leave and bonus

WRC - 2017	Opening Balance	Additions	Utilised during the year	Payments	Re-measurement	Total
Accruals for leave	4,737,628	5,420,628	4,204,438	(1,108,648)	299,996	5,145,166
Accruals for bonuses	13,982	15,487	-	(27,896)	13,914	15,487
	4,751,610	**5,436,115**	**(4,204,438)**	**(1,136,544)**	**313,910**	**5,160,653**

WRC - 2016	Opening Balance	Additions	Utilised during the year	Payments	Re-measurement	Total
Accruals for leave	3,426,754	4,426,974	(4,220,698)	(311,993)	1,416,591	4,737,628
Accruals for bonuses	221,887	15,862	-	(359,040)	135,273	13,982
	3,648,641	**4,442,836**	**(4,220,698)**	**(671,033)**	**1,551,864**	**4,751,610**

The disclosure of the comparative figures have been restated to show a true reflection of the substance of the transaction.

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

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

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

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

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

15. REVENUE FROM EXCHANGE TRANSACTIONS

	Group		WRC	
	2017 R	2016 R	2017 R	2016 R
Other income	811,338	555,124	818,200	555,124
Rental received	247,349	236,884	-	-
Recovery of expenditure	25,906	11,097	14,529	11,097
	1,084,593	**803,105**	**832,729**	**566,221**

The WRC is, in some instances, reimbursed for travel expenditure incurred. In the current financial year this has been included as a reduction in travel expenditure to adhere to the principal of substance over form. Included in the amount for Other income in respect of 2015/16 is an amount of R27,526 relating to reimbursement for travel expenditure. The comparative figures have not been restated due to the amount not being material.

Investment revenue is disclosed seperately in note 16.

16. INVESTMENT REVENUE

	Group		WRC	
	2017 R	2016 R	2017 R	2016 R
Dividend revenue				
Listed financial assets	6,603	66,867	6,603	66,867
Interest revenue				
Listed financial assets	15,182	60,256	15,182	60,256
Loans to wholly controlled entity	-	-	4,246,523	3,775,810
Bank	8,887,137	8,681,034	8,881,719	8,673,046
Employee benefit obligations	91,000	431,346	91,000	431,346
	8,993,319	**9,172,636**	**13,234,424**	**12,940,458**
	8,999,922	**9,239,503**	**13,241,027**	**13,007,325**

	Group		WRC	
	2017 R	2016 R	2017 R	2016 R
Leverage income	82,795,007	60,964,552	82,795,007	60,964,552
Water research levies	207,322,204	200,031,249	207,322,204	200,031,249
Tenant allowance	2,120,117	-	2,120,117	-
	292,237,328	**260,995,801**	**292,237,328**	**260,995,801**

17. REVENUE FROM NON-EXCHANGE TRANSACTIONS

The actual levy income for the 2016/17 financial year is lower than our levy income projections. This was due to lower consumption volumes as a result of the drought experienced in South Africa during the 2016/17 financial year.

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

A tenant installation allowance was granted by the Landlord in order to contribute towards the refurbishment of the premises. This amount was granted solely to compensate the WRC for monies spent relating to the refurbishing or altering of the leased premises to suit its needs. This allowance was limited to items such as partitioning, finishes, flooring, ceilings, electrical installations, kitchens, shopfronts, air-conditioning and pre-cleaning.

18. DEPRECIATION, AMORTISATION AND IMPAIRMENT

	Group		WRC	
	2017 R	2016 R	2017 R	2016 R
Property, plant and equipment – Depreciation	3,701,367	1,340,600	3,203,414	842,647
Property, plant and equipment – Impairment loss	261,237	17,260	261,237	17,260
Intangible assets – amortisation	420,071	407,582	420,071	407,582
Intangible assets – impairment loss	-	-	-	-
	4,382,675	**1,765,442**	**3,884,722**	**1,267,489**

19. EMPLOYEE RELATED COSTS

	Group		WRC	
	2017 R	2016 R	2017 R	2016 R
Basic salary	53,614,792	45,170,410	53,614,792	45,170,410
Merit bonus	3,301,477	2,917,647	3,301,477	2,917,647
Directors emoluments	404,992	379,536	404,992	379,536
Workmen's compensation – Department of Labour	327,209	216,569	327,209	216,569
Skills development levies	566,254	465,267	566,254	465,267
Company contributions – UIF	138,548	121,830	138,548	121,830
Company contributions – other	155,758	141,157	155,758	141,157
Post-employment medical aid	4,496,625	(822,925)	4,496,625	(822,925)
Leave and bonus provision	1,545,585	1,741,815	1,545,585	1,741,815
Staff bursaries	93,826	47,928	93,826	47,928
	64,645,066	**50,379,234**	**64,645,066**	**50,379,234**

Included in the amount disclosed for the post-employment medical aid for the 2015/16 financial year (negative R822,925) was an actuarial gain of R1,535,224 (refer to note 11) which resulted in an associated reduction in the amount recognised under employee-related costs.

20. FINANCE COSTS

	Group		WRC	
	2017 R	2016 R	2017 R	2016 R
Finance leases	181,855	34,113	181,855	34,113
Late payment	3,934	(1,835)	3,934	(1,835)
	185,789	**32,278**	**185,789**	**32,278**

During the 2016/17 financial year it came to light that Telkom will not be reimbursing the WRC for these interest expenditure incurred. The debtor raised in the 2016/17 financial year amounting to R3,686 has subsequently been reversed in the 2016/17 financial year against finance cost – late payment. Additional interest expenditure of R249 was incurred in respect of Telkom during 2016/17. This has now been resolved, and should not reoccur.

21. GENERAL EXPENSES

	Note(s)	Group 2017 R	Group 2016 R	WRC 2017 R	WRC 2016 R
Auditors remuneration	28	1,428,395	1,510,739	1,428,395	1,510,739
Bank charges		92,881	90,040	89,944	86,991
Catering costs (including costs associated with reference group meetings)		391,253	351,581	391,253	351,581
Consumables		44,833	9,897	44,833	9,897
Corporate social responsibility		68,276	90,413	68,276	90,413
Discretionary fund		-	300	-	300
IT expenses		1,701,407	1,784,156	1,701,407	1,784,156
Insurance		207,063	63,292	207,063	26,263
Leadership development, including training		403,440	515,632	403,440	515,632
Motor vehicle expenses		17,560	22,556	17,560	22,556
Postage and courier		219,967	153,211	219,967	153,211
Professional fees		1,337,731	1,841,660	1,335,591	1,829,660
Promotions		740,379	409,327	740,379	409,327
Recruitment costs		351,947	595,290	351,947	595,290
Staff welfare		47,952	46,516	47,952	46,516
Stationery and other purchases		302,976	198,375	302,976	198,375
Subscriptions and membership fees		703,935	395,305	703,935	395,305
Telephone and fax		923,732	831,936	923,732	831,936
Travel – local (including costs associated with reference group meetings)		3,854,925	3,733,763	3,854,925	3,733,763
Travel – overseas		1,447,888	1,220,496	1,447,888	1,220,496
Utilities		1,380,678	1,053,001	1,380,678	404,612
		15,667,218	**14,917,486**	**15,662,141**	**14,217,019**

22. IMPAIRMENT OF ASSETS

Impairments

	Group 2017	Group 2016	WRC 2017	WRC 2016
Loans to wholly controlled entity	-	-	2,174,563	-

The recent valuation of the property resulted in a decrease in its fair value from R29.8 million in 2016 to R27.2 million in the 2017 financial year, thus a R2.6 million reduction in market value. This is not unexpected given the fact that Rietfontein is not a recognised office node and, therefore, its ability to attract tenants will be somewhat limited.

The impact of this R2.6 million reduction in market value resulted in an indication of impairment in respect of the loan to the wholly controlled entity due to the possibility that ERF 706 will not be able to settle the full amount of the loans owed to the WRC. There is thus objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

23. LEASE RENTALS ON OPERATING LEASE

	Group		WRC	
	2017	2016	2017	2016
	R	R	R	R
Rent payable under operating lease	7,461,295	310,993	7,461,295	2,532,367
Operating lease liability - Straight lining of lease	3,424,121	-	3,424,121	-
Rental of equipment	240,244	74,179	240,244	74,179
	11,125,660	**385,172**	**11,125,660**	**2,606,546**

The WRC and Erf 706 Rietfontein (Pty) Ltd terminated their lease agreement. The termination agreement stipulated that no rent will be payable by the WRC as from 1 April 2016 until the transfer of ownership of the building has been completed, but that the WRC will be liable for the expenditure incurred by Erf 706 Rietfontein (Pty) Ltd in respect of the maintenance and operations of the property.

On 12 February 2016, the WRC entered into a ten-year lease agreement commencing on 1 April 2016 Lynnwood Bridge Office Park (Pty) Ltd, whereafter the tenancy is subject to renewal at the landlord's discretion.

Monthly lease payments were made from 1 April 2016 in respect of the agreement with Lynnwood Bridge Office Park (Pty) Ltd. The monthly lease payments comprise the following based on area occupied:

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

The WRC needed to pay the monthly lease payments in order to have access to the premises for the fit-out of the office space. During the period 1 April 2016 to 12 August 2016 the WRC contracted a service provider to assist it with the office fit-out which included:

- Floor layout and overall office design;
- Construction of offices, boardrooms and other essential facilities;
- Design and installation of Information Technology infrastructure and equipment;
- Acquisition of office furniture, office equipment and the installation thereof.

The duration of the service level agreement with the service provider was for a period of six (6) months, which was the time that was required for the fit-out of the new premises. A detailed time schedule was submitted by the service provider and the service provider was managed on a continuous basis. Weekly site meetings were held during the period to ensure proper management of the fit-out of the premises. The WRC managed to reduce the actual fit out period from six (6) to four and a half (4.5) months. The physical move of the WRC to the new premises occured from 12 - 31 August 2016.

24. RESEARCH, DEVELOPMENT AND INNOVATION

	Group		WRC	
	2017	2016	2017	2016
	R	R	R	R
Research, development and innovation costs	196,371,607	185,228,936	196,371,607	185,228,936
Media and marketing (printing and publishing)	8,762,735	6,226,332	8,762,735	6,226,332
Workshops and conferences	7,623,715	8,851,629	7,623,715	8,851,629
Other research related costs	525,063	483,524	525,063	483,524
Patent registrations	417,329	256,972	417,329	256,972
	213,700,449	**201,047,393**	**213,700,449**	**201,047,393**

The disclosure of the research, development and innovation costs for the comparative period have been restated to provide users with a detailed breakdown of the nature of expenditure.

25. OPERATING SURPLUS

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

	Group		WRC	
	2017 R	2016 R	2017 R	2016 R
Operating lease charges				
Premises				
• Contractual amounts	10,885,416	310,992	10,885,416	2,532,367
Equipment				
• Contractual amounts	240,244	74,179	240,244	74,179
	11,125,660	**385,171**	**11,125,660**	**2,606,546**
Gain on sale of property, plant and equipment	9,499	3,690	9,499	3,690
Impairment on loans to economic entities	-	-	2,174,563	-
Amortisation on intangible assets	420,071	407,583	420,071	407,583
Depreciation and impairment losses on property, plant and equipment	3,962,603	1,357,861	3,464,650	859,908
Employee costs	64,645,066	50,379,234	64,645,066	50,379,234
Research, development and innovation costs	213,700,449	201,047,393	213,700,449	201,047,393

26. FAIR VALUE ADJUSTMENTS

	Group		WRC	
	2017 R	2016 R	2017 R	2016 R
• Other financial assets	(300,833)	1,380,116	(300,833)	1,380,116

27. TAXATION

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

28. AUDITORS' REMUNERATION

	Group		WRC	
	2017 R	2016 R	2017 R	2016 R
Fees – external auditors	1,026,356	1,139,831	1,026,356	1,139,831
Fees – internal auditors	402,039	370,908	402,039	370,908
	1,428,395	**1,510,739**	**1,428,395**	**1,510,739**

29. CASH (USED IN) GENERATED FROM OPERATIONS

	Group		WRC	
	2017 R	2016 R	2017 R	2016 R
(Deficit) surplus	(8,863,172)	2,452,435	(6,462,994)	5,381,686
Adjustments for:				
Depreciation, amortisation and impairment	4,382,674	1,765,444	3,884,721	1,267,491
Loss on sale of assets and liabilities	(9,499)	(3,690)	(9,499)	(3,690)
Fair value adjustments	300,833	(1,380,116)	300,833	(1,380,116)
Finance costs – Finance leases	181,855	34,113	181,855	34,113
Impairment on loans	-	-	2,174,563	-
Debt impairment	-	(13,190)	-	(13,190)
Movements in operating lease assets and accruals	3,426,174	6,388	3,424,121	-
Movements in retirement benefit assets and liabilities	4,405,625	861,656	4,405,625	861,656
Movements in provisions	409,043	1,102,969	409,043	1,102,969
Non cash movement of finance lease	(696,609)	(179,943)	(696,609)	(179,943)
Foreign exchange loss on foreign bank accounts	4,817,700	(3,302,040)	4,817,700	(3,302,040)
Other non–cash items	28,230	(2,728)	28,230	(2,728)
Interest on intercompany loans	-	-	(4,246,523)	(3,775,810)
Changes in working capital:				
Receivables	2,908,253	1,827,130	5,370,075	683,133
Payables	(60,649,235)	42,243,373	(60,654,244)	42,263,520
VAT	(59,200)	116,429	-	-
	(49,417,328)	**45,528,230**	**(47,073,053)**	**42,937,051**

30. COMMITMENTS

	Group		WRC	
	2017 R	2016 R	2017 R	2016 R
Commitments • General	106,522,172	128,091,541	106,522,172	128,091,541
Commitments • Research projects	374,908,944	398,150,001	374,908,944	398,150,001
Total commitments				
General commitments	106,522,172	128,091,541	106,522,172	128,091,541
Research project commitments	374,908,944	398,150,001	374,908,944	398,150,001
	481,431,116	**526,241,542**	**481,431,116**	**526,241,542**

General commitments relate to contractual obligations that the WRC entered into before 31 March 2017.

At year-end, research project commitments comprise projects approved by the Executive Management and include those for which contracts have been signed at year-end and those that, at year-end, are in the process of being signed by all contracting parties.

As at 31 March 2017 commitments relating to research projects with signed contracts amounted to R360,552,367 (2016: R352,677,328) and projects for which contracts are in the process of signing amount to R14,356,577 (2016: R45,472,673).

The commitment in respect of research projects for the comparative year has been restated to include the impact of Value Added Tax (VAT).

31. RELATED PARTIES

	Group 2017 R	Group 2016 R	WRC 2017 R	WRC 2016 R
Relationships				
Controlling entity - Erf 706 Rietfontein (Pty) Ltd			Refer to note 9	
Related party balances				
Loan accounts – Owing (to) by related parties				
Erf 706 Rietfontein (Pty) Ltd			28,350,951	27,298,991
Amounts included in Receivables (Payables) regarding related parties				
Erf 706 Rietfontein (Pty) Ltd			10,829	2,563,678
Related party transactions				
Interest paid to (received from) related parties				
Erf 706 Rietfontein (Pty) Ltd			(4,246,523)	(3,775,810)
Rent paid to (received from) related parties				
Erf 706 Rietfontein (Pty) Ltd			-	2,532,367
Municipal expenses paid to (received from) related parties				
Erf 706 Rietfontein (Pty) Ltd			-	404,612

WRC derives its main source of income (water research levy) from the Department of Water and Sanitation and two Water Baords in terms of the Water Research Act. The Department of Water and Sanitation, Rand Water and Umgeni Water Board collect levy income on behalf of the WRC. The rate of the levy is approved by the Minister of Water and Sanitation on an annual basis. The Department of Water and Sanitation pays WRC the water research levy on a monthly basis in accordance with the agreement. The two waterboards are invoiced bi-annually upon which they pay the WRC.

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

	WRC 2017 R	WRC 2016 R
Leverage income		
Department of Water and Sanitation	95,125,187	89,951,181
Rand Water Board	91,016,265	86,183,131
Umgeni Water Board	24,233,608	23,896,937
Outstanding levy income		
Department of Water and Sanitation	8,037,250	7,596,645
Rand Water Board	22,548,613	22,383,577
Umgeni Water Board	5,921,243	6,012,389

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

32. EMOLUMENTS OF EXECUTIVE MANAGEMENT AND BOARD OF DIRECTORS (NON-EXECUTIVE)

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

	Group		WRC	
	2017 R	2016 R	2017 R	2016 R
Total emoluments				
Fees for services as directors	428,740	409,608	428,740	409,608
Basic salary	16,005,780	14,209,157	16,005,780	14,209,157
Bonuses and performance payments	1,101,401	1,216,739	1,101,401	1,216,739
Travel allowance	688,000	581,000	688,000	581,000
	18,223,921	**16,416,504**	**18,223,921**	**16,416,504**

	Basic salary R	Bonuses and performance payments R	Travel allowance R	Total R
Executive				
2017				
Mr DP Naidoo – CEO	2,745,399	208,557	-	2,953,956
Mr F Ismail – CFO	1,507,477	149,911	420,000	2,077,388
Dr MS Liphadzi	1,809,761	148,222	96,000	2,053,983
Ms R Lutchman	1,730,744	-	134,610	1,865,354
Dr M Msibi	1,840,175	-	7,000	1,847,175
Dr S Adams	1,620,780	128,877	-	1,749,657
Dr G Backeberg	1,461,121	71,547	-	1,532,668
Mr JN Bhagwan	1,604,273	137,062	158,000	1,899,335
Ms E Karar: Resigned in April 2016	144,021	-	7,000	151,021
Dr V Naidoo	1,542,029	122,615	-	1,664,644
	16,005,780	**966,791**	**822,610**	**17,795,181**
2016				
Mr DP Naidoo – CEO	2,486,684	280,219	-	2,766,903
Mr F Ismail – CFO: Appointed in September 2015	821,441	-	245,000	1,066,441
Dr MS Liphadzi	1,607,495	178,061	96,000	1,881,556
Ms R Lutchman	1,632,916	199,763	-	1,832,679
Dr M Msibi: Appointed in October 2015	895,600	-	-	895,600
Dr S Adams: Appointed in December 2015	523,888	-	-	523,888
Dr G Backeberg	1,380,931	197,140	-	1,578,071
Mr JN Bhagwan	1,518,343	220,077	156,000	1,894,420
Dr I Jacobs – Resigned in December 2015	1,021,859	-	-	1,021,859
Ms E Karar	1,572,349	141,479	84,000	1,797,828
Dr V Naidoo: Appointed in October 2015	747,651	-	-	747,651
	14,209,157	**1,216,739**	**581,000**	**16,006,896**

	Members' fees R	Other fees R	Total R
Non-executive			
2017			
Dr NP Mjoli – Chairperson	71,176	1,803	72,979
Prof SV Nkomo – Deputy Chairperson	69,440	2,439	71,879
Dr M Makgae	31,248	758	32,006
Ms MK Mbonambi	62,496	7,951	70,447
Mr AN Mhlongo	13,888	3,651	17,539
Ms N Msezane	31,248	1,832	33,080
Dr NP Nala	34,720	2,740	37,460
Mr M Ndhlovu	52,584	1,802	54,386
Dr A Stroebel	38,192	772	38,964
	404,992	**23,748**	**428,740**
2016			
Ms BG Schreiner – Chairperson until 31 January 2016	98,688	527	99,215
Mrs DN Ndaba – Deputy chairperson until 31 January 2016	102,960	15,514	118,474
Prof TE Cloete	18,720	1,148	19,868
Mr G Mwiinga	37,440	1,855	39,295
Dr BCM Van Koppen	15,600	-	15,600
Dr NP Mjoli – Chairperson from 1 February 2016	18,368	375	18,743
Prof SV Nkomo – Deputy chairperson from 1 February 2016	10,416	-	10,416
Dr M Makgae	3,472	-	3,472
Ms MK Mbonambi	5,208	-	5,208
Mr AN Mhlongo	53,040	10,653	63,693
Ms N Msezane: Appointed on 1 February 2016	5,208	-	5,208
Dr NP Nala: Appointed on 1 February 2016	5,208	-	5,208
Mr M Ndhlovu: Appointed on 1 February 2016	1,736	-	1,736
Dr A Stroebel	3,472	-	3,472
	379,536	**30,072**	**409,608**

The term of the previous WRC Board ended on 31 January 2016. The new Board was affective as from 1 February 2016.

33. FINANCIAL INSTRUMENTS DISCLOSURE

Categories of financial instruments

GROUP - 2017	At fair value R	At amortised cost R	Total R
Financial assets			
Receivables	-	38,798,280	38,798,280
Cash and cash equivalents	155,333,825	-	155,333,825
	155,333,825	**38,798,280**	**194,132,105**
Financial liabilities			
Payables		114,692,500	114,692,500
Finance lease oblibation		2,566,329	2,566,329
Accruals – leave and bonus		5,160,653	5,160,653
		122,419,482	**122,419,482**

GROUP - 2016	At fair value R	At amortised cost R	Total R
Financial assets			
Other financial assets	14,123,916	-	14,123,916
Receivables	-	41,706,533	41,706,533
Cash and cash equivalents	217,063,755	-	217,063,755
	231,187,671	**41,706,533**	**272,894,204**
Financial liabilities			
Payables		175,341,738	175,341,738
Finance lease oblibation		179,477	179,477
Accruals – leave and bonus		4,751,610	4,751,610
		180,272,825	**180,272,825**

WRC - 2017	At fair value R	At amortised cost R	Total R
Financial assets			
Loans to wholly controlled entity	-	28,350,951	28,350,951
Receivables	-	38,801,905	38,801,905
Cash and cash equivalents	154,159,500	-	154,159,500
	154,159,500	**67,152,856**	**221,312,356**
Financial liabilities			
Payables		114,669,452	114,669,452
Finance lease obligation		2,566,329	2,566,329
Accruals – leave and bonus		5,160,653	5,160,653
		122,396,434	**122,396,434**

WRC - 2016	At fair value R	At amortised cost R	Total R
Financial assets			
Loans to wholly controlled entity	-	27,298,991	27,298,991
Other financial assets	14,123,916	-	14,123,916
Receivables	-	44,171,979	44,171,979
Cash and cash equivalents	212,525,155	-	212,525,155
	226,649,071	**71,470,970**	**298,120,041**
Financial liabilities			
Payables		175,323,698	175,323,698
Finance lease oblibation		179,477	179,477
Accruals – leave and bonus		4,751,610	4,751,610
		180,254,785	**180,254,785**

34. RISK MANAGEMENT

Liquidity risk

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

GROUP	Less than 1 year R	Between 1 and 2 years R	Between 2 and 5 years R	Over 5 years R
At 31 March 2017				
Payables	114,692,500	-	-	-
Finance lease oblibation	976,247	1,083,146	506,936	-
At 31 March 2016				
Payables	175,341,738	-	-	-
Finance lease oblibation	173,366	18,898	-	-

WRC	Less than 1 year R	Between 1 and 2 years R	Between 2 and 5 years R	Over 5 years R
At 31 March 2017				
Payables	114,669,452	-	-	-
Finance lease oblibation	976,247	1,083,146	506,936	-
At 31 March 2016				
Payables	175,323,698	-	-	-
Finance lease oblibation	173,366	18,898	-	-

Interest rate risk

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

Deposits attract interest at rates that vary with prime. The entity's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on a surplus/(deficit).

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

Credit risk

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

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

	Group		WRC	
	2017 R	2016 R	2017 R	2016 R
Financial instrument				
Corporation for Public Deposits	45,681,778	69,307,037	45,681,778	69,307,037
Bank balances	109,647,047	147,754,099	108,472,722	143,215,499

These balances represent the maximum exposure to credit risk.

Foreign exchange risk

The economic entity does not hedge foreign accounts receivables, foreign accounts payables or derivative market instruments. The bank accounts below denominated in foreign currency is held on behalf of leverage funded partners who assumes any foreign currency risk. The WRC is, therefore, not exposed to any foreign currency risk as at the reporting date.

Foreign currency exposure at statement of financial position date

	Group		WRC	
	2017 R	2016 R	2017 R	2016 R
Current assets				
Cash and cash equivalents, USD 1,386,921 (2016: 2,049,558)	18,295,295	29,745,241	18,295,295	29,745,241
Cash and cash equivalents , Euro 834,152 (2016: 535,985)	11,725,089	8,660,154	11,725,089	8,660,154

Price risk

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

35. CHANGE IN ESTIMATE

Property, plant and equipment

The WRC has reassessed the useful lives of property, plant and equipment which resulted in changes to certain assets' remaining useful lives as follows:

- Computer equipment from 3 - 15 years to 3 - 12 years
- Office equipment from 3 - 15 years to 3 - 13 years
- Office furniture from 3 - 35 years to 3 - 33 years

The effect of the change in accounting estimate is a decrease in depreciation amounting to R683 621 for the current and future periods. This change in estimate is the same for the economic entity as for the WRC.

Class

	Previously assessed useful life	Reassessed useful life	Financial impact on current and future depreciation R
Computer equipment	3 - 15 years	3 - 12 years	57,360
Office equipment	3 - 15 years	3 - 13 years	86,585
Furniture and fittings	3 - 35 years	3 - 33 years	539,676
			683,621

36. DEFINED CONTRIBUTION PLANS

	Group		WRC	
	2017 R	2016 R	2017 R	2016 R
Medical fund scheme				
Contributions	3,172,262	2,971,077	3,172,262	2,971,077

Defined contribution plan — Medical fund:

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

Included in the contributions above is an amount of R100,891.20 (2016: R92,061.60) that was contributed by the WRC (employer) to the medical fund scheme. These contributions are in respect of the employees that have been appointed on the cost plus benefits basis.

	Group		WRC	
	2017 R	2016 R	2017 R	2016 R
Pension and provident fund scheme				
Contributions	5,684,463	4,803,713	5,684,463	4,803,713

Defined contribution plan — Pension and providend fund:

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

Included in the contributions above is an amount of R52,228.21 (2016: R46,741.19) that was contributed by the WRC (employer) to the pension and provident fund scheme. These contributions are in respect of the employees that have been appointed on the cost plus benefits basis.

37. IRREGULAR EXPENDITURE

	Group		WRC	
	2017 R	2016 R	2017 R	2016 R
Opening balance	4,472,317	7,982,437	4,472,317	7,982,437
Add: Irregular Expenditure – current year	-	8,554	-	8,554
Less: Amounts condoned	-	(3,518,674)	-	(3,518,674)
Less: Amounts written off	(3,938,028)	-	(3,938,028)	-
	534,289	**4,472,317**	**534,289**	**4,472,317**
Analysis of expenditure awaiting condonation per age classification				
Current year	-	8,554	-	8,554
Prior years	534,289	4,463,763	534,289	4,463,763
	534,289	**4,472,317**	**534,289**	**4,472,317**
Details of irregular expenditure for the year				
Incident				
Splitting of requirements to fit a threshold	-	8,554	-	8,554

Condonation was sought from National Treasury in the 2013/ 2014 financial year in respect of irregular expenditure for the prior years. National Treasury condoned some of the irregular expenditure in respect of the prior years. The Updated Guideline on Irregular Expenditure issued by the National Treasury states that where the relevant authority does not condone the irregular expenditure, the Accounting Authority may authorise the write-off and subsequent de-recognision of the irregular expenditure if:

a. reasonable steps have been taken to confirm that such irregular expenditure did not result in any loss or damages to the state and that the state did obtain value from such a transaction, condition or event;
b. the non-compliance that led to the irregular expenditure has been addressed; and
c. transactions, conditions or events of a similar nature are regularly reviewed to ensure that there are no possible future non-compliance cases reported.

In line with the guideline on Irregular Expenditure an investigation was undertaken in respect of the irregular expenditure incurred in prior years that was not condoned by National Treasury to identify whether any official could be held liable and if the expenditure is recoverable and whether the necessary controls are in place. The results of the investigation were presented to the Accounting Authority (WRC Board). The Accounting Authority (WRC Board), after considering the results of the investigation, granted approval for the write-off and de-recognition of the irregular expenditure in the notes to the Annual Financial Statements of WRC for the prior years to the amount of R3,938,028, consisting of expenditure amounting to R2,216,959 relating to 2011/2012 and expenditure amounting to R1,721,069 relating to 2012/2013.

The remaining balance of R534,289 pertaining to the prior financial years is still under investigation and appropriate steps will be taken during the 2017/2018 financial year.

38. FRUITLESS AND WASTEFUL EXPENDITURE

	Group		WRC	
	2017 R	2016 R	2017 R	2016 R
Opening balance	1,706	1,836	1,706	1,836
Add: Fruitless and wasteful expenditure – current year	21,689	3,556	21,689	3,556
Less: Amounts transferred to receivables due to recoverability	(4,494)	(3,686)	(4,494)	(3,686)
Less: Amounts already recovered	(4,451)	-	(4,451)	-
Less: Amounts not recoverable	3,686	-	3,686	-
Less: Amounts written off	(6,052)	-	(6,052)	-
	12,084	**1,706**	**12,084**	**1,706**
Interest on overdue payments	249	1,850	249	1,850
Expenditure incurred yet forfeited	9,356	-	9,356	-
Penalties	-	1,706	-	1,706
Assets lost not insured	12,084	-	12,084	-
	21,689	**3,556**	**21,689**	**3,556**

The WRC incurred fruitless and wasteful expenditure in respect of travel expenditure that resulted during the 2016/17 financial year. The officials in the WRC that were responsible for this fruitless and wasteful expenditure agreed that they will reimburse the WRC. The full reimbursement will amount to R8,221.

During the 2016/2017 financial year it came to light that Telkom will not be reimbursing the WRC for these interest expenditure incurred. The debtor raised in the 2016/2017 financial year amounting to R3,686, have subsequently been reversed in the 2016/2017 financial year with the classification of the expenditure in accordance with the nature of the expense. Additional interest expenditure was incurred amounting to R249 in respect of Telkom payments during the 2016/2017 financial year. The root cause that resulted in interest being charged is now resolved.

The Board approved the write-off of fruitless and wasteful expenditure to the amount of R6,052 comprising of R1,836 for 2014/15, R1,850 for 2015/16 and R2,366 for 2016/17.

Formal investigation to determine recoverability and accountability is still in progress for the asset lost, not insured amounting to R12,084. The amount of R12,084 will therefore remain as a balance for fruitless and wasteful expenditure.

39. BUDGET DIFFERENCES

MATERIAL DIFFERENCES BETWEEN BUDGET AND ACTUAL AMOUNTS

Income

Water Research Levies

The actual levy income for the 2016/2017 financial year was lower than the WRC's levy income projections. The revised budget took into account the lower consumption volumes expected as a result of the possible impact of the drought experienced in South Africa. The drought however had a bigger impact than originally anticipated.

Disinvestment of investments

The WRC Board recommended the disinvestment of WRC Assets in terms of section 54.2 of the PFMA to the Executive Authority, the Minister of Water and Sanitation. The Minister approved the disinvestment of the investments of the WRC amounting to R20 million and approved the utilisation of these funds for the fit-out of the Lynnwood premises.

Leverage income

The budget variance for the 2016/2017 financial year in respect of research, development and innovation costs directly relates to expenditure incurred in respect of leverage funded projects that exceeded the WRC's expectations.

Expenditure

Running costs

In line with the WRC's cost saving initiatives, there were savings on budget projections during the 2016/2017 financial year, within professional consultancies and subsistence and travel.

Research, development and innovation costs

The budget variance for the 2016/2017 financial year in respect of research, development and innovation costs directly relates to expenditure incurred in respect of leverage funded projects that exceeded the WRC's expectations. These additional expenditure did not require any additional funding from the WRC since this is funded by leverage funded partners.

The WRC also embarked on projects in respect of drought that was not anticipated during the budget projections.

Capital expenditure

Included in the budget for capital expenditure was anticipated costs for website development and the replacement of the project management system. Website development costs amounted to approximately R800,000 during the 2016/2017 financial year.The WRC undertook supply-chain management procedures through competitive bidding processes to award a contract for the replacement of the project management system. This contract only commenced after year-end and therefore the expenditure will only be incurred as from the 2017/2018 financial year.

There were no other material differences between the final budget and the actual amounts.

Changes from the approved budget to the final budget

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

40. RECONCILIATION BETWEEN BUDGET AND STATEMENT OF FINANCIAL PERFORMANCE

Reconciliation of budget surplus/deficit with the surplus/deficit in the Statement of Financial Performance:

	R
Net (deficit) surplus per the statement of financial performance	(8,863,172)
Adjusted for:	
Fair value adjustments	300,833
Loss on the sale of assets	(9,499)
Depreciation, amortisation and impairment	4,382,674
Employee benefit obligation	(285,097)
Accrual - leave and service bonus	1,545,585
Actual leave and service bonus payments	(1,136,544)
Operating lease: Movement in straight lining of operating leases	3,426,173
Tenant allowance recognised as non exchange revenue	(2,120,117)
Tenant allowance regarded as reduction of capital expenditure incurred by WRC for budget purposes	2,120,117
Disinvestment of investments	19,997,276
Capital expenditure incurred	(17,112,102)
	2,246,127

The budget is approved on a cash basis by nature classification. The approved budget covers the fiscal period from 1 April 2016 to 31 March 2017 and is in respect of the WRC and its subsidiary.

The financial statements differ from the budget, which is approved on the cash basis. The budget is prepared on the cash basis and the financial statements on an accrual basis.

The amounts in the financial statements were restated from the accrual basis to the cash basis to be in line with the final approved budget.

A reconciliation between the actual amounts on a comparable basis as presented in the Statement of Budget and Actual Amounts and the actual amounts in the Statement of Financial Performance for the period ended 31 March 2017 is presented above. The Financial Statements and budget documents are prepared for the same reporting period.

41. GOING CONCERN

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

42. EVENTS AFTER THE REPORTING DATE

The WRC commenced with the process of disposing the Marumati Building situated at Erf 706 Rietfontein in accordance with the PFMA. The WRC appointed Cahi Auctioneers on 7 April 2017 through a competitive bidding process. The property will be auctioned during the 2017/18 financial year. The auction results and bidder proposals will influence the entity's potential deregistration, as bidders may either choose to acquire the property or the entity's equity.

Subsequent to the year-end it was requested that the loan agreements be amended which allows ERF 706 to repay the loan after the disposal of the Marumati building as well as the suspension of any further interest up to the date of diposal. This amended was approved and is effective as from 1 June 2017.

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

43. COMPARATIVE FIGURES

Certain comparative figures have been reclassified.

The deposits (amounting to R834,907) have been reclasified from current assets to non-current assets due to the long term nature of the balances.

44. CONTINGENT LIABILITY

The WRC conditions of employment states: "*The WRC may, at its discretion, encourage and reward performance bonuses. The performance bonus will be payable to all employees in terms of a specific performance bonus policy approved by the Board of the WRC.*"

In line with this policy and conditions of employment the Board approved all bonuses on 16 August 2016. In line with the Ministerial instruction, Executive bonuses were referred to the Minister of Water and Sanitation for her approval. On 10 September 2016 the Minister reduced the Executive bonuses from 14% to 8% and 9% to 5% for bonus category A and B respectively. The result was that Executive bonuses were reduced by R829 627. This matter was referred back to the Minister to consider all legal aspects related to the matter and the WRC is still awaiting the Minister's response which may confirm that either an obligation exist or not.

ERF SEWE-NUL-SES RIETFONTEIN (PTY) LTD ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2017

GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE

South Africa

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

The main business of the company is to own the immovable property known as Erf 706 Rietfontein and supplementary to the aim of the Water Research Commission to place the property at the disposal of the WRC as their main place of business.

MEMBERS

Mr DP Naidoo

Dr N Mjoli - Chairperson

REGISTERED OFFICE

Marumati Building

491 18th Avenue

Rietfontein

Pretoria

0084

CONTROLLING ENTITY

Water Research Commission

AUDITORS

Auditor-General

COMPANY REGISTRATION NUMBER

1984/003566/07

REPORT OF THE AUDITOR-GENERAL TO EXECUTIVE AUTHORITY ERF SEWE NUL SES RIETFONTEIN (PROPRIETARY) LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

UNQUALIFIED OPINION

1. I have audited the financial statements of the Erf Sewe Nul Ses Rietfontein (Proprietary) Limited set out on pages 124 to 148, which comprise the statement of financial position as at 31 March 2017, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Erf Sewe Nul Ses Rietfontein (Proprietary) Limited as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act 1 of 1999) (PFMA) and Companies Act of South Africa, 2008 (Act No. 71 of 2008).

EMPHASIS OF MATTER

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

Disposal of Erf 706 Rietfontein (Pty) Ltd

4. The Water Research Commission (WRC) commenced with the process of disposal in respect of Erf 706 Rietfontein (Pty) Ltd in accordance with the PFMA. The WRC appointed Cahi Auctioneers on 7 April 2017 through a competitive bidding process. The property will be auctioned during the 2017/18 financial year. Subsequent to the year-end it was requested that the loan agreements be amended which allows ERF 706 to repay the loan after the disposal of the Marumati building as well as the suspension of any further interest up to the date of disposal.

5. As a result of the decision to dispose of ERF the financial statements were not prepared based on the expectation that the entity will be able to continue to operate as a going concern for at least the next 12 months because going concern assumption is no longer appropriate.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS, WHICH CONSTITUTES THE ACCOUNTING AUTHORITY

6. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

7. In preparing the financial statements, the accounting authority is responsible for assessing the Erf Sewe Nul Ses Rietfontein (Proprietary) Limited's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is an intention either to liquidate the company or to cease operations, or there is no realistic alternative but to do so.

AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

8. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

10. In terms of section 55(2)(a) of the PFMA the Erf Sewe Nul Ses Rietfontein (Proprietary) Limited is required to prepare an annual performance report. The performance information of the Erf Sewe Nul Ses Rietfontein (Proprietary) Limited was prepared and reported in the annual performance report of the Water Research Commission. The usefulness and reliability of the reported performance information was performed as part of the audit of the Water Research Commission and any audit findings are included in the management and auditor's report of the Water Research Commission.

REPORT ON AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

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

12. I did not identify any instances of material non-compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA.

OTHER INFORMATION

13. The Erf Sewe Nul Ses Rietfontein (Proprietary) Limited accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the director's report, the audit committee's report and the company secretary's certificate as required by the Companies Act. The other information does not include the financial statements, the auditor's report thereon and those selected portfolio presented in the annual performance report that have been specifically reported on in the auditor's report.

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

15. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the portfolio presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

16. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon I did not identify any significant deficiencies in internal control.

Auditor-General

Pretoria
31 July 2017

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated and separate financial statements, and the procedures performed on reported performance information for selected portfolio and on the public entity's compliance with respect to the selected subject matters.

FINANCIAL STATEMENTS

2. In addition to my responsibility for the audit of the consolidated and separate financial statements as described in the auditor's report, I also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority.
- Conclude on the appropriateness of the board of directors, which constitutes the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Water Research Commission and its subsidiary's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a public entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

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

INDEX:

ERF SEWE NUL SES RIETFONTEIN (PROPRIETARY) LIMITED FINANCIAL STATEMENTS

The reports and statements set out below comprise the financial statements presented to the shareholders:

The financial statements, set out on pages 130 to 152, were approved by the Board members on 31 May 2017 and were signed on its behalf by:

Mr DP Naidoo
Chief Executive Officer

Dr NP Mjoli
Chairperson of the Board

DIRECTORS' REPORT

1. GENERAL REVIEW

To review the business and operations of the company for the reporting period in general, the Directors draw attention to the statements of financial position, financial performance, changes in net assets and cash flows attached, where the business of the company, the results and state of affairs are clearly reflected.

The Companies Act, 71 of 2008 requires that the Directors report on any material facts or circumstances which occured between the reporting date and the date of their report. No such matters or circumstances occured for the period under review.

2. SPECIFIC MATTERS

The main aim of the company is that of owning immovable property known as Erf 706 Rietfontein, including all permanent improvements, and to use the property for the purpose of promoting the operations of the Water Research Commission.

The Board of the Water Research Commission approved its relocation to new premises on 28 September 2015, whereafter a letter was submitted to the Minister of Water and Sanitation for the approval of the relocation. On 2 January 2016 the WRC obtained official written approval from the Minister of Water and Sanitation to relocate to new premises in the Pretoria East vicinity within the Science precinct. The disposal of the Marumati Building ("the Property") owned by Erf 706 Rietfontein (Pty) Ltd was approved by the Board and the Minister of Water and Sanitation on 22 February 2016 and 14 May 2016 respectively. This resulted in an intention of ceasing the operations of Erf 706 Rietfontein (Pty) Ltd in the foreseeable future.

Cahi Auctioneers was appointed on 7 April 2017 through a competitive bidding process to dispose of the property by means of an auction, which will materialise during the 2017/18 financial year.

No shares were allotted or issued by the company during the period under review. The entity is wholly owned by the Water Research Commission.

No dividends were paid or declared during the period under review and we have no recommendation to make in respect of dividends.

3. DIRECTORS

Directors and certain members of staff of the Water Research Commission managed the business of the company. No third person was involved in managing the entity.

The names of the directors are shown below:

- Mr DP Naidoo
- Dr N Mjoli

There were no changes in directors during the period under review.

4. COMPANY SECRETARY

The company's secretary is Rene Vorster.

STATEMENT OF FINANCIAL POSITION

	Note(s)	2017 R	2016 R
Assets			
Current assets			
Operating lease asset	3	-	2,053
Receivables from exchange transactions	4	7,205	98,233
VAT receivable	5	78,024	18,824
Cash and cash equivalents	6	1,174,324	4,538,599
Investment property	7	27,200,000	-
		28,459,553	**4,657,709**
Non-current assets			
Investment property	7	-	29,800,000
Deferred tax	8	5,044,627	3,822,017
		5,044,627	**33,622,017**
Total Assets		**33,504,180**	**38,279,726**
Liabilities			
Current liabilities			
Other financial liabilities	9	30,525,514	1,020,000
Payables from exchange transactions	10	33,879	2,581,721
		30,559,393	**3,601,721**
Non-current liabilities			
Other financial liabilities	9	-	26,278,991
Deferred tax	8	5,119,350	4,788,500
		5,119,350	**31,067,491**
Total liabilities		**35,678,743**	**34,669,212**
Net assets		**(2,174,563)**	**3,610,514**
Share capital	11	1	1
Accumulated surplus / (deficit)		(2,174,564)	3,610,513
Total net assets		**(2,174,563)**	**3,610,514**

STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2017 R	2016 R
Revenue			
Revenue from exchange transactions			
Other income	12	251,864	2,824,280
Interest received	13	5,418	7,988
Total revenue from exchange transactions		**257,282**	**2,832,268**
Expenditure			
Finance costs	14	4,246,523	3,775,810
Repairs and maintenance		82,520	432,366
General expenses	15	5,077	1,055,391
Total expenditure		**4,334,120**	**5,263,567**
Operating deficit		**(4,076,838)**	**(2,431,299)**
Fair value adjustments	16	(2,600,000)	(1,200,000)
Deficit before tasation		**(6,676,838)**	**(3,631,299)**
Taxation	**17**	(891,761)	(6,009,978)
(Deficit) surplus for the year		**(5,785,077)**	**2,378,679**

STATEMENT OF CHANGES IN NET ASSETS

	Share capital R	Accumulated surplus R	Total net assets R
Balance at 1 April 2015	1	**1,231,833**	**1,231,834**
Changes in net liabilities			
Surplus / (Deficit) for the year	-	2,378,678	2,378,678
Total changes	-	2,378,678	2,378,678
Balance at 1 April 2016	1	**3,610,513**	**3,610,513**
Changes in net liabilities			
Surplus / (Deficit) for the year	-	(5,785,077)	(5,785,077)
Total changes	-	(5,785,077)	(5,785,077)
Balance at 31 March 2017	1	**(2,174,564)**	**(2,174,563**
Note	11		

CASH FLOW STATEMENT

	Note(s)	2017 R	2016 R
Cash flows from operating activities			
Receipts			
Cash receipts from customers		319,364	3,225,894
Payments			
Cash paid to suppliers		(2,663,641)	(634,716)
Net cash flows from operating activities	**18**	**(2,344,277)**	**2,591,178**
Cash flows from financing activities			
Repayments of other financial liabilities	9	(1,020,000)	(1,020,000)
Net cash flows from financing activities		**(1,020,000)**	**(1,020,000)**
Net increase/(decrease) in cash and cash equivalents		**(3,364,277)**	**1,571,178**
Cash and cash equivalents at the beginning of the year		4,538,599	2,967,421
Cash and cash equivalents at the end of the year	**6**	**1,174,322**	**4,538,599**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the accounting policies below which are based on the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) with regard to the basic recognition, measurement and disclosure requirements. This was however deviated from in order to account for the circumstances that will impact the amounts that will be recovered or settled, where relevant.

The company is in the process of disposing of its immovable property, Erf 706 Rietfontein, and as a result will not be able to continue as a going concern. These financial statements have therefore been prepared on an accrual basis of accounting and are in accordance with the historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

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

1.1 GOING CONCERN ASSUMPTION

These financial statements were not prepared based on the expectation that the entity will be able to continue to operate as a going concern for at least the next 12 months. The company is in the process of disposing of its immovable property known as Erf 706 Rietfontein and as a result the going concern assumption is no longer appropriate.

Judgement is required in determining whether a change in the carrying value of assets and liabilities is required. When the going concern assumption is no longer appropriate, it is also necessary to consider whether the change in circumstances leads to the creation of additional liabilities or triggers clauses in debt contracts leading to the reclassification of certain debts as current liabilities.

The financial statements are prepared on a basis that takes into account the circumstances that will impact the amount that will be recovered or settled upon disposal of the property. It was determined that no adjustments will be required to the carrying values of the assets and liabilities.

1.2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Receivables / Held to maturity investments and/or loans and receivables

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

The impairment for receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

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

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

Impairment testing

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

The recoverable amounts of individual assets have been determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

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

Expected manner of realisation for deferred tax

Deferred tax is provided for on the depreciation of investment properties based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax asset/ liability. Refer note 8 – Deferred tax.

1.3 INVESTMENT PROPERTY

Investment property is property (land or a building — or part of a building — or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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

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

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

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

1.4 FINANCIAL INSTRUMENTS

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

A financial asset is:

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

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

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

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at fair value

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

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

Cash and cash equivalents

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

Financial instruments at amortised cost

Receivables

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

Payables

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

Fair value measurement considerations

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

Impairment and uncollectibility of financial assets

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

All financial assets measured at amortised cost, or cost, are subject to an impairment review. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

Financial liabilities

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

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

1.5 TAX

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses
Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

1.6 LEASES

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

Operating leases — lessor
Operating lease revenue is recognised as revenue on a straight line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight line basis.

Income for leases is disclosed under revenue in the statement of financial performance.

1.7 SHARE CAPITAL

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.8 CONTINGENCIES

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 20.

1.9 REVENUE FROM EXCHANGE TRANSACTIONS

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

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

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

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

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

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

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

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

1.10 BORROWING COSTS

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

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

1.11 COMPARATIVE FIGURES

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.12 RELATED PARTIES

The entitiy follows the guidance of GRAP 20 to identify related party relationships, transactions and balances and the disclosures on those identified.

1.13 EVENTS AFTER REPORTING DATE

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

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

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

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

OTHER EXPLANATORY NOTES

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

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

- GRAP 16 (as amended 2015): Investment Property

The amendments are effective from 1 April 2016. These amendments did not have a material impact on the Annual Financial Statements.

2.2 STANDARDS AND INTERPRETATIONS EARLY ADOPTED

The entity early adopted the following standards:

- GRAP 20: Related parties
- GRAP 21 (as amended 2015): Impairment of Non-cash Generating Assets
- GRAP 26 (as amended 2015): Impairment of Cash-generating assets

The amendments are only effective from 1 April 2017. These amendments did not have a material impact on the Annual Financial Statements.

3. OPERATING LEASE ASSET

	2017 R	2016 R
Current assets	-	2,053
Minimum lease receipts due		
Within 12 months	45,991	41,434
Between 12 - 60 months	-	-
Cash and cash equivalents at the beginning of the year	-	-
	45,991	**41,434**

The company entered into a one-year lease agreement where after the tenancy is continued on a monthly basis on the same terms and conditions with the option available for the lessee to renew the contract.

No contingent rent is receivable and there are no restrictions on the leases.

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2017 R	2016 R
Deposits	7,305	7,305
Receivables	(100)	17,684
Prepaid expenses	-	73,244
	7,205	**98,233**

Receivables pledged as security
No receivables were pledged as security for any financial liability.

Credit quality of receivables
Management considers that all the above financial assets are of good credit quality. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

The fair value of the receivables approximates the carrying amount of the balances due to their short-term maturity. The receivables represent deposits that will become due and receivable on demand and therefore no change is required in the carrying value of the assets.

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

Receivables past due but not impaired
Receivables are all considered for impairment. At 31 March 2017, R NIL (2016: R NIL) were past due but not impaired.

Receivables impaired
As of 31 March 2017, receivables of R NIL (2016: R NIL) were impaired and provided for.
The amount of the provision was R NIL as of 31 March 2017 (2016: R NIL).

The ageing of receivables is as follows:

	2017 R	2016 R
Current – Gross	-	91,028
1 Month – Gross	-	(100)
2 Months – Gross	-	-
3 Months – Gross	7,205	7,305
	7,205	**98,233**

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

5. VAT RECEIVABLE

	2017 R	2016 R
SARS: VAT	78,024	18,824

Management considers that all the above financial assets are of good credit quality. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

The fair value of the receivables approximates the carrying amount of the balances due to their short-term maturity. There is no indication of any circumstances that will result in this amount not being received by the company and, as a result, no change is required in the carrying value of the assets.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2017 R	2016 R
Bank balances	1,174,324	4,538,599

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

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

Level 2

Cash and Cash Equivalents	1,174,324	4,538,599

Credit quality of bank balances and short-term deposits, excluding cash on hand
Management considers that the above cash and cash equivalents category is of good credit quality. The maximum exposure to credit risk at the reporting date is the fair value of the cash and cash equivalents mentioned above.

The fair value of the cash and cash equivalents approximates the carrying amount of the balances. This balance represents highly liquid funds that is available for use by the entity at any point in time.

The entire cash and cash equivalents balance held by the entity is available for use.

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

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

7. INVESTMENT PROPERTY

A register containing the information required by the PFMA is available for inspection at the registered office of the entity.

	2017			2016		
	Valuation R	Accumulated depreciation and accumulated impairment R	Carrying value R	Valuation R	Accumulated depreciation and accumulated impairment R	Carrying value R
Investment property	27,200,000	-	27,200,000	29,800,000	-	29,800,000

Reconciliation of investment property - 2017

	Opening balance R	Fair value adjustments R	Total R
Investment property	29,800,000	(2,600,000)	27,200,000

Reconciliation of investment property - 2016

	Opening balance R	Fair value adjustments R	Total R
Investment property	31,000,000	(1,200,000)	29,800,000

Fair value of investment properties	27,200,000	29,800,000

	2017 R	2016 R
Details of property		
ERF 706 RIETFONTEIN, PRETORIA		
- Purchase price	615,855	615,855
- Additions since purchase	8,075,667	8,075,667
- Fair value adjustments	18,508,478	21,108,478
	27,200,000	**29,800,000**

Details of valuation

The effective date of the valuation was 31 March 2017. The valuation was performed by an independent valuer, Barry Peter Richardson, of Onyx Valuation Services on 10 April 2017 upon physical inspection of the property. Barry Peter Richardson is registered as a Professional Valuer with the South African Council for the Property Valuers Profession. Onyx Valuation Services is not connected to the entity and has recent experience in location and category of the property concerned. Barry Peter Richardson has no present or contemplated interest in this entity which would affect the statements or values contained in the valuation report. The valuation was therefore undertaken on a completely independent basis.

The property has been valued at R27,200,000 (2016: R29,800,000).

The market value of the property was determined by using the income capitalisation method of valuation which essentially uses market-related rentals and expense data to calculate net annual income determined at R3.2 million per annum, and this was capitalised at a rate of 12% yielding a value of R27.2 million. In determining market-related rentals the Valuer considered rentals of offices in close proximity and in comparable areas for similar accommodation, including the Pretoria CBD. This valuation basis is appropriate as the property will be sold at auction and is likely to be acquired as commercial property to be used for its rental income generating ability. These assumptions are based on current market conditions.

Amounts recognised in surplus and deficit for the year.

	2017 R	2016 R
Rental revenue from investment property (including recovery of expenditure)	251,864	2,824,280
Direct operating expenses from rental generating property	-	1,003,313

The WRC commenced with the process of disposing the Marumati Building situated at Erf 706 Rietfontein in accordance with the Public Finance Management Act. The Water Research Commission appointed Cahi Auctioneers on 7 April 2017 through a competitive bidding process. The property will be auctioned during the 2017/18 financial year.

Non-current assets	-	29,800,000
Current assets	27,200,000	-
	27,200,000	**29,800,000**

8. DEFERRED TAX

	2017 R	2016 R
Deferred tax asset/(Liability)		
Investment property	(5,119,350)	(4,788,500)
Deferred tax asset		
Tax losses available for set off against future taxable income	5,044,627	3,822,017
Deferred tax liability	(5,119,350)	(4,788,500)
Deferred tax asset	5,044,627	3,822,017
Total net deferred tax liability	**(74,723)**	**(966,483)**
Reconciliation of deferred tax asset \ (liability)		
At beginning of year	(966,483)	(6,976,462)
Increase (decrease) in tax loss available for set off against future taxable income – gross of valuation allowance	1,222,610	3,822,017
Deferred tax on fair value adjustments on investment property	(330,850)	2,187,962
	(74,723)	**(966,483)**

Use and sales rate

The deferred tax rate applied to the fair value adjustments is determined by the expected manner of recovery. Where the expected recovery is through sale the capital gains tax rate of 22.40% (2016: 18.67%) is used. If the expected manner of recovery is through indefinite use the normal tax rate of 28% (2016: 28%) is applied. If the manner of recovery is partly through use and partly through sale, a combination of capital gains rate and normal tax rate is used.

The deferred tax on the fair value adjustments comprises of:
R18,508,478 (2016: R21,108,478) at the capital gains tax rate
R3,476,609 (2016: R3,042,033) at the normal tax rate.

9. OTHER FINANCIAL LIABILITIES

	2017 R	2016 R
At amortised cost		
Loan Nr. 1 – Water Research Commission	27,939,738	24,734,980
The unsecured loan bears interest at 15% (2016 – 15%) and is repayable in equal monthly installments of not less than R60,000. The capital sum and interest thereon must be repaid in full by no later than 30 June 2017.		
Loan Nr. 2 – Water Research Commission	2,585,776	2,564,011
The unsecured loan bears interest at prime plus 2% and is repayable within 60 days from receipt of a written demand.		
	30,525,514	**27,298,991**
Total other financial liabilities	**30,525,514**	**27,298,991**
Non-current liabilities		
At amortised cost	-	26,278,991
Current liabilities		
At amortised cost	30,525,514	1,020,000

The maximum exposure to credit risk at the reporting date is the fair value of the loan mentioned above. The fair value of the loan approximates the carrying amount. The fair value of the loan is determined by calculating the present value of future payments by using a discount rate of 15% and prime rate plus 2%.

The entity did not default on interest or capital on loans during the year under review.

The terms and conditions of the loans were not renegotiated during the period under review. The entity has not reclassified the categories of any financial liabilities during the financial year.

Due to the fact that the going concern assumption is no longer appropriate, it resulted in the reclassification of certain debts as current liabilities.

Subsequent to the year-end it was requested that the loan agreements be amended which allows ERF 706 to repay the loan after the disposal of the Marumati building as well as the suspension of any further interest up to the date of disposal. This amendment was approved and is effective as from 1 June 2017.

10. PAYABLES FROM EXCHANGE TRANSACTIONS

	2017 R	2016 R
Trade and other payables	12,968	2,563,679
Deposits received	20,911	18,042
	33,879	**2,581,721**

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

The entity did not default on interest or capital on any payables.

None of the terms attached to the payables were renegotiated in the period under review. The entity has not reclassified the categories of any financial liabilities during the financial year.

11. SHARE CAPITAL

	2017 R	2016 R
Authorised		
4000 Ordinary shares of R1 each	4,000	4,000
Issued		
1 Ordinary share of R1 each	1	1

100% of the shares are owned by the Water Research Commission.

12. REVENUE

	2017 R	2016 R
Municipal expense recoveries	-	354,923
Rental received	247,349	2,458,260
Sundry income	4,515	11,097
	251,864	**2,824,280**

The Water Research Commission and Erf 706 Rietfontein (Pty) Ltd terminated the lease agreement. The termination agreement stipulated that no rent will be payable by the Water Research Commission as from 1 April 2016 until the time of disposal of the building, but that the Water Research Commission will be liable for the expenditure incurred by Rietfontein (Pty) Ltd in respect of the maintenance and operations of the property.

Historically, the rental agreement stated that Erf 706 Rietfontein (Pty) Ltd will recover costs incurred in respect of water and electricity consumption from the Water Research Commission based on the area occupied by the Water Research Commission. The termination agreement resulted in a decrease in revenue from the 2015/2016 financial year to the 2016/2017 financial year.

13. INVESTMENT REVENUE

	2017 R	2016 R
Interest revenue		
Bank	5,418	7,988

14. FINANCE COSTS

	2017 R	2016 R
Non–current borrowings	4,246,523	3,775,810

15. GENERAL EXPENSES

	2017 R	2016 R
Bank charges	2,937	3,049
Insurance	-	37,029
Professional fees	2,140	12,000
Utilities	-	1,003,313
	5,077	**1,055,391**

The Water Research Commission and Erf 706 Rietfontein (Pty) Ltd terminated the lease agreement. The termination agreement stipulated that no rent will be payable by the Water Research Commission as from 1 April 2016 until the time of disposal of the building, but that the Water Research Commission will be liable for the expenditure incurred by Rietfontein (Pty) Ltd in respect of the maintenance and operations of the property. This resulted in a decrease in expenditure from the 2015/2016 financial year to the 2016/2017 financial year in respect of general expenses.

16. FAIR VALUE ADJUSTMENTS

	2017 R	2016 R
Investment property (Fair value model)	(2,600,000)	(1,200,000)

17. TAXATION

	2017 R	2016 R
Major components of the tax income		
Deferred		
Originating and reversing temporary differences	(891,761)	(6,009,978)

No provision has been made for 2017 tax as the entity has no taxable income.

18. CASH (USED IN) GENERATED FROM OPERATIONS

	2017 R	2016 R
Surplus/ (deficit)	(5,785,077)	2,378,680
Adjustments for:		
Fair value adjustments	2,600,000	1,200,000
Movements in operating lease assets and accruals	2,053	6,388
Annual charge for deferred tax	(891,761)	(6,009,978)
Finance cost on other financial liabilities	4,246,523	3,775,810
Changes in working capital:		
Receivables from exchange transactions	91,028	(9,056)
Payables from exchange transactions	5,008	(1,430,774)
VAT	(59,200)	116,429
Other payables - non exchange transactions	(2,552,851)	2,563,679
	(2,344,277)	**2,591,178**

19. RELATED PARTIES

	2017 R	2016 R
Relationships		
Holding company: Water Research Commission		
Related party balances		
Loan accounts – Owing (to) by related parties		
Water Research Commission	(30,525,514)	(27,298,991)
Amounts included in Receivables (Payables) regarding related parties		
Water Research Commission: Payable	10,829	(2,563,678)
Related party transactions		
Interest paid to (received from) related parties		
Water Research Commission	4,246,523	3,775,810
Municipal expenses paid to (received from) related parties		
Water Research Commission	-	(404,612)
Rent paid to (received from) related parties		
Water Research Commission	-	(2,532,367)

The Water Research Commission and Erf 706 Rietfontein (Pty) Ltd terminated the lease agreement. The termination agreement stipulated that no rent will be payable by the Water Research Commission as from 1 April 2016 until the time of disposal of the building, but that the Water Research Commission will be liable for the expenditure incurred by Rietfontein (Pty) Ltd in respect of the maintenance and operations of the property.

Historically, the rental agreement stated that Erf 706 Rietfontein (Pty) Ltd will recover costs incurred in respect of water and electricity consumption from the Water Research Commission based on the area occupied by the Water Research Commission. With effect of the termination agreement, this clause was no longer applicable. The termination agreement resulted in a decrease in revenue from the 2015/2016 financial year to the 2016/2017 financial year.

20. CONTINGENCIES

No contingencies existed at year end of which management was aware.

21. FINANCIAL INSTRUMENTS DISCLOSURE

Categories of financial instruments

	At Fair Value R	At amortised cost R	Total R
2017			
Financial assets			
Receivables from exchange transactions	-	7,205	7,205
Cash and cash equivalents	1,174,324	-	1,174,324
	1,174,324	**7,205**	**1,181,529**

	At amortised cost R	Total R
Financial liabilities		
Payables from exchange transactions	33,879	33,879
Other financial liabilities	30,525,514	30,525,514
	30,559,393	**30,559,393**

	At Fair Value R	At amortised cost R	Total R
2016			
Financial assets			
Receivables from exchange transactions	-	98,233	98,233
Cash and cash equivalents	4,538,599	-	4,538,599
	4,538,599	**98,233**	**4,636,832**

	At amortised cost R	Total R
Financial liabilities		
Payables from exchange transactions	2,581,721	2,581,721
Other financial liabilities	27,298,991	27,298,991
	29,880,712	**29,880,712**

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

Payables from exchange transactions above do not include VAT payable due to the fact that it is not a financial liability.

22. RISK MANAGEMENT

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, entity treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilisation of borrowing facilities are monitored.

The table below analyses the entity's financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the date of statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year R	Between 1 and 2 years R	Between 2 and 5 years R	Over 5 years R
At 31 March 2017				
Payables	33,879	-	-	-
Loan 1: Water Research Commission	27,939,738	-	-	-
Loan 2: Water Research Commission	2,585,776	-	-	-
At 31 March 2016				
Payables	2,581,721	-	-	-
Loan 1: Water Research Commission	720,000	24,014,980	-	-
Loan 2: Water Research Commission	300,000	300,000	900,000	1,064,011

Interest rate risk

As the entity has no significant interest bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

At 31 March 2017, if interest rates on Rand denominated borrowings had been 2% higher with all other variables held constant, post tax surplus for the year would have been R54,234 (2016: R54,207) lower and if the interest rate was 2% lower the post-tax surplus for the year would have been higher with R53,385 (2016: R53,199), mainly as a result of higher/lower interest expense on floating rate borrowings.

Credit risk

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

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

	2017 R	2016 R
Financial instrument		
ABSA Bank	1,174,324	4,538,599

23. EVENTS AFTER THE REPORTING DATE

The Water Research Commission commenced with the process of disposal in respect of Erf 706 Rietfontein (Pty) Ltd in accordance with the Public Finance Management Act. The Water Research Commission appointed Cahi Auctioneers on 7 April 2017 through a competitive bidding process. The property will be auctioned during the 2017/18 financial year. The auction results and bidder proposals will influence the entity's potential deregistration, as bidders may either choose to acquire the property or the entity's equity.

Subsequent to the year end it was requested that the loan agreements be amended which allows ERF 706 to repay the loan after the disposal of the Marumati building as well as the suspension of any further interest up to the date of diposal. This amendment was approved and is effective as from 1 June 2017.

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

TAX COMPUTATION

	R
Net loss per statement of financial performance	(6,676,838)
Temporary differences	
Fair value adjustment on Investment Property	2,600,000
Section 13 quin allowance	(434,576)
	2,165,424
Tax loss carried forward	**(4,511,414)**
Tax thereon @ 28%	-

WATER
RESEARCH
COMMISSION

WATER RESEARCH
COMMISSION (WRC)

Tel: +27 12 761 9300
Fax: +27 12 331 2565
Email: info@wrc.org.za
Web: www.wrc.org.za

WATER
RESEARCH
COMMISSION