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WATER RESEARCH COMMISSION

ANNUAL REPORT 2013/14

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Abbreviations/Acronyms

AGSA	Auditor-General of South Africa
AGWNet	African Groundwater Network
AMCOW	African Ministers' Council on Water
AMD	Acid mine drainage
BNR	Biological nutrient reactor
BBBEE	Broad Based Black Economic Empowerment
BMGF	Bill and Melinda Gates Foundation
CapNet	Capacity Development in Sustainable Water Management
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CLARA	Capacity-linked Water Supply and Sanitation Improvement for Africa's Peri-urban and Rural Areas
CSIR	Council for Scientific and Industrial Research
DST	Department of Science and Technology
DAFF	Department of Agriculture, Forestry & Fisheries
DEA	Department of Environmental Affairs
DST	Department of Science & Technology
DWA	Department of Water Affairs
EDC	Endocrine disrupting compound
FAO	Food and Agriculture Organisation
GWP	Global Water Partnership
HDI	Historically disadvantaged institution
IIASA	International Institute for Applied Systems Analysis
IWA	International Water Institute
IWMI	International Water Management Institute
IWRM	Integrated water resource management
KSA	Key Strategic Area
MEC	Member of Executive Council
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NFEPA	National Freshwater Ecosystem Priority Areas
NGP	New Growth Path
NPC	National Planning Commission
NWA	National Water Act
NWRS 2	National Water Resource Strategy Two
OECD	Organisation for Economic Cooperation and Development
PDI	Previously disadvantaged individual
PDP	Personal development plan
PFMA	Public Finance Management Act
PPC	Parliamentary Portfolio Committee
R&D	Research and Development
SMME	Small Medium and Micro Enterprises
SCM	Supply Chain Management
SRFA	Sanitation Research Fund for Africa
TIA	Technology Innovation Agency
TR	Treasury Regulations
UNDP	United Nations Development Programme

UNESCO	United Nations Educational, Scientific and Cultural Organisation
VIP	Ventilated Improved Pit (latrine)
WaterKCAP	Water Knowledge and Capacity Building Programme
WAS	Water Administration System
WHO	World Health Organisation
WRA	Water Research Act
WRC	Water Research Commission
WRL	Water Research Levy
WSA	Water Services Act
WSLG	Water Sector Leadership Group
YWP	Young Water Professionals

CHAIRPERSON'S ADDRESS

It is my pleasure to report on another extremely successful year for the WRC, which continues to go from strength to strength.

For this period, the WRC placed emphasis on investment in the 'multiplier effect', using knowledge to inform policy and decision-making and contribute to sustainable development solutions; the development of transdisciplinary Lighthouses; expansion of research within the action-research paradigm and the active involvement of communities in research projects; and increasing the WRC's partnerships. A special emphasis was also placed on developing an Empowerment Fund to develop black and women research leaders in WRC projects.

The WRC has achieved excellently against these objectives. Five Lighthouse programmes have been initiated: the Green Village; water governance, water-sensitive urban design, the water-energy-nutrition/food nexus and climate change interventions.

The WRC has continued to drive a transformation agenda, both in the research it commissions and in the research community. In terms of the latter, during the 2013/14 financial year, 401 post-graduate students from designated groups were supported through their involvement in WRC research projects, 67 projects had active HDI participants, 24 projects were led by SMMEs, and 40 projects were community based. The WRC also put a proposal to DWA for funding to support the development of HDI research project leaders, which has paid off in a R5 million per year transfer from DWA to the WRC for a period of three years, starting from 2013/14.

The WRC has continued to build its communication and outreach programme, hosting series of dialogues and symposia to foster debate on critical issues facing the water sector, such as the Third Albertina Sisulu Memorial Lecture, co-hosted with the Institute for Gender and Women Studies at the University of Pretoria; the Water Research, Development and Innovation Symposium co-hosted with DST and DWA; and the 'People's Parliament" engagement between parliamentarians and the

The WRC's five Lighthouse programmes address climate change, water governance, water-sensitive urban design, the Green Village and the water-energy-food nexus.

South Africa water science community. The year also saw the presentation of the inaugural WRC Knowledge Tree Awards.

The WRC also put effort into improving regional and international engagement, and participated, for example, as one of the strategic partners of the IWA Development Congress in Nairobi, hosting one of the Congress' primary workshops as well as a side-session on our water and gender-related work. The WRC also entered into a MOU with the African Groundwater Network (AGWNet) which aims to build capacity for improved groundwater management, promote integrated water resources management practice in the groundwater sector, improve awareness of groundwater resources and foster groundwater research and academic cooperation.

The WRC is part of the Organisation for Economic Cooperation and Development (OECD) Water Governance Forum, launched in March 2013. A programme of cooperation was discussed during the year under review to explore options for benchmarking South African water governance to international practice.

The WRC and the International Institute for Applied Systems Analysis (IIASA) are partnering in the World Water Scenarios – aimed at bringing state-of-the-art science and decision-makers together to develop future scenarios that decision-makers can use to identify and prioritise robust options to meet the relevant challenges. The WRC, together with IIASA, has developed a concept note for an Africa case study.

The Board is satisfied that the organisation has responded adequately to the finding of the Auditor General and this will be reflected in the forthcoming Annual Financial Statements.

It is a pleasure, finally, to introduce this annual report, which reflects a WRC that is deepening its contribution to research for transformation and development in South Africa, while extending its influence in the region and in the global water sector.

Barbara Schreiner
Chairperson of the Board

CEO'S ADDRESS

The 2013/14 financial year proved to be a very successful one for the WRC, especially when measured against its core metaphorical construct – the WRC Knowledge Tree. The re-design and re-imagining of the WRC strategy that began in the latter half of the 2011/12 financial year to create a WRC presence in the full value chain from research input to knowledge outputs moving the vector of WRC influence toward outcomes and impact is bearing fruit. All six impact baskets of the WRC Knowledge Tree were substantially populated in this period.

In the primary baskets, the transformation basket, the WRC reached its highest levels of project leader representation from previously disadvantaged groups, with greater than 50% of new project leaders coming from the previously disadvantaged individual (PDI) group. At the same time we managed to have 22% of projects led by small, medium and micro enterprises, and have had record levels of participation of historically disadvantaged individuals in the projects portfolio. The crowning achievement in this domain has been the greater than 70% representation of students in WRC projects from the PDI group. The general consensus from the community of practice is that the value-add of this injection of diversity is already having a positive impact on the overall portfolio.

The transformation agenda is also reflected in the greater representation of community empowering activities as well as the larger contributions of science to inform policy and decision-making.

The WRC reached its highest levels of project leader representation from previously disadvantaged groups, with greater than 50% of new project leaders coming from the previously disadvantaged individual (PDI) group.

The latter has been particularly important in the frame of the Water Policy Review and the finalisation of the second National Water Resources Strategy. The performance report will show a high achievement index not only in the six focus areas of the WRC Knowledge Tree, but in all areas of the Annual Performance Plan.

This period has also seen a dramatic increase in the number of WRC Dialogues, as this is rapidly becoming the platform of choice for stakeholders across the board to find one another when addressing some of the highly complex wicked problems of our time. These have included shale gas harvesting through fracking, non-revenue water and acid mine water challenges.

This was all achieved on the back of a strong partnership with a highly productive South African water research and development community of practice. South Africa has managed to improve its position to 18th in the world in 2013 in terms of published papers in peer reviewed journals indexed in the Web of Science, contributing a little over 1.61% of the global share of papers in the water resources domain. The WRC is proud to have supported this progress.

We would like to emphasise our gratitude to the Minister for her acute leadership, the WRC Board for their continuous guidance and generous support, and the broader stakeholder base for an incredible partnership during the year. A special word of appreciation is offered to the WRC management and team for an enthusiastic embracing of an ambitious strategy and translating the implementation plan into a narrative that has lived true to our motto of *Olwazi Amandla Awethu* meaning the Power of Knowledge to the People.

Dhesigen Naidoo
WRC CEO

SECTION A:
STRATEGIC OVERVIEW

For 43 years the Water Research Commission (WRC) has worked tirelessly to bring water knowledge to South Africa's people. This section provides a strategic overview of the WRC for the 2013/14 period, the third 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; and enhance knowledge and capacity building within the water sector.

THE POWER OF KNOWLEDGE TO THE PEOPLE

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 of 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. Already, in the 2013/14 financial year, the WRC observed a higher representation of Knowledge Tree objectives articulated in research proposals submitted.

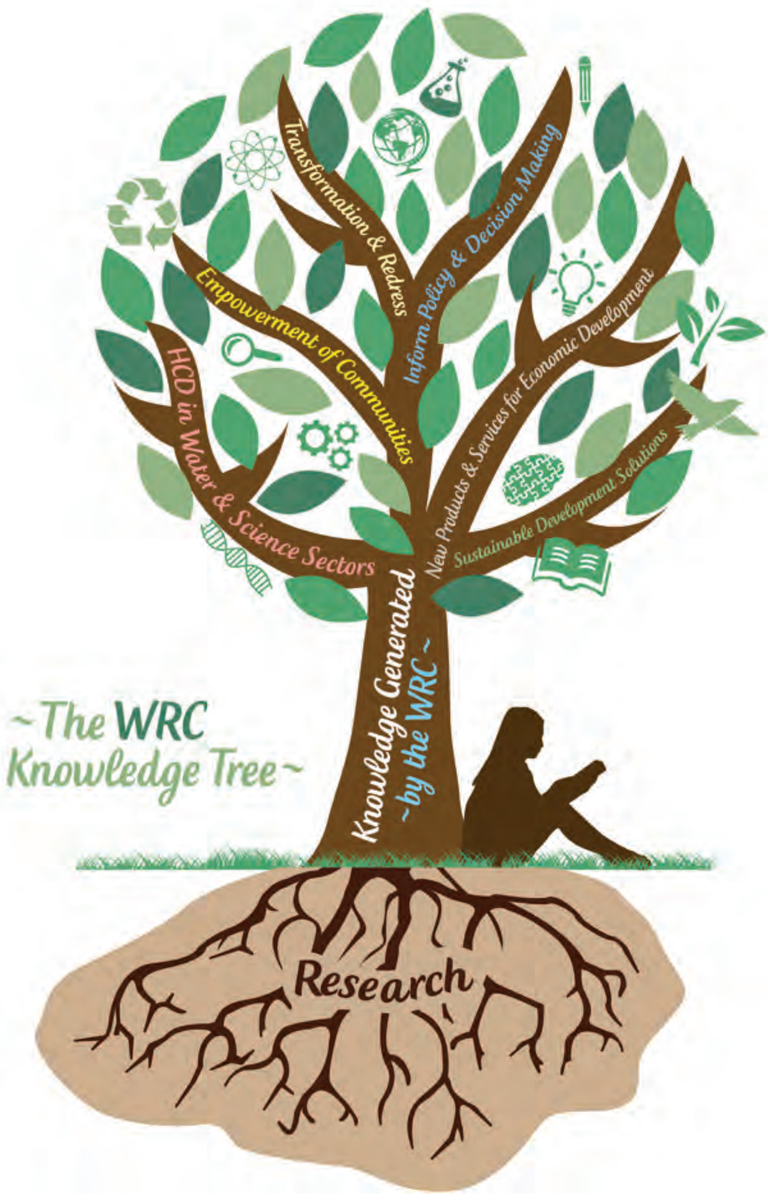


Table 1. The WRC's strategic outcome-oriented goals

Table 1A. The WRC's goals aligned with Government Outcomes and NDP objectives

WRC Strategic Outcome-oriented Goal		Alignment with Government Outcomes	Alignment with NDP objectives
Strategic Outcome-oriented Goal 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. Through the R&D that it commissions it also aims to inform decision-making at all levels within government but also in non-governmental arenas.	1. Government Outcome 9: A responsive, accountable, effective and efficient local government system. 2. Government Outcome 12: An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship.	Building a capable and development state objectives: Chapter 13
Strategic Outcome-oriented Goal 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.	1. Government Outcome 4: Decent employment through inclusive economic growth. 2. Government Outcome 6: An efficient, competitive and responsive economic infrastructure network.	Economy and employment objectives: Chapter 3 Economic infrastructure objectives: Chapter 4
Strategic Outcome-oriented Goal 3	**Enhance human capital development (HCD) in the water and science sectors**		
	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.	1. Government Outcome 1: Improved quality of basic education. 2. Government Outcome 5: A skilled and capable work-force to support an inclusive growth path.	Improving education, training and innovation: Chapter 9

WRC Strategic Outcome-oriented Goal		Alignment with Government Outcomes	Alignment with NDP objectives
Strategic Outcome-oriented Goal 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.	1. Government Outcome 6: Vibrant, equitable and sustainable rural communities with food security for all. 2. Government Outcome 7: Sustainable human settlements and improved quality of household life.	Environmental sustainability and resilience objectives: Ch 5 Inclusive rural economy objectives: Ch 6 Transforming Human Settlements objectives: Ch 8
Strategic Outcome-oriented Goal 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.	1. Government Outcome 5: A skilled and capable work-force to support an inclusive growth path. 2. Government Outcome 11: Create a better South Africa and contribute to a better and safer Africa and World. 3. Government Outcome 12: An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship.	Improving education, training and innovation objectives: Ch 9 Transforming Human Settlements objectives: Ch 8 Building a capable and developmental state objectives: Ch 13 Nation building and social cohesion objectives: Ch 15
Strategic Outcome-oriented Goal 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.	1. Government Outcome 7: Vibrant, equitable and sustain-able rural communities with food security for all. 2. Government Outcome 8: Sustainable human settle-ments and improved quality of household life. 3. Government Outcome 10: Environmental assets and natural resources that are well protected and continually enhanced.	Environmental sustainability and resilience objectives: Ch 5 Inclusive rural economy objectives: Ch 6 Transforming Human Settlements objectives: Ch 8

Table 1B. The WRC's goals aligned with DWA strategic objectives

DWA strategic objectives	WRC strategic objectives aligned with those of DWA
Improve and increase the skills pool and build competencies in the Department and within the sector	1. To maintain a minimum number of students supported in water research projects 2. To enhance human capital development by supporting SMME's in the Water R&D domain 3. Profile of project leadership as part of the national transformation project to promote the on-going transformation of the water R&D sector
Effective and efficient internal control environment	1. Achieve an unqualified audit report 2. 100% of operational findings fully addressed in specified action time-frames as per the agreed internal and external audit response plan
Implement programmes that create job opportunities	1. To facilitate positive relationships with communities through active community participation in WRC projects 2. To maintain the minimum number of students supported in water research projects
Improve water resources and water services information	1. To increase water knowledge by initiating new research projects 2. To provide the country with supportive knowledge via completed projects 3. To improve knowledge dissemination (number of final research reports and technical briefs published) 4. To promote the uptake and communication of WRC research in the form of manuals, guidelines, and other supporting materials produced 5. To engage the sector in knowledge-sharing events through public dialogues and workshops
Coordinate regional and global water cooperation	1. Enhance the relevance and presence of the WRC locally and globally by coordinating strategic local and international partnerships by establishing MOUs, knowledge-sharing agreements/understandings or strategic partnership agreements with knowledge-sharing institutions and/or strategic partners 2. Strengthen the WRC's strategic position regarding water research and development
Ensure effective performance of water management and services institutions	1. Primary knowledge support through research projects as well as manuals and guidelines
Ensure the availability of / access to water supply for environmental and socio-economic use	1. To increase water knowledge by initiating new research projects 2. To provide the country with supportive knowledge via completed projects 3. To improve knowledge dissemination (number of final research reports and technical briefs published) 4. To promote the uptake and communication of WRC research in the form of manuals, guidelines, and other supporting materials produced 5. To engage the sector in knowledge-sharing events through public dialogues and workshops
Improve equity and efficiency in water allocation	
Strengthen and implement strategies for water management in the country	
Improve water use efficiency	

DWA strategic objectives	WRC strategic objectives aligned with those of DWA
Ensure compliance with water legislation	1. Support with constant analysis, new knowledge and protocols
Support the water sector	2. To improve the dissemination of water research (measured as volumes/ cumulative number of WIN-SA publications
Ensure compliance with water legislation	1. Support with constant analysis, new knowledge and protocols
Improve the protection of water resources and ensure their sustainability	1. To increase water knowledge by initiating new research projects 2. To provide the country with supportive knowledge via completed projects 3. To improve knowledge dissemination (number of final research reports and technical briefs published)

LEGISLATIVE AND OTHER MANDATES

The WRC's annual operational work plan is guided by numerous legislative and other mandates, several of which are in a state of review and revision. The WRC is governed by the WRA, which outlines the purpose and mandated objectives of the organisation. The mandated objectives of the WRC are also in accordance with the requirements of the policies of the Department of Water Affairs (DWA), most notably, the National Water Act (Act No. 36 of 1998) and the Water Services Act (Act No. 108 of 1997).

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

The principal aim of the WRA is to provide for the promotion of water and related research. The Act requires the establishment of the WRC and the Water Research Fund, and sets the framework within which the WRC operates.

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 mandate

National Water Amendment Bill

The National Water Amendment Bill was tabled in Parliament in February 2014 in order to clarify departmental roles relating to water use licences applicable to prospecting, exploration, mining or production activities. The Bill, which will amend the National Water Act (1998), is required to provide for an alignment and integration of the process for consideration of water use licences due to recent amendments to related legislation including the national environmental laws. Over 2013/14, the WRC has coordinated a Policy Review, and has also engaged with many stakeholders to explore the implications of the National Water Amendment Bill for water R&D needs.

Water Research Amendment Bill

The Water Research Act (No. 34 of 1971) has been amended to include textual improvements and name changes; further provisions regarding the appointment of members of the WRC Board and its CEO; the governance of the WRC; and the alignment of the Act with applicable legislation. The draft Amendment Bill is well considered and incorporates all of the comments that have been offered to date. The Bill, in the manner in which it sets out the compliance clauses, captures a good balance between creating an enabling environment and ensuring the correct legislative checks and balances. The Water Research Amendment Bill has been submitted to Parliament and the WRC awaits the tabling thereof in 2014/15.

Policy mandate

The WRC annual work plan is also informed by other key policy mandates, most notably the National Water Resource Strategy 2 (NWRS 2).

NWRS 2

The NWRS 2 has made a significant shift to a knowledge-based paradigm, as reflected in the consultations as well as the gazetted NWRS 2, and calls for a much larger contribution from R&D to empower the implementation of the strategy. In addition, the strategy also engages the further development of water sciences in South Africa. One of the key deliverables that the NWRS 2 emphasises is the Sector Research and Innovation (R&I) Strategy. In support of this, it is incumbent upon the WRC to coordinate the development of the National Water R&D Plan, the latter also emphasised in the Water Research Amendment Bill.

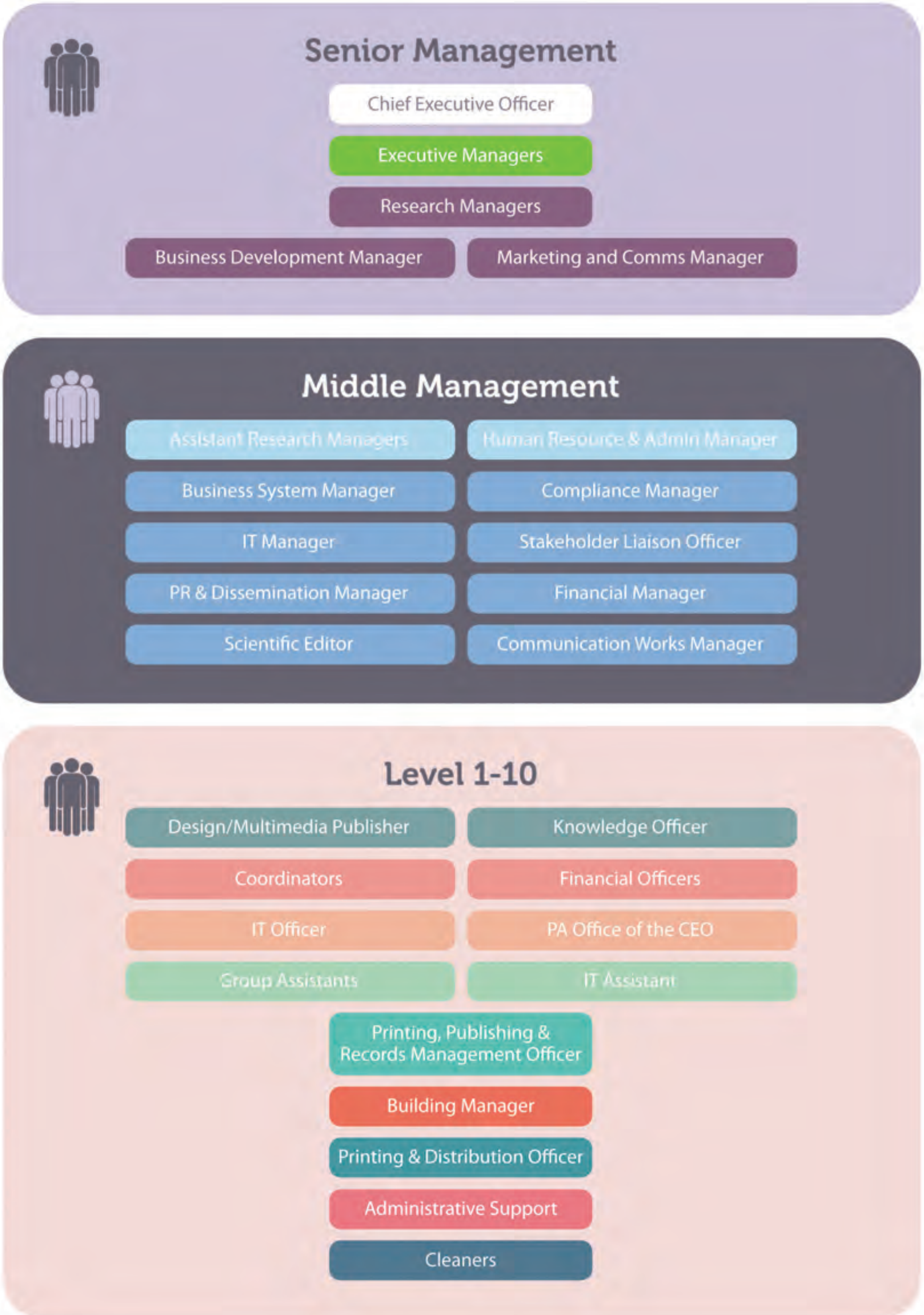
Some of the additional contributions that the NWRS 2 requires from the WRC include:

- 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 DWA and other Government departments such as the Department of Trade and Industry (DTI), Department of Economic Development (EDD), Department of Environmental Affairs (DEA), Department of Human Settlements (DHS), and the Department of Mineral Resources (DMR), 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. Additionally, the WRC is tasked with revising documents outlining water-use efficiency targets for sub-sectors including mining, energy and manufacturing. The engagement with civil society partners is also crucial to ensure relevance, implementation and sustainability.

ORGANISATIONAL STRUCTURE

Figure 2. WRC organisational structure



HUMAN RESOURCES

In today's dynamic environment it is critical for the WRC to invest in its human capital. The WRC's performance is directly influenced by its most valuable resources, that being the employees of the Commission.

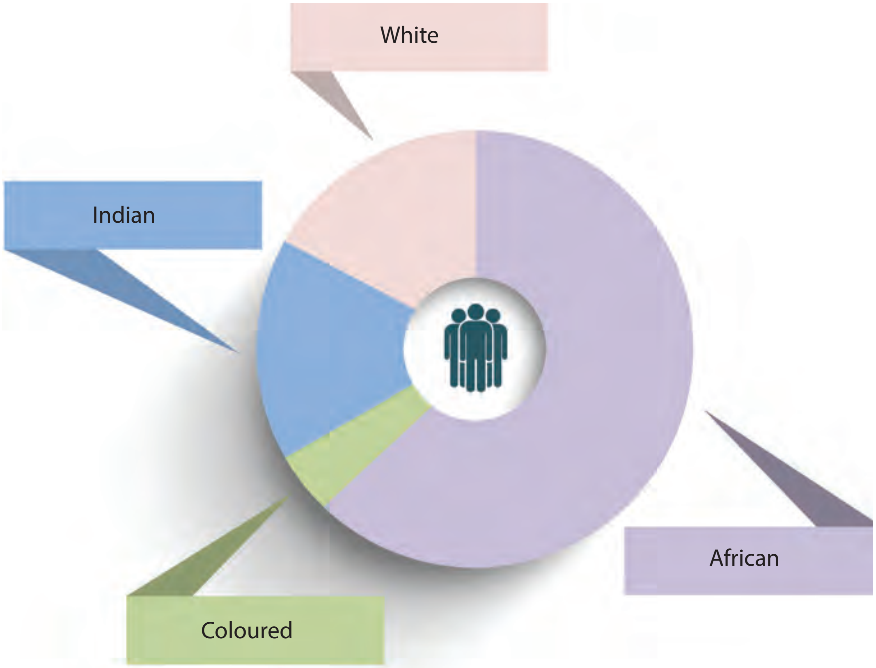


Figure 3: WRC staff demographic profile 2013/14.

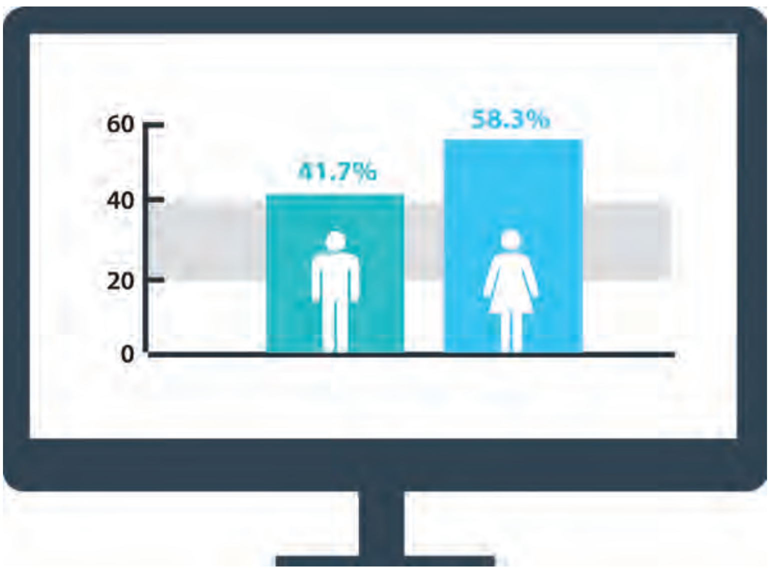


Figure 4: WRC staff gender profile 2013/14.

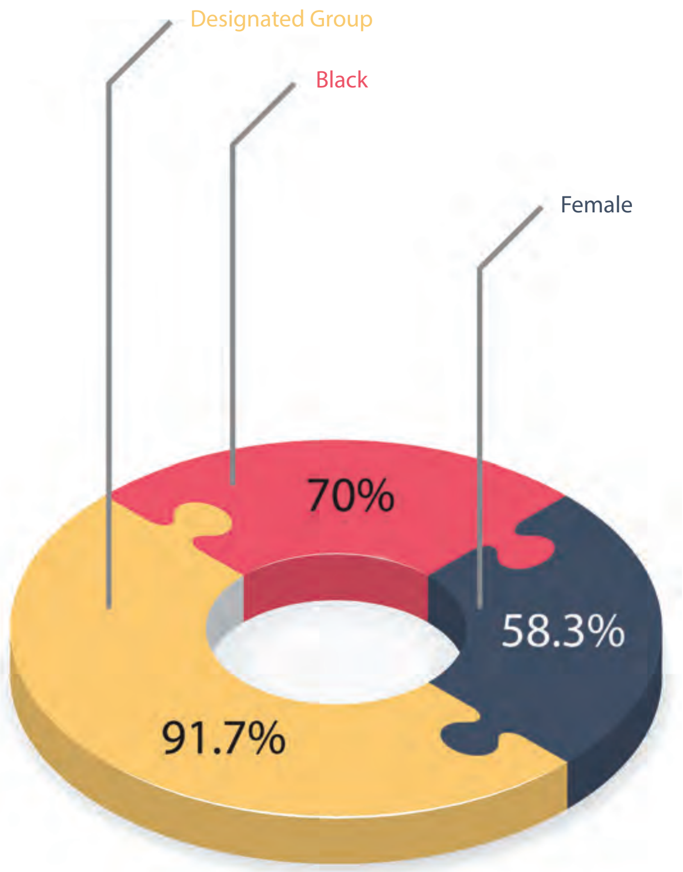


Figure 5: Current diversity ratio.

WRC Internships

The WRC had two interns during 2013/14. Ms Thelle Mohlala possesses a BSc degree in Water and Sanitation from University of Limpopo. During her term at WRC she was involved in a number of mini-projects and learning activities, including conducting case study research in water purification; compiling information for water-related communiques; establishing a database for water quality experts; assisting with project management activities and workshops. From these tasks, she gained valuable experience from both a social and a learning perspective. Upon completion of her internship at the WRC she joined the Ba-Phalaborwa Local Municipality.

The second intern, Phuti Masegela, completed a BSc (Hons) degree in Geohydrology at the University of the Free State. Ms Masegela was exposed to a variety of disciplines; in addition to developing her technical skills she gained valuable soft skills. She was exposed to elements of project management as well as broader water management issues. She also participated in several WRC events and project meetings. She is currently in the employ of consulting engineering firm, Aurecon.

SECTION B:

Overview of Performance

The end of 2013/14 financial year ushered in the country's celebration of 20 years of freedom and democracy. This momentous occasion also presented an opportunity for the WRC to reflect, not only on how our freedom and democracy were achieved, but also on the progress we have made over the past 20 years in the delivery of excellent water science to South Africa.

The year under review has also been characterised by intensive planning, good relationship achievements and major project milestones, as well as a very successful financial year-end reconciliation. In this period the WRC's internal sessions, and the Board–Executive planning engagements, were characterised by a deep re-examination of the WRC mandate and innovative strategic responses on how this should be achieved in the five-year plan of the organisation.

The projects and initiatives described hereunder offer a non-exhaustive list of highlights of the WRC's efforts to meet its strategic outcome-orientated goals in the 2013/14 financial year.

WRC external review

The year under review saw the completion of the WRC external review. By all counts the review had a high level of participation from a range of organisations covering the entire stakeholder map of the WRC. The process ensured strategic discussions with stakeholders and the shareholder department on the role, functionality and stakeholder experience of the WRC. The overall findings of the review were positive in that they were explicit about the WRC strengths and equally robust in the expression of the areas of improvement required.

At the same time there remain challenges to be overcome. These include:

1. A tight funding environment where only some of the promising, new partnerships are currently adequately funded.
2. While the relationship with the shareholder has improved significantly on several fronts, the response rate to requests and decisions relating to legislative and compliance issues remains challenging.

These matters are receiving attention. Regarding the funding environment, an expanded funding strategy was presented during the annual WRC Strategic Planning session in November, sketching out short- and long-term solutions to overcome the immediate challenges around the billing and collection of the levy. Submitting requests for above-inflationary increases and the exploration of Parliamentary Grant funding were considered. Cognisant of the risk posed by the delay in the gazetting of the 2013 levy increase and the consequential deferral in approving the WRC budget submission for 2014/15, developments around this strategy are being prioritised.

Moreover, the shareholder relationship has some distinct action points, including a proposal for periodic bilateral discussions as well as an engagement session on the DWA R&D needs and how best the WRC could help to fulfil these. Further mechanisms like the Water Sector Leadership Group (WSLG) are also being engaged.

Forming part of the response strategy to the Institutional Review, development commenced on a WRC Knowledge Management Model. The model aims for greater effectiveness, outreach and impact in the water sector, and is being built on three elements: (1) WRC knowledge use; (2) solutions exchange; and (3) knowledge brokerage.

At the close of the second quarter the WRC Conditions of Employment were also ratified. Measures to effect the relevant changes commenced in the third quarter and the transition has been well managed, especially in respect of the understanding by, and expectations from, WRC employees.

In the fourth quarter, the WRC successfully closed its book at financial year-end in a manner that saw the meeting of all pre-determined targets and the superseding of some. The financial and performance reconciliation was very successful, with the AG delivering an Audit letter that indicated an unqualified audit with no matters of emphasis.

Key policy developments and legislative changes

There have been no policy developments or legislative changes affecting WRC operations during the period under review; however, the finalisation of the NWRS 2, as well as the Water Research Amendment Bill due for tabling in parliament in 2014/15, the revision of the NWA, WSA and the policy review, will have significant implications for the WRC going forward (to be reported in 2014/15).

A focus on research impact

The WRC conducted its proposal evaluation round for 2013 with the final project decisions approved by the WRC Executive in October 2013. Ninety-five (95) research projects were approved for funding out of a total of 268 proposals submitted. An encouraging 53% of proposals selected have PDI project leaders, 32% of whom are female.

The WRC Lighthouses have transformed from seed ideas to substantive R&D platforms with good strategies and work plans. The marketing of the Lighthouses has also been influential, as indicated in the number of Lighthouse-oriented proposals received in the 2013 call. This has also been true of the WRC Knowledge Tree, as reflected in the proposals received.

Several active projects in the 2013/14 financial year also demonstrated impact in the six impact areas of the Knowledge Tree.

INFORMING POLICY AND DECISION MAKING

Guiding the management of SA's water resources

A WRC-funded study, completed during 2013/14, investigated the mechanisms, conditions and viability of revenue-selected streams required to address the cost structure of catchment management agencies (CMAs) in South Africa. The study found that, to date, the Department of Water Affairs (DWA) has developed water resource management (WRM) tarifs guidelines, as set out in the DWA Water Pricing Strategy 2007, in the absence of knowledge of the actual costs of CMA operations. Since 2007, two CMAs have been established. Analysis of the actual operations of these CMAs, conducted during the WRC-funded study, showed a 270% under-recovery in water resource management costs. As a result, the WRC project produced guidelines focusing on four revenue streams available to CMAs, namely, raw water use charges, waste discharge charge system, economic charges and ecosystem services transfers between CMAs. The study recommends that a revised water pricing strategy should take account of the most recent thinking on this subject. Instruments that encourage the use of water to move from the production of lower- to higher-value commodities could be introduced. Economic charges can allocate water more efficiently but their implementation is constrained by their being linked to compulsory licensing. Thus a revised pricing strategy should de-link the implementation of economic charges from compulsory licensing.

Furthermore, according to the study, water is under-priced, particularly in river basins where it is in short supply. This means that the income stream from the resource rent which could accrue to the CMAs is being distributed as an implicit subsidy. It is thus recommended that the pricing structure for water should be revised to take the full cost of water into account.

A valuation model for groundwater

The prevailing approach to groundwater management in South Africa is almost entirely centred on the abstraction of water resources for economic consumption, and does not account for the broader range of ecosystem services provided by aquifer systems. Methods for analysing, assessing and categorising the ecosystem services derived from natural resources do exist, and have shown success in application in the case of groundwater resources. A WRC-funded project, completed during 2013/14, demonstrated the application of the Comparative Risk Assessment Methodology in terms of identifying groundwater ecosystem services and assessing the impact of groundwater utilisation regimes on the ecosystem services. The conjunctive use systems model, developed through a WRC-funded project, generated data that demonstrates the value of the regulation, storage and retention services of groundwater resources. The outputs of the model show the difference between a system that derives its water supply entirely from surface water resources as opposed to a system that has its sources of supply evenly split between groundwater and surface water resources. All other system parameters are identical, including total available water supply. The data indicates that the system that has its available supply split between groundwater




and surface water systems produces better performance results than the system in which total supply was sourced from surface water resources.

Decision support matrix and framework for wetland assessment

A WRC project conducted a gap analysis in wetland integrity assessment methods used in South Africa, and developed a consolidated approach supported by a decision support system applicable in all types of wetlands. An electronic spreadsheet has been created to serve as the core component of the report. The spreadsheet contains a decision support matrix to assist with the selection of an appropriate method for the rapid assessment of wetland condition, or present ecological state, in the South African context.

Introduction of the concept of behavioural nudges through influencing norms and saliences in the conservation of water

Behavioural economics is increasingly informing policy design around the world. In the utility space behavioural economics is being increasingly used to moderate the water and energy consumption of households. This WRC-funded project assessed whether there was scope to use feedback, informed by several principles derived from the behavioural economics literature, delivered in the post with the water bill to reduce household water consumption within a major South African city (Cape Town). Eight different sorts of feedback were assessed against each other and a further control group (receiving no feedback apart from their normal water bill) by means of a Randomised Control Trial. The feedback groups aimed to test the effectiveness of three major behavioural elements individually and in combination with each other. Results strongly suggest that merely reporting tips about how to save water will not result in a noticeable reduction in household water usage. In contrast; raising the salience of a household's water consumption, either by reporting their consumption in a bar graph or by comparing their consumption to their neighbour via a bar graph was found to result in water consumption that was lower by roughly 1%. For the 3 month post-treatment period for which there is data it was found that reporting the last month's consumption (alone or as part of a comparative social norm) was more effective than reporting the last year's consumption. This is the first known study that illustrates the impact of raising salience and social norms on demand for water for a developing country.

Water reuse decision support model

Numerous options are available when water service authorities, the DWA, planners and funders consider water reuse to improve water source surety (and sustainability) or make provision for water scarce periods. Sufficient information on the options is often not readily available to those wishing to make an informed selection of the best options for their specific situation. There was thus a need for a decision-support model (DSM) for municipalities and water boards to identify, evaluate, compare, and select appropriate water reclamation and reuse options which can produce sufficient quantities of safe drinking water from available water sources. The water reuse decision support mode, known as REUSEDSM, provides a simplistic method to compare different reuse options using multi-criteria analysis. The model is based on a multi-criteria weighted sum analysis, and evaluates alternative water reuse options against a number of selection (decision) criteria.

Creating South Africa's first mine-water atlas

During 2013/14 the WRC kicked off a new project to develop South Africa's first mine-water atlas.

The South African Mine Water Atlas is intended as a comprehensive reference of the extent of mine-influenced water in the country, both on the surface and underground. Once completed, it will be the most comprehensive document of its kind in South Africa. Among others, decision-makers will be able to look to the atlas for background information and tools to assist in fulfilling commitments made in other recent events and declarations. It is hoped that the general public and water professionals will also find this publication educational and beneficial.

The mine-water atlas will present each of the mining-affected provinces, discussing the challenging, situation, constraints and opportunities in each province.

DEVELOPING NEW PRODUCTS AND SERVICES FOR ECONOMIC DEVELOPMENT

Development of a water treatment bottle for use during emergency diarrhoeal outbreak conditions

The concept for the water bottle was born from in-field experience with other point-of-use projects that tried to link the supply and use of these products to an improvement in water quality, linked to a decrease in diarrhoeal incidences. The development of the bottle was inspired by the need for a product that can be used and transported anywhere, and can store and even treat water in rural areas in emergency situations. The bottle was developed by the University of Johannesburg, which has applied for a provisional patent.

More crop per drop with WRC irrigation tools

The impact of the investment in research by the WRC to develop and apply irrigation scheduling methods and models was researched. The following irrigation scheduling methods and models were reviewed: ACRU; PUTU; BEWAB; SAPWAT; SWB; MYCANESIM; and the Wetting Front Detector (WFD). It was found that scheduling techniques and practices can either be used for instrumental purposes in the identification and solving of problems at farm and field level or where capabilities are improved through training. The study concluded that some of the methods and models for irrigation scheduling are used instrumentally in the field (e.g. BEWAB, MYCANESIM and WFD) or conceptually for training and teaching at University level (e.g. ACRU and SWB).

Using remote sensing to manage water hyacinth

Every year enormous resources are spent on controlling the invasive alien plant, water hyacinth, including using biological agents, such as the weevil, *Neochetina eichhorniae*. The results from this WRC-funded project showed that remote sensing techniques can be used to enhance integrated water hyacinth control or eradication in water resources using weevils. Remote sensing has been used to indicate the metal and water content in the plant tissues of the water hyacinth weeds. This is important because the metal content determines the browsing or grazing rate by the weevils. When the metal content is high, the grazing rate decreases due to metal toxicity. Therefore, the use of remote sensing will enable water resource managers to release the biological agent to graze the water hyacinth at the right time to maximise the damage which can kill the plants and not the biological agent.

Development of a low flush latrine for application in public schools

The WRC started funding research in 2010 to develop a toilet that works like a waterborne toilet, but uses little water (known as low flush) for South Africa. In 2011, eThekwini Metro Municipality asked WRC researchers, Partners in Development, to consider developing a low flush latrine which could be used in public schools. A low flush system could provide the convenience of a flush system with minimal consumption of water. After the development of a prototype, the technology was successfully piloted in two homes and two schools in the Durban area. The low flush toilet is a flushing system which can be installed in any context, including rural or crowded communities where laying sewers is not a realistic option. The innovation introduces a sanitation option which is more progressive than standard waterborne sanitation in terms of stewardship of water resources. The project also included an education component designed to impact the knowledge and attitudes of teachers and students around water resources.

Piloting of pour-flush technology in four low-income dense settlements

The WRC appointed Maluti GSM to conduct a Western Cape pilot study for pour-flush toilet technology that had been successfully trialled in KwaZulu-Natal. The main aim of this study was to test the success of the toilet in high density urban/

peri-urban settlements. The toilets were installed at four sites, namely Klipheuwel informal settlement, Klein Begin community, Enkanini informal settlement and the Sustainability Institute. The feedback during the installation process was extremely positive, with all sites being receptive to the technology, and observations to date confirming that the pour-flush design is working well without blockage. At Klein Begin communal pour-flush toilets were installed. These are being kept clean, despite failure of previous flush toilets due to lack of household servicing. Stellenbosch Municipality are considering incorporating pour-flush into their standard specifications for informal settlements.

Dipstick for simple detection of endocrine-disrupting compounds

Certain hormone-active agents in the environment can disrupt chemical messengers (hormones) of the endocrine system by sending erroneous signals or blocking legitimate signals. Also known as endocrine-disrupting compounds (EDCs), these chemicals exert their deleterious effects on humans and wildlife by mimicking, blocking and disrupting the physiological functions of hormones. A WRC project proposed the development of a dip-stick system based on the following principles: The ligand binding domain of the hERaLBD and the hARLBD are immobilised on a membrane contactor matrix using non-covalent AC technology. The immobilised receptor is exposed to the water containing low concentrations of oestrogenic and/or androgenic compounds. These compounds are bound to the corresponding receptor and concentrated on the contactor surface through the receptor ligand interaction. After activation – a mild increase in temperature – the hERaLBD or hARLBD oestrogenic/androgenic compound-complex can be indicated using specific antibodies in an enzyme linked immune-assay system.

New wastewater management tool

Various software tools are available which use modelling to evaluate design and operation of wastewater treatment systems. These are largely engineering focused. However, wastewater treatment systems are 'live' systems, which use different functional groups of microbes to remove certain pollutants. The microbial population profiles can differ, depending on the feed characteristics and the engineering design and operation of the system. This WRC study developed a microbial database, which evolved from being a solely microbial dataset into an intuitive and interactive tool that is aligned with the needs of those within the wastewater services sector. The basic framework of the tool, created in Microsoft Access 2007, allows it to act as a collated repository of previous literature, coupled with observations made during the course of this study, to provide a comprehensive overview of WWTW process control. Being a fairly ubiquitous program, the tool functions on any computer equipped with a Microsoft Office package and includes sections on common activated sludge (AS)

The WRC with the CSIR and Amanz'abantu Services has successfully proven the concept of franchising to improve santation service delivery.

physicochemical characteristics, works design, and wastewater microbiology. The tool also includes a troubleshooting guide for diagnosing and alleviating the common problems occurring within a biological nutrient removal wastewater treatment works. This new approach serves to integrate the previously disparate topics of wastewater microbiology, chemistry and engineering into a single, easily accessible software package that both educates wastewater treatment works operators and allows for immediate action in the event of loss in process control.

Lower-energy decentralised treatment process

The main advantage of the anaerobic baffled reactor and wetland or DEWATS system over small wastewater treatment plants and package type plants is that the process is largely anaerobic. This results in lower sludge production and eliminates the requirement for aeration. However, similar upstream processes are required by both DEWATS and package plants, namely, primary treatment in the form of a septic or settling tank. This WRC-funded project was designed to test assumptions to provide technical (design and operational) data which could create evidence-based research knowledge of this wastewater treatment technology. The result was the design of a lower-energy decentralised treatment process which removes some of the chemical oxygen demand but retains the nitrogen and phosphorus in liquid phase, which can then be used for agriculture purposes. The technology was pilot tested – in the first test of its kind in South Africa for this particular configuration.

Pico-hydroelectricity units for eThekwini Municipality

South Africa is acknowledged to not be particularly well endowed with hydropower conditions, such as may be found elsewhere in the world. However, large quantities of raw and potable water are conveyed daily under either pressured or gravity conditions over large distances and elevations, opening up the possibility for micro- and pico-scale hydroelectric installations. The application to install hydroelectric turbines in a water distribution system is fairly new in South Africa, and thus three pilot plants were constructed showcasing several of the intricacies in the development process and to demonstrate the technology.

EMPOWERING COMMUNITIES

Franchising paves the way towards improved sanitation services

Following more than a decade of research and a successful pilot project conducted in the Eastern Cape, the WRC, with the CSIR and private sector partner, Amanz'abantu Services, has successfully proven the concept of franchising as an alternative solution to effective water and sanitation delivery. Franchising is an alternate service delivery institutional concept that is specifically suited to the on-going operation and maintenance of water services systems. The concept structures the operation, facilitates the setting up of the business, and provides the supporting structure thereafter. In a successful pilot project, undertaken over three years with funding from the WRC, Irish Aid and the Eastern Cape Department of Education, emergent micro-entrepreneurs were trained and mentored, after which they took up the routine servicing of water and sanitation facilities at 400 schools in the Butterworth education district. The learners at the schools have benefited tremendously from the initiative, especially the girl learners, who now have access to private, clean and hygienic toilets. Sanitation improvements have seen an increase in attendance rates at the schools being serviced. In addition to the schools serviced, the pilot project was successfully extended to the pit-emptying of 400 household toilets for the Amathole District Municipality. In January 2014, Impilo Yabantu (the franchisor established under the WRC project) signed up its first franchisee, Nocawe Lupuwana, followed by four other micro-entrepreneurs who have been working with the franchisor since 2010.

Improving productivity on smallholder irrigation schemes

A completed WRC-funded project explored different opportunities to improve productivity and livelihood impact of South Africa's estimated 74 smallholder irrigation schemes. The main thrust of the project was aimed at testing a number of farming system innovations, but attention was also given to social resource constraints. The project identified the farming systems interventions, investigated ways to improve water management at plot and irrigation scheme level and undertook detailed analysis of insecure land tenure, which inhibits productive use of land and water on smallholder irrigation schemes.

DRIVING SUSTAINABLE DEVELOPMENT SOLUTIONS

First framework on water sensitive urban design for developing country conditions

The aim of this project was to assist planners in water management through guidelines on water resource protection, conservation and reuse using water sensitive urban design (WSUD). The guidelines include holistic best management practices and aim to assist in establishing urban spaces that will protect the health of watercourses; guidance is also provided on how to implement these best management practices. Innovative solutions have been developed for, among others, reducing run-off, minimising effluent discharge, increasing recycling opportunities and reducing water demand.

Development of South Africa's first artesian test rig/equipment with analysis software

Due to the unique characteristics of flowing artesian boreholes, a free-flowing test is preferential to the conventional constant-rate pumping test approach. It is necessary to measure the discharge rate and pressure head at pumping and/or observation boreholes simultaneously during the test. For this reason, a test unit for capturing the data accurately was deemed to be critical for data interpretation. Such a test unit was developed and piloted during two case studies, one at Rawsonville and another at Oudtshoorn, in the Table Mountain Group Aquifer, a strategically important aquifer system in South Africa. The results from both cases indicate that the aquifers are somehow bounded by no-flow conditions, especially in the case of Rawsonville where the recorded data supported this hypothesis.

First vadose zone assessment protocol for South Africa

The vadose zone can be considered as the zone between the land surface and the water table, which includes the plant root and intermediate zones as well as the capillary fringe, representing that portion of the crust where the pore spaces contain water at pressure below atmospheric, air and other gases. The safe locating of potential sources of contamination and the mitigation and rehabilitation of contamination can be better assessed based on an improved understanding of the spatial (or lateral), vertical (or horizon-based) and temporal (or time-dependent) influences on vadose zone seepage. This project investigated the behaviour of water and solutes within the unsaturated zone, and evaluated field, laboratory and empirical assumptions currently being made to assess the fate and transport of contaminants in the vadose zone. It also introduced,

for the first time, a multi-faceted vadose zone assessment protocol for South Africa to be used across science and engineering disciplines.

Tools to determine enforcement-driven rehabilitation objectives on urban river reaches

A WRC-funded research project focused on the rehabilitation of rivers in the South African urban context, and, more specifically, rehabilitation enforced by directive, compliance notice, or court order. This research aimed to develop tools to assist officials with enforcement-driven rehabilitation. A dashboard tool was developed which automatically calculates the impact of the contravening activity on the riverine environment. Based on this, the official can then better inform the perpetrator as to what ecosystem functions the specialist studies and rehabilitation plan need to address.

The impact of ecological restoration on sustainable rural employment and land productivity

The specific objectives of this study were to conduct ecological, hydrological and socio-economic assessments to determine the impact of restoration at several existing restoration sites (differing both ecologically and socio-economically) by comparing them with degraded or unrestored areas in close proximity. The outputs from these studies were used to develop an integrated systems dynamics model of the likely impact of restoration on the ecology, hydrology and economy of, in particular, agriculture. This model was specifically focused on internalising the economic (societal) costs and benefits of restoration, and on applying an economic decision-making rationale to the results in an effort to make the societal benefit of restoration explicit.

Results indicate that in semi-arid South Africa restoration projects yielding water services are the 'pearl' projects, with high likelihoods of success and high payoffs.

The study proposed an innovative systems dynamics approach, building on what the economics profession and the literature on complex and dynamic systems already have to offer, but applying this to restoration and therefore to generating a measure of the risks included in restoration investment decisions.

The economic impact of the restoration of land (below left) and the growing knowledge on the drought tolerance of indigenous crops (below right) were some of the research highlights of the WRC during 2013/14.

Water use of drought-tolerant food crops

This five-year project's main aim was to identify and characterise indigenous and conventional food crops with application in South Africa. This was done taking into consideration, inter alia, what can grow where under water-scarce conditions, the water requirements and crop responses to water stress and production, and yield under water-stressed conditions.

The following crops were selected for the study: traditional maize landraces, wild watermelon, wild mustard, cowpeas, amaranth, pearl millet, Bambara groundnut and taro. A series of trials was conducted in three provinces of South Africa – KwaZulu-Natal, Free State and Gauteng. Among others, the study investigated physiological indices, such as seed germination and proline accumulation, which could be used to link crop characteristics to drought tolerance under field and controlled environmental conditions. It was also in this context that a novel approach was used, i.e. using seed colour as a possible selection criteria for drought tolerance in cereal crops and grain legumes.

As part of this project, at least four crops that could be used to develop a crop model for indigenous crops were selected.

This was challenging because most existing models are based on the agronomy of major crops, with known responses to irrigation. To achieve this objective, the FAO's AquaCrop model was tested for the first time on indigenous crops.

PROMOTING TRANSFORMATION AND REDRESS

In addition to its project activity, the WRC also held a number of knowledge-sharing events in the year under review, including technical field visits and technical workshops aimed at enhancing knowledge transfer and promoting transformation and redress. Many of these were in collaboration with strategic partners in order to enhance research impact and knowledge uptake.

Water Currents Policy seminar exploring equity in access to water resources

The water distribution map in South Africa points to the fact that water indeed flows where money and power reside, be it upstream or downstream. In order to improve especially small-scale productive use of water the following is required: physical infrastructure to transfer the water, legal and administrative rules that allow for it, institutional rigour to deal with it and access to justice to provide recourse. South Africa has an even more ambitious aim – to address past imbalances in the access to water and to ensure that water resources are allocated and re-allocated based on equity, efficiency and sustainability. A Water Currents Policy seminar was hosted together with the International Water Management Institute (IWMI) on 17 July 2013. Titled 'Water flows towards money and power. Equity in access to water resources' the seminar engaged issues around social justice and water allocation reform in South Africa.

Third Albertina Sisulu Memorial Lecture

The WRC co-hosted the Third Albertina Sisulu Memorial Lecture with the Institute for Gender and Women Studies at the University of Pretoria. Held on 5 August, 2013, at the university, the lecture celebrated Women's Month by highlighting important issues relating to the gender dimension of water and sanitation in South Africa. The event, which included a keynote address by South African Human Rights Commission Vice Chair, Pregs Govender, investigated whether, and in which sectors of society, progress has been achieved in the realisation of women's human rights; whether

and how state policies that support gender equity may have played a role in the realisation of such gains; what types of leadership have ensured the realisation of these gender rights; and the major obstacles that prevent the realisation of women's human rights, among others.

Social protests and water service delivery in South Africa

On 13 September 2013 the WRC hosted a workshop to discuss findings of a study on 'Social protests and water service delivery in South Africa: Characterisation of selected local contexts'. The study aimed to move the sector forward in responding to challenges underlying social protests and explored the characteristics of selected case studies of urban, peri-urban and rural localities in which violent protests have emerged. The main focus of the project was to characterise the salient features of local contexts whereby post-apartheid South African engagements between water users and water service authorities, among others, have become marked by violent protest action.

Drs Barbara van Koppen of IWMI, Lyla Metha of the University of Sussex and Barbara Tapela of the Institute for Poverty, Land and Agrarian Studies exploring equity in access to water resources at a WRC Dialogue on 17 July 2013.

WRC SYMPOSIUM 2013

If one had to choose a single highlight for the 2013/14 financial year, then the one that stands out most prominently is the WRC Water Research, Development and Innovation Symposium 2013. Through skilful design and brilliant partnership, in particular with the Department of Science and Technology and the Department of Water Affairs together with the Parliamentary Portfolio Committee (PPC) on Water and the Environment, the WRC Symposium held on 25-27 September in Pretoria, raised the profile of water research, development and innovation in South Africa.

The WRC hosted a successful Water Research, Development and Innovation Symposium. The aim

of the symposium was to showcase and celebrate excellence in the South African water research and development domain and link various institutions operating at different stages of the water innovation value chain. In addition, given that 2013 was celebrated as the United Nations International Year of Water Cooperation, the symposium also sought to fur-ther the scientific dialogue on the development imperatives for South Africa from a water perspective and the innovations that address this agenda. The scientific programme oriented around science impact, and the innovation focus, particularly around the 'Technology Marketplace' where water technology products were demonstrated, drew accolades from far and wide and considerable media coverage including television, radio and print. Among the products to be displayed at the marketplace were the activated sludge bios, pour flush technology, fog water harvesting, energy generation from water distribution systems, and real-time remote fish monitoring, among others. The presentation of the inaugural WRC Knowledge Tree Awards proved to be the crowning event. The 'People's Parliament' interaction between the PPC and the SA water science community was noteworthy and very encouraging regarding science support to political decision-making. Indeed, the dialogue provided a platform for engagement between the scientific community and decision-makers to better understand each other's roles in ensuring the sustainable management of water in South Africa. It also looked at the role of entities such as the WRC as knowledge broker between science and policy.

The WRC Knowledge Tree Awards 2013

A significant highlight of the WRC Water Research, Development and Innovation Symposium was the Knowledge Tree Awards ceremony, which took place on 26 September 2013 in Pretoria. The awards recognised outstanding performances by various WRC-funded researchers in different disciplines within the water domain.

The awards are linked to the six impact areas of the WRC Knowledge Tree, the corporate planning tool which guides all WRC operations, and acts as a yardstick by which the Commission's impact is measured in key domains.

In the category 'Transformation and Redress' the winner was Prof Ochieng Aoyi of the Vaal University of Technology, for his work in establishing and growing the water and wastewater research group in the Department of Chemical Engineering.

There were two winners in the 'Sustainable Development Solutions' category, namely Prof Lingam Pillay of Stellenbosch University, for his development of an innovative woven-fibre micro-filter for drinking-water supply, and Prof Leon van Rensburg of the University of the Free State, for the development of guidelines for the management of salinisation of agricultural lands.

The category, 'Informing Policy and Decision Making' also had two winners, namely Dr Sharon Pollard of AWARD, for her contribution to the research comprising the Shared Rivers Initiative, and Dr Ronnie McKenzie from WRP Engineers, for his role in compiling the 2012 State of Non-Revenue Water in South Africa.

The first winner in the 'Human Capital Development in the Water and Science Sector' category was Prof James Blignaut of the Department of Economics at the University of Pretoria, for his dedication to growing capacity in the water sector by training no less than 11 post-graduate students on his latest WRC project. The second winner in this category was Prof Neil Armitage of the University of Cape Town, for growing the cross-disciplinary Urban Water Management group.

In the 'Empowerment of Communities' category' the winners were Simon Bruton of Ground Truth, for his development of the public education tool MiniSASS, used for river health monitoring, and Jonathan Denison, for his development of the comprehensive learning materials on water harvesting and conservation aiding food security.

The last two winners were in the 'New Products and Services for Economic Development' category. They were private researcher and consultant, Dr Nico Benadé, for the development of the WAS system, and Oliver Ive of Amanz'abantu Services, for lending private sector support to the pilot project involving franchising of water services to schools and homesteads in the Eastern Cape.

Developing a social research agenda for the water sector

There is a growing recognition among South African water researchers of the need to deal with social problems in the water sector through robust social

science theories and methodologies, to bring these skills into multidisciplinary water research teams and to define a strategic social research agenda. To address these concerns, the WRC hosted a Social Research Workshop from 1–2 August 2013 in Kempton Park, Gauteng. The workshop was the final step in a short-term WRC consultancy project to encourage the participation of social science researchers in the work of the WRC and the water sector. The workshop aim was to move towards developing a social science research agenda for the water sector, while providing an opportunity for participants to explore issues around social research in the water sector that were important to them. Some of the outcomes included the need for a research directory to be developed, the development of a social science forum or community of practice, and the need for a social research conference as one way to catalyse people into co-partnerships or starting joint research projects.

Bill and Melinda Gates Foundation and WRC collaborate for improved sanitation in Africa

The WRC and the Bill and Melinda Gates Foundation (BMGF) have launched the Sanitation Research Fund for Africa (SRFA). The fund is a response to a gap identified in dedicated sources of funding and support for sanitation research and innovation in Africa. This fund has been established to stimulate competency and capacity in the area of sanitation in the African region, in order to support the development and scaling up of sanitation solutions. The WRC hosted the first SRFA workshop from 30–31 January 2014 at Emperors Palace, Johannesburg, which saw the participation of 8 sub-Saharan countries that have been selected for the SRFA Project. The fund, to the value of USD 2.5 million, was established at the WRC in 2013 with the support of the BMGF. The SRFA project is based on recent experiences from South Africa and the region, where scaling up of dry sanitation systems as a basic minimum acceptable level of service has begun to indicate many operational and maintenance challenges.

Symposium on indigenous African vegetables

While statistics indicate that South Africans' general intake of fresh fruit and vegetables is below the World Health Organisation's (WHO) daily requirements, the country is rich in edible indigenous plants that could potentially address food insecurity in many poor households. This issue was actively discussed by researchers during the WRC Symposium on Water Use and Nutritional Value of Indigenous and Traditional South African Underutilised Food Crops for Improved Livelihoods, held on 18 and 19 February at Farm Inn, Pretoria. A daily per capita intake of fruits and vegetables of 400 g is recommended by the WHO to protect against communicable diseases. Researchers present during the Symposium pointed out that traditional leafy vegetables, which are generally rich sources of nutrients and antioxidants, are usually associated with poverty in South Africa; yet they help in reducing malnutrition. People are not aware of the nutritional value of these crops and often look down upon them.

Research impact and uptake workshop

In partnership with the International Water Management Institute (IWMI), the WRC hosted a workshop on research impact and uptake in the water sector from 12–13 March 2014 in Pretoria. The workshop aimed to: (1) explore the complexities and responsibility of research impact and uptake;

(2) explore the potential for future partnership in research uptake activities in South Africa, Southern Africa, and Africa, and (3) develop a community of practice of professionals working in the areas of research impact and uptake from different angles. The diversity of knowledge experts present allowed participants to gain tremendously from the dialogue. Going forward, further awareness-raising is required about uptake and impact within institutions.

ENHANCING HUMAN CAPITAL DEVELOPMENT IN THE WATER & SCIENCE SECTORS

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 are serving as members of steering committees as well as representatives of new proposals.

Youth Summit Dialogue

On 3 July 2013 the WRC, along with the YWP hosted a special dialogue on 'Technology for Tomorrow: How can tomorrow's leaders innovate to address global water challenges?' The dialogue provided an opportunity for the youth of South Africa to discuss and debate future challenges in the water sector, as well as examine the solutions to these challenges, and how the role of the young professional is so pivotal in addressing them. The topics discussed highlighted innovative water solutions and problems in various fields, as well as the continued need for innovation, investment, new technology and action. The target audience for the dialogue was young professional representatives from government departments, civil society, business, institutions as well as those involved in research and development and professional associations and learned societies.

Shaping the future of hydrology research

The ability of South Africa to manage its water resources will be largely determined by its capacity to deliver world-leading hydrology science to support national strategic needs, and to respond to emergencies, such as drought and floods. On 31 March 2014 a team of hydrology experts met at the WRC to explore the shape and future of hydrology research in South Africa. The commission organised the dialogue as many researchers and practitioners feel that the future of hydrology is currently uncertain in South Africa, with declining capacity being experienced in terms of the number of well-trained hydrologists, lack of hydrological data and unreliable funding. The aim of the dialogue was to foster discussions to guide the design of a state of hydrology audit for South Africa.

Building a strong core of new-generation water scientists

The Young Water Professionals (YWPs) is a programme of the International Water Association and the Water Institute of Southern Africa. During 2013/14, the WRC was one of the main sponsors


YWP
Southern African
Young Water Professionals
3rd Regional Conference – 16th to 18th July 2013


SASS

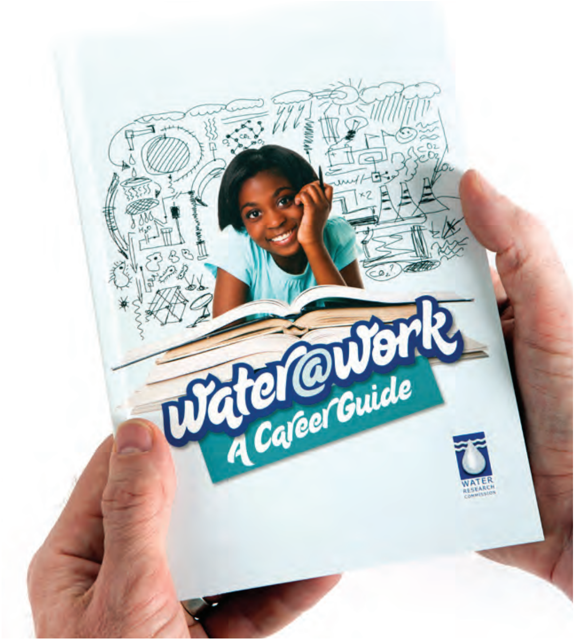
and exhibitors at the Third Southern Africa Regional YWP Conference, held in Stellenbosch from 16–18 July 2013. Close to 400 delegates, representing 13 countries, attended the conference, which had the theme 'Water–Africa–Youth'. A total of 74 oral presentations and 111 posters made up the programme, which included a number of WRC-funded projects. Attendees represented a variety of specialities across the water sector, with representatives from consulting companies, research councils and institutions, universities, government departments, and non-governmental organisations.

River monitoring made easy

MiniSASS – the simplified version of the Stream Assessment Scoring System, was developed as a community river health monitoring tool with funds from the WRC. The miniSASS method is an easy-to-learn river health biomonitoring tool which is an ideal environmental education tool for learners, but can even be used by non-technical, private persons to monitor the health of rivers in their communities. During 2013/14 the MiniSASS Web-based data management was finalised and ready for use. The data portal was successfully tested through the participation of a number of schools. Communities will now be able to upload their research and/or monitoring data using this portal. This initiative supports Government programmes, such as Working for Water, Working for Wetlands, Adopt-a-River and other citizen science activities. The MiniSASS biomonitoring tool also received international recognition during the year at an international conference in Nairobi, Kenya, hosted by the United Nations University as part of the 8th Global Regional Centres of Expertise Conference on Education for Sustainable Development.

Water@Work Career Guide

During the year under review the WRC revised and republished its successful Water@Work Career Guide. The new guide lists detailed information on no less than 62 career options in the water sector, ranging from accounting and agriculture to social science, water history and zoology. The colourful guide, which is available electronically or in hard copy, is intended as an overview of career paths available in the world of water. It is an ideal resource for learners ready to make subject choices or prospective students exploring possible areas of study. New areas



of study, such as polymer science, one focus area of which is nanotechnology, have also been included in the guide. Readers can also find an exhaustive list of useful contacts, including those institutions which offer bursaries and internships. During the year under review, more than 5 000 career guides were distributed to schools and universities around the country.

Open Day at Sarasvati Primary School, Fraser Community, KwaZulu-Natal

On 10 March 2014 the WRC, in partnership with eThekwini Water, organized an Open Day at the Sarasvati School in Tongaat, KwaZulu-Natal, to thank the school and the Fraser Community for their participation in the CLARA (capacity-linked water supply and sanitation improvement for Africa's peri-urban and rural areas) project, an EU FP7-funded project. The CLARA project involved the development and testing of an Excel-based tool to assist municipalities to take decisions on which water and sanitation systems are best suited to the needs of schools and communities in rural and peri-urban settings.

The purpose of the project's school engagement was to communicate the importance of water and sanitation in our everyday lives. This was done in a fun and interactive manner that captured the attention of pupils in the age group of 6–13. The

The WRC signed a Memorandum of Understanding with SASOL on 26 April 2013.

event was highly successful and served as a good model for knowledge transfer by using an interactive methodology.

Educating school learners about water reuse

Led by Dr Cliff Jones of Rhodes University, a WRC-funded project investigating beneficiation of brewery effluent using high-rate algal ponding, incorporated a youth development component into their project to introduce school learners to the concept of water reuse and to make them aware of the numerous career opportunities in the aquatic sciences. A total of 73 teachers from more than 60 schools visited the project's facilities from 12–13 March 2014 and brought with them 1 633 Grade 9–12 school learners.

RESEARCH REACHING FURTHER WITH NEW PARTNERSHIPS

Several new relationships are developing with entities such as the EU EUREKA Programme and the Indian Ocean Rim, as well as bilateral relationships with China and Morocco. While many administrative and contract issues with the shareholder department are still being resolved, several new partnerships have emerged on the research and development front. These include the engagement of the WRC as the Implementing Agent for the Blue Green and No Drop municipal level monitoring, evaluation and grading initiative. The TIA relationship has new prospects after engagement with the TIA Board Chairperson. In the 2013/14 financial year, the WRC signed two strategic MoUs with partners.

MOU on the uMngeni Ecological Infrastructure Partnership

Several key stakeholders established and signed on to the uMngeni Ecological Infrastructure Partnership (UEIP) to promote better collaboration and co-ordination of ecological infrastructure investments for the development of water security in the greater uMngeni catchment. The Umgeni Ecological Infra-structure Partnership provides a platform for collaboration and knowledge sharing amongst stakeholders which is key in materialising tangible benefits in the future. The lessons learnt at the uMngeni catchment through this partnership will be used in other key areas of significance in South Africa. Other signatories to the UEIP include NGOs (WWF-SA; Endangered Wildlife Trust (EWT); Duzi uMngeni Conservation Trust (DUCT); WESSA; Wildlands); local government (eThekwini Municipality; uMgungundlovu District Municipality; Msunduzi Local Municipality); private companies (SAPPI; Mondi; Msinsi Holdings); and other statutory bodies and research institutions (KZN-Wildlife; SANBI;

From left to right: WRC Research Manager, Bonani Madikizela, receives the National Wetland Award from then Deputy Minister of Water & Environmental Affairs, Rejoice Mabudafhasi; posing with former Minister of Water & Environmental Affairs, Edna Molewa, at the TNA Breakfast, Dr Nico Benadé receives second place in the DWA Water Conservation and Water Demand Management Sector Awards for the WAS system.

Umgeni Water; University of KwaZulu-Natal (UKZN); as well as government departments (KwaZulu-Natal Department of Agriculture and Environmental Affairs).

MOU with SASOL

An MOU was signed with Sasol on 26 April 2013 to undertake research in areas of mutual and strategic interest. The partnership between Sasol and the WRC sees both parties collaborating on finding new technologies and opportunities to conserve water in South Africa. Under the agreement a joint research commission is to be established to oversee and monitor the partnership and seek out new opportunities for collaboration on other water conservation matters. Sasol Technology will offer the use of some of its research and development piloting facilities in Sasolburg and Secunda to researchers and academics funded by the WRC for research in conjunction with Sasol Technology teams.

ENHANCING LEADERSHIP AND UPTAKE OF SCIENCE

The WRC engages in national, continental and international initiatives to enhance knowledge uptake as well as to understand the research needs of the water sector. The section that follows highlights selected national, regional and international initiatives undertaken in the year under review.

National initiatives

WRC wins National Wetland Award

On 22 October 2013 the WRC received special recognition at the Annual Wetland Awards, held at Cape St Francis, for funding and publication of the WET Management Series. The awards recognise outstanding contributions and achievements of those working in the wetlands sector. The WET Management Series is a set of integrated tools specifically developed to assist users to achieve well informed and effective wetland management and rehabilitation. It is a product of the wetland rehabilitation component of the National Wetlands Research Programme, an initiative of the WRC.

Conceptualisation of Technology Demonstrators

The Department of Science and Technology (DST) IDRDP programme aims to demonstrate the latest water and sanitation solutions in real-world environment, affording new technologies the opportunity to prove themselves while also solving technological challenges. It also offers an opportunity for the technologies to be continuously assessed and evaluated for potential commercialisation. The WRC, as the implementing agent of the programme, will supervise the deployment of the new prototype systems to areas agreed on with the DST. The two-year programme will see the scaled-up demonstration of seven initial water and sanitation related innovations.

The New Age Breakfast with the Minister in Cape Town

On 20 May 2013 the WRC attended The New Age Business Breakfast with the then Minister of Water and Environmental Affairs, Edna Molewa, which was held at the Cape Town ICC. The New Age Business Briefing is an event aimed at providing a platform for no-holds-barred discussions among the leaders of industry in South Africa. The breakfast was facilitated by SABC's Morning Live presenter, Peter Ndoro, and broadcast live on SABC 2. As part of the breakfast,

the Minister led the debate on the overall situation of water in the country and her department's preparedness for the future. The WRC CEO formed part of the panel during the debate. The event drew the participation of both the sector and members of the public, from business, civil society and other groupings.

DWA recognises WRC-funded irrigation water savings system

The WRC-funded Water Administration System (WAS) won second place in the agriculture category of the DWA Water Conservation and Water Demand Management Sector Awards on 18 October 2013. The winner in this category was the Lower Olifants River Water User Association which also uses the WAS program. WAS is a uniquely South African integrated management tool for irrigation schemes that delivers water on demand through rivers, canal networks and pipelines. The system is used for water distribution management and for the calculation of dam and canal operating procedures for a given downstream water demand. Field measurements indicate water savings up to 20% on implementing the program. WAS is currently used by all major irrigation schemes in South Africa on a total area of around 148 000 ha.

Regional initiatives

IWA Development Congress, Kenya

A significant highlight for the year under review was the WRC's strategic participation at the IWA Development Congress, 14-17 October 2013, in Nairobi, Kenya. The overarching theme for the 2013 Development Congress and Exhibition was 'Catalysing Urban Water Transitions'. The Water Services Providers Association (WASPA) of Kenya and the Nairobi City Water and Sewerage Company jointly hosted the Congress and Exhibition. The WRC participated as one of the strategic partners of this event and hosted one of the Congress's primary workshops, as well as a side-session on its water and gender-related work. A session on 'Groundwater Governance for Sustainable Development' was also held in partnership with IWA's Groundwater Restoration and Management Specialist Group, to assist in improving groundwater governance at the national, continental and international levels. The Commission's presence was further enhanced through its exhibition stand. Additionally, WRC staff participated in several workshops and congress events, and also conducted several bilateral discussions.

African Groundwater Network

The WRC entered into a strategic partnership with the African Groundwater Network (AGWNet). This is a network established under the umbrella of CapNet, a programme of the United Nations Development Programme (UNDP). The objectives of AGWNet are, among others, to build capacity for improved groundwater management at all levels; promote integrated water resource management practice in the groundwater sector; improve awareness of groundwater resources; and foster groundwater research and academic cooperation.

Gender mainstreaming in water

The WRC, through funding from the Global Water Partnership (GWP), commissioned a study on gender mainstreaming in water policies for Northern, Eastern, Western and Central Africa. The Commission supports the Southern African portion of the study. The mid-term project workshop was held at the IWA's Development Congress. Good progress is being made by all the African regions.

TIGER Initiative

The TIGER initiative is aimed at promoting the use of earth observation (EO) for improved integrated water resource management (IWRM) in Africa. The WRC hosts the Coordinator for the Southern Region office of the TIGER initiative. In collaboration with DWA, CapNet, the South African National Space Agency and CSIR, TIGER conducted its annual training workshop, organised and hosted by the WRC, from 18–22 November 2013. This was a capacity-building initiative which contributes to Africa's hydrological, aquatic and meteorological scientists.

Global initiatives

OECD Water Governance Forum

The WRC is part of the Organisation for Economic Cooperation and Development (OECD) Water Governance Forum, which was launched in March 2013. A programme of cooperation was discussed during the year under review to explore options for benchmarking South African water governance to international practice. OECD is a partner in the Freshwater Governance 2 conference and was a co-host of a governance workshop at the Stockholm World Water Week, held in Stockholm, Sweden, from 1–6 September 2013.

FAO expert consultation process

The WRC was invited to participate in the expert consultation process of the United Nations Food and Agriculture Organisation (FAO) to define the water governance role of tenure and rights for agriculture and food security. FAO will be funding a South African case study in rolling out water rights and furthering the water tenure discussion.

World water scenarios partnerships

The WRC and the International Institute for Applied Systems Analysis (IIASA) are partnering in the World Water Scenarios – a new collaborative initiative aimed at bringing state-of-the-art science and decision-makers together to develop realistic future scenarios that decision-makers can use to identify and prioritise robust options for meeting the relevant challenges. The WRC, together with IIASA, has developed a concept note for an African case study.

Improving groundwater governance

The WRC was appointed by the United Nations Educational, Scientific and Cultural Organisation (UNESCO) to draft a report on groundwater governance in sub-Saharan Africa. The report, which was published in the year under review, builds on existing work on the subject, as well as the regional consultations undertaken as part of this global groundwater governance diagnostic. The report feeds into a larger, global project entitled 'Groundwater Governance – A Global Framework for Action (2011–2014)'. The project is designed to raise awareness of the importance of groundwater resources for many regions of the world, and to identify and promote best practices in groundwater governance as a way to achieve the sustainable management of groundwater resources.

First World Irrigation Forum

The First World Irrigation Forum was held from 27 September to 7 October 2013 in Mardin, Turkey. The only papers accepted from South Africa were those presented on WRC-funded projects. WRC Executive Manager, Dr Gerhard Backeberg, is an elected Vice-President of the International Commission on Irrigation & Drainage for the period 2011–2014, and WRC Research Manager, Dr Sylvester Mpandeli, was elected Chair of the African Regional Working Group during the annual meeting held in Turkey.

Stockholm World Water Week

The WRC made numerous inputs during World Water Week, held from 1–6 September 2013 in Stockholm, Sweden. These inputs included hosting two workshops with international partners. The first was around furthering the outcomes of the Freshwater Governance Conference held in 2012. This workshop, hosted in collaboration with the OECD, UNESCO-IHP, and the Stockholm International Water Institute, emphasised the issue of subsidiarity in water management. The other workshop also focused on freshwater governance, more specifically the writing of a book titled 'Water Governance for the 21st Century'. In addition, the WRC participated in a 'gender' side-session with the aim of highlighting the AMCOW gender strategy and its rollout as well as sharing information around progress in engendering water.

Participants in the 'gender' side-session at World Water Week.

The WRC and the International Institute for Applied Systems Analysis (IIASA) are partnering in the World Water Scenarios – a new collaborative initiative aimed at bringing state-of-the-art science and decision-makers together to develop realistic future scenarios that decision-makers can use to identify and prioritise robust options for meeting the relevant challenges.

KEY PERFORMANCE AREAS

The WRC's KPAs are based on its strategic context and challenges, as well as specific strategic risk areas as identified by the Board and 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 out-comes, and will support the organisation's efforts to achieve excellence. The WRC has three areas of performance as follows:

1. Research portfolio
2. Financial wellbeing
3. Human resources

Performance indicators and national targets

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 2013/14

Objective	Indicator	Planned Target 2013/14	Actual Achievement 2013/14	Deviation from planned target to actual achievement for 2013/14	Notes on variance
To increase water knowledge with supportive knowledge via completed projects	Number of new research projects addressing water management	65	87	22	The WRC is oversubscribed by a ratio of 3:1 (only 1 in 3 recommended projects can be accommodated on average). The variance arises from accommodating new projects as funds became available either through leverage, savings or partnerships.
To provide the country with supportive knowledge via completed projects	Number of completed projects finalised	75	87	12	The WRC had an increased effort to ensure that the final deliverable was received and approved before 31 March 2014.
To improve knowledge dissemination	Number of final research reports published	75	79 (+25 manuals)	4	The production, for some projects, of both technology transfer reports as well as K5 project reports, and cases where there is a need to publish multiple-volume reports, also accounts for the increased number of reports relative to what was planned for the year.

Objective	Indicator	Planned Target 2013/14	Actual Achievement 2013/14	Deviation from planned target to actual achievement for 2013/14	Notes on variance
To improve knowledge dissemination	Number of technical briefs produced per completed project	75	80	5	Technical briefs are produced per completed project. Due to the increase in the number of finalised projects, 5 extra technical briefs were produced before the end of the financial year.
To strengthen the WRC's strategic position regarding water research and development	Enhance WRC relationship with the research community (number of WRC 101 courses)	5	5	0	None
	Develop and implement the WRC's International Strategy	100% completed	100% completed	0	None
To enhance the relevance of the WRC locally and globally by coordi-nating strategic partnerships	Cumulative number of MoUs	2 MoUs	2 MoUs	0	None
To maintain a minimum number of students supported in water research projects	Minimum number of students supported	400	484	84 (above the minimum)	Sustained interest in WRC funded projects, active encouragement by the WRC, and commitment by Project Leaders for trans-formation and redresss of the water R&D community.
	Number of students from designated groups	240	401	161	Active encouragment by the WRC and commitment by project leaders to transformation and redress of the water R&D community.
To enhance human capital development by supporting SMME's in Water R&D domain	Number of SMMEs as project leads	22	24	2	2 additional projects taken up by SMMEs.
To cummulatively increase the number of policy and ministerial briefs produced and received by relevant govern-ment departments	Number of policy and ministerial briefs published and received by respective Governement departments	10	12	2	Knowledge generated from research conducted necessitated the production of extra policy and ministerial briefs.

Objective	Indicator	Planned Target 2013/14	Actual Achievement 2013/14	Deviation from planned target to actual achievement for 2013/14	Notes on variance
To promote the development and transfer of WRC research into innovations and new products for economic development	Number of new innovations or products developed	20	24	4	During the year serendipitous innovations also emanated from projects.
Profile of project leadership as part of the national transformation project to promote the on-going transformation of the water R&D sector	Number of projects with HDI participants in active projects	60	67	7	Extra HDI participants were taken onto projects.
	Number of project leaders from designated groups in new projects	35	39	4	This is as a result of changes in project leaders on initiated contracts and from new projects taken on later in the 2013/14 year.
To facilitate positive relationships with communities through active community participation in WRC projects	Number of community-based research projects	20	20 new projects plus 20 existing projects	20	A thorough examination of the WRC portfolio showed that there were 20 new projects and 20 projects that were already community based. This is a new indicator.
To promote the uptake and communication of WRC research in the form of manuals, guideline documentation and other supporting materials produced (published)	Number of manuals / guidelines / supporting materials produced	18	25	7	An increased number of manuals/guidelines and supporting material arose through knowledge generation from the research reports.
To enhance public understanding of water research	Volumes / cumulative number of issues of The Water Wheel	6	7	1	The additional issue for the year arose from a Groundwater Special Edition.
To improve the dissemination of water research	Volumes/ cumulative number of issues of Water SA	4	5	1	The extra issue for the year arose from: Vol 39 (3) WISA 2012 Special Edition 2013.
	Volumes / cumulative number of WIN-SA publications	17	28	11	The redesign of WIN-SA products and new opportunities enabled an increase in WIN outputs.

Objective	Indicator	Planned Target 2013/14	Actual Achievement 2013/14	Deviation from planned target to actual achievement for 2013/14	Notes on variance
To engage the sector in knowledge-sharing events through public dialogues and workshops	Number of workshops and dialogues	8	46	38	There was an increased demand for knowledge-sharing events.

Research Portfolio Highlights

In 2013/14, the WRC initiated 87 new projects and also completed 87 projects. This represents a cumulative increase in the amount of new research and finalised research funded over the past five years.

Over the past 5 years the WRC has finalised 401 research projects (Figure 3) indicating a significant contribution to knowledge in the water sector. An average number of 80 projects were finalised per year, for the past 5 years. Over the same 5-year period 381 new projects (Figure 4) were initiated, ensuring the continuous contribution of new knowledge to the sector. An average number of 76 new projects were started per year, over the past 5 years.

Figure 3. Annual and cumulative number of projects finalised over the past five years

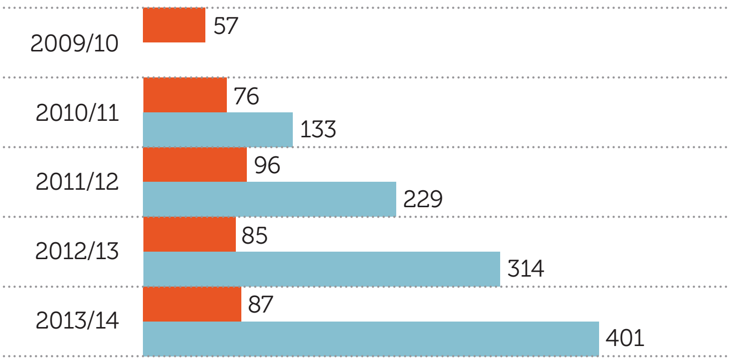
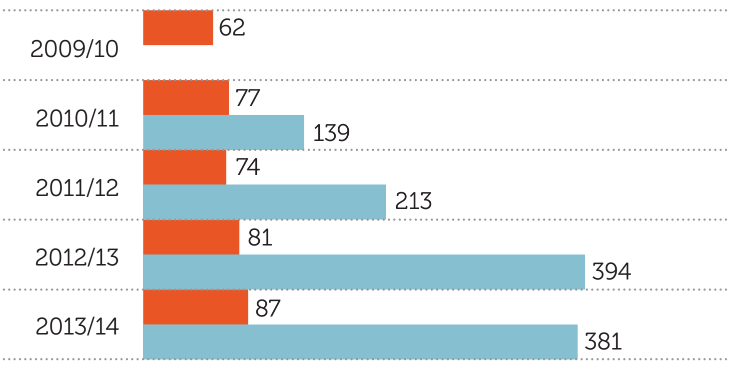


Figure 4. Annual and cumulative number of projects initiated over the past five years



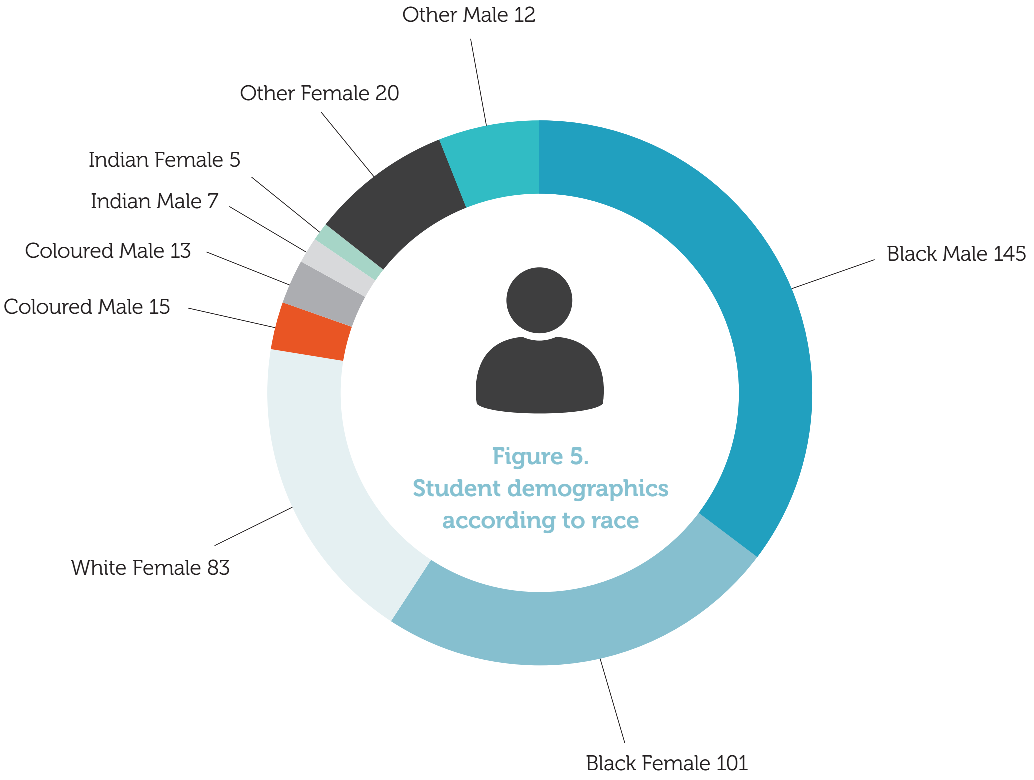


Figure 5.
Student demographics according to race

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 3. Financial Wellbeing Performance Targets for 2013/14 FY

Objective	Indicator	Planned Target 2013/14	Actual Achievement 2013/14	Deviation from planned target to actual achievement for 2013/14	Notes on variance
Financial Performance: Maintain income leverage growth	Maintaining leverage income as 10% of total income	15 million	19.2 million	4.2 million	Leverage income – variance primarily due to the Bill & Melinda Gates Foundation offset by research project delays within KSA's 2, 3 & 4.
	Research funding and research related overheads as a percentage of total expenditure	75.0%	73.3%	-1.76%	Research ratio – variance primarily due to the delays in the empowerment fund and research projects delays within KSA's 1, 3 and 4.

Objective	Indicator	Planned Target 2013/14	Actual Achievement 2013/14	Deviation from planned target to actual achievement for 2013/14	Notes on variance
Audit Response: Improve response to internal audit results	Percentage of the previous year's internal audit queries fully addressed	100% of operational findings fully addressed in specified action time frames as per the agreed internal audit response plan	100% achieved	0	None
Improve response to external audit results	An unqualified vs. qualified external audit report	Achieve unqualified audit	Qualified audit report received	1	Due to trade receivables
	Percentage of the previous year's external audit queries fully addressed	100% of operational findings fully addressed in specified action time frames as per the agreed external audit response plan	100% achieved	0	None

Human Resources

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

Table 4. Human Resources Performance Targets for 2013/14

Objective	Indicator	Planned Target 2013/14	Actual Achievement 2013/14	Deviation from planned target to actual achievement for 2013/14	Notes on variance
Maintain healthy staff diversity profile	Percentage of staff from designated groups	80%	91.7%	11.7%	Unplanned resignations and restructuring within the organ-isation allowed for appointments in the designated groups.
	Percentage of staff who are Black	70%	70%	0	None

Objective	Indicator	Planned Target 2013/14	Actual Achievement 2013/14	Deviation from planned target to actual achievement for 2013/14	Notes on variance
Maintain healthy staff diversity profile	Percentage of women staff members	51%	58.3%	7.3%	Unplanned resignations and restructuring within the organisation allowed for appointments in the designated groups.
Improve employee development and wellness	Personal development plans (PDP)	32 staff completed	33 staff completed	1	Additional support from employees to the development of PDP (new process).
	In-house training courses	3	7	4	The PDP process highlighted additional training that could be accommodated in the budget.
	External training courses	14	18	4	The PDP process highlighted additional training that could be accommodated in the budget.
	Develop a WRC Wellness Strategy	100% completed	100% completed	0	None

SUMMARY OF FINANCIAL INFORMATION

Revenue collection

Table 5. Revenue collection in 2013/14

	R'000	R'000	R'000	R'000	R'000	R'000
WR Levies	174 163	172 703	(1 460)	159 637	164 789	(5 152)
Leverage	34 139	19 262	(14 877)	17 768	19 746	(1 978)
Total	208 302	191 965	(16 337)	177 405	184 535	(7 130)

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 the Department of Water Affairs (DWA). The WRC concluded a Memorandum of Agreement (MoA) with DWA to manage the levy payments. The lower than anticipated WRL is mainly due to the delays in the gazetting of the 2013 WRL increase.

Programme expenditure

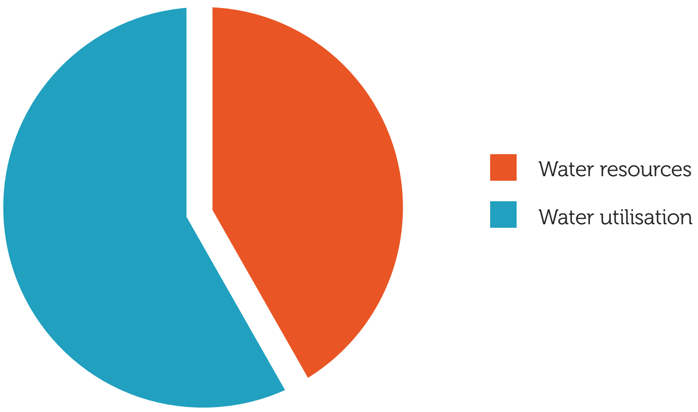
Table 6. Programme expenditure

	2013/14			2012/13		
Programme name	Budget	Actual expenditure	(Over)/Under expenditure	Budget	Actual expenditure	(Over)/Under expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Research Projects	138 611	118 521	20 090	123 397	116 726	6 671
Total	138 611	118 521	20 090	123 397	116 726	6 671

The under-expenditure on research projects is mainly due to the delays in a few project deliverables due to various factors, including weather delays, data availability from institutions, and researcher movements. All funds are committed in projects, supported by signed contract.

Summary of payments by sub-programme

Figure 6. Percentage utilisation of research funds in 2013/14



The percentage utilisation of research project funds by the KSAs during 2013/14 (Figure 6) indicates that approximately 44% (compared with 48% for 2012/13) was invested in projects that focused on water resources (including water-linked ecosystems) and approximately 56% (compared with 52% for 2012/13) in projects that focused on water utilisation (including effluent treatment and management, as well as agriculture). This is based on the actual amount paid out as well as accrued for research projects during the financial year under review. The allocation of about 50% of the fund to issues related to resource management and 50% to issues related to water utilisation was a strategic allocation based on the medium- to long-term needs for research. Table 7 shows the planned versus utilised funds for the year under review, compared to the previous financial year.

Table 7. Summary of payments per KSA

	2013/14			2012/13		
KSA	Budget	Actual expenditure	(Over)/Under expenditure	Budget	Actual expenditure	(Over)/Under expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Water Resource Management	35 656	32 000	3 656	32 500	34 085	(1 585)
Water-Linked Ecosystems	17 994	17 746	248	16 174	21 127	(4 953)
Water Use & Waste Management	39 810	35 671	4 139	39 487	33 808	5 679
Water Utilisation in Agriculture	30 083	27 261	2 822	30 954	26 559	4 395
Total	**123 543**	**112 678**	**10 865**	**119 115**	**115 579**	**3 536**

The actual utilisation of funds (as a percentage of total funds) by the KSAs closely agreed with the planned allocation, and the deviations observed did not exceed 1%. The overall investment in research projects (knowledge creation) amounted to R118.5 m. This was marginally more than what was reported in the previous year, with an increase of 1% (R116.7 m. for 2012/13).

Total investment in the support of knowledge creation, sharing and dissemination amounted to R150m. This represents an increase of 3.7% from the previous year (R144.7 m. total investment was reported in 2012/13). Table 9 provides the business efficiency indicators in terms of the budgeted and actual utilisation of research funding. The investment in research projects expressed as a percentage of total expenditure was lower than the budgeted ratio and also lower than that of the previous year. The investment in research support expressed as a percentage of total expenditure was 1.8% lower than the budgeted ratio and 0.4% lower than that of the previous year. The ratio addressing funding of the creation of new knowledge (research projects only) was 65%, 1.9% lower than that for 2012/13 and 1.9% lower than the planned ratio of 67%. The ratio for research support was 73.3%, compared to 73.7% in 2012/13, and was lower than the planned ratio of 75%.

Table 8. Distribution of research project funds among KSAs: Planned vs. utilised funds (2012/13 data in brackets)

Key Strategic Area (KSA)	Planned percentage allocation of funds	Percentage of funds utilised for research projects
Water Resource Management (KSA1)	29 (27)	28 (30)
Water-Linked Ecosystems (KSA2)	15 (14)	16 (18)
Water Use and Waste Management (KSA 3)	32 (33)	32 (29)
Water Utilisation in Agriculture (KSA 4)	24 (26)	24 (23)

Table 9. Research funding: Business efficiency indicators (budgeted and actual)

	2013/14 (budgeted)	2013/14 (actual)	2012/13 (actual)
Research project funding as a percentage of total expenditure*	67%	65.2%	67.1%
Research support (research projects and support and technology transfer) as a percentage of total expenditure	75%	73.3%	73.7%

* Expenditure does not include provisions for bad debts, bad debt write-offs, movements in employee benefit valuations and non-cash amounts

Leveraging income for the creation, sharing and dissemination of water knowledge

During the year under review the WRC continued to leverage levy income by striving to obtain funds from other sources to support water research. During 2013/14 this drive was fairly successful, but substantial amounts were rolled over into 2014/15, e.g., the upfront funding received from the Bill and Melinda Gates Foundation for sanitation research in sub-Saharan Africa, the Blue/Green Drop project, the Gates Sanitation Demonstration project and the DST Innovation for Rural Development Partnership programme. The WRC income originating from sources other than the levy for 2013/14 amounted to R19.2 m. Leveraged income included funds allocated to a number of KSAs for direct support of research projects and funds provided for capacity building, knowledge sharing and dissemination. Leveraged income was obtained from both local and international sources, where the main source of income was due to support by various Government departments for specific research and for other knowledge-sharing projects. Table 10 presents income indicators for the year under review, compared to the previous financial year. Sources of income other than the levy for 2013/14 amounted to about 10% of the total income.

Table 10. Income indicators for the year under review compared to the previous financial year

Indicator	2013/14 (budgeted)	2013/14 (actual)
Levies as a percentage of total income	81%	87%
Other sources of income as a percentage of total income	19%	13%
Leverage income as a percentage of other income*	86%	78%

*Leverage includes all other income with the exception of interest received

CAPITAL INVESTMENT, MAINTENANCE AND ASSET MANAGEMENT PLAN

IT equipment (desktop and laptop computers) is leased and 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, whether the verified assets were in use or not, and the assessment of the condition of each verified asset. All assets on the asset register are in use and in good condition.

Table 11. Summary of capital asset expenditure

	2013/14			2012/13		
Infrastructure projects	Budget	Actual expenditure	(Over)/Under expenditure	Budget	Actual expenditure	(Over)/Under expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
IT equipment & Software	1 211	128	1 083	1 768	1 854	(86)
Office furniture & Equipment	113	22	91	61	32	29
Vehicle	0	300	(300)			
Total	**1 324**	**450**	**874**	**1 829**	**1 886**	**(57)**

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 Executive Managers of Water Resource Management; Water-Linked Ecosystems; Water Use and Wastewater; Water Utilisation in Agriculture; Business Development, Marketing & Communications; and Corporate Services 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 were reviewed and updated to ensure its continued relevance and compliance with legislative and governance requirements.

PORTFOLIO COMMITTEES

Table 12. WRC Board Portfolio Committees

Committee	No. of meetings held	Date of meeting	No. of members	Name of members
Research Policy and Strategy	4	7 May 2013 24 July 2013 12 September 2013 17 January 2014	6	Dr B van Koppen (Chairperson) Ms B Schreiner Prof S Hendriks Mr P Mnisi Mr G Mwiinga (Chairperson from 17 January 2014) Mr D Naidoo (CEO)
Social, Ethics, Human Resources and Information Technology	6	7 May 2013 27 May 2013 11 June 2013 19 June 2013 24 July 2013 10 September 2013	5	Ms D Ndaba (Chairperson) Mr N Mhlongo Ms B Schreiner Dr B van Koppen Mr D Naidoo (CEO)
Remuneration Committee	5	11 June 2013 19 June 2013 17 July 2013 15 October 2013 16 January 2014	6	Prof S Hendriks (Chairperson) Ms B Schreiner Mr N Mhlongo Ms D Ndaba Dr B van Koppen Mr D Naidoo (CEO)
Audit & Risk Committee	5	24 May 2013 26 July 2013 9 September 2013 15 January 2014 4 February 2014	5	Mr N Mhlongo (Chairperson) Mr G Mwiinga Mr P Mnisi (resigned July 2013) Ms D Ndaba Mr D Naidoo (CEO)

Committee	No. of meetings held	Date of meeting	No. of members	Name of members
Finance Committee	3	9 September 2013 15 January 2014 4 February 2014	5	Mr N Mhlongo (Chairperson) Mr G Mwiinga Mr P Mnisi (resigned July 2013) Ms D Ndaba Mr D 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 newly-appointed Board. The Board members, who are appointed by the Minister of Water & Environmental Affairs, are independent, non-executive directors. The CEO and the Director-General of the DWA 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 27 March 2012. The following Board Committees have been established:

1. Audit and Risk Committee (A&R)
2. Finance Committee (Finance)
3. Remuneration Committee (Rem Com)
4. Social Ethics, Human Resources and Information Technology (SEHRIT)
5. Executive Committee (Exco)
6. Research Policy and Strategy (RPS)

WRC Board members Dhesigen Naidoo (CEO), Barbara Schreiner (Chairperson), Dora Ndaba (Vice Chairperson), Dr Barbara van Koppen and Nala Mhlongo. Absent from the photograph is Godfrey Mwiinga, Patrick Roy Mnisi (resigned) and Prof Sheryl Hendriks (resigned).

The Board Members

Ms Barbara Schreiner (Chairperson of the Board)
Appointed on 29 May 2012. Ms Schreiner is a Director at Pegasys Strategy & Development. She also serves on the Board of the International Water Management Institute (IWMI). WRC Board and Committee meetings attended: Board (5), RPS (4), SEHRIT (6), and Rem Com (5).

Ms Dora Ndaba (Vice Chairperson and Chairperson of SEHRIT Committee)
Appointed on 29 May 2012 (for second term). Ms Ndaba serves on the NEDLAC Development Chamber: Public Transport Task Team and is a member of the Presidential Working Group on Women. WRC Board and Committee meetings attended: Board (4), Finance (3), Audit & Risk (5), Rem Com (4), and SEHRIT (5).

Dr Barbara van Koppen (Chairperson of RPS Committee until January 2014)
Appointed on 29 May 2012. Dr van Koppen is a principal researcher in poverty, gender and water at IWMI. WRC Board and Committee meetings attended: Board (4), RPS (4), SEHRIT (5), and Rem Com (1).

4. Mr Nala Mhlongo (Chairperson of Audit & Risk Committee; Chairperson of Finance Committee)
Appointed on 29 May 2012 (for second term). Mr Mhlongo heads up his own accounting and management consulting firm. WRC Board and committee meetings attended: Board (5), Audit & Risk (5), Finance (3), SEHRIT (5), and Rem Com (4).

Mr Godfrey Mwiinga (Chairperson of RPS Committee from January 2014)
Appointed on 29 May. Mr Mwiinga works for the Development Bank of Southern Africa. Board and Committee meetings attended: Board (5), RPS (5), Audit & Risk (3), Finance (2), and Rem Com (2)

Mr Patrick Roy Mnisi
Appointed on 29 May 2012, resigned on 31 August 2013. Mr Mnisi is the CEO of the Institute of Municipal Finance Officers. WRC Board and Committee meetings attended: RPS (1), and Audit & Risk (1).

Prof Sheryl Hendriks (Chairperson of Remuneration Committee)
Appointed on 29 May 2012. Prof Hendriks is the Head of the Institute for Food, Nutrition and Well-being at the University of Pretoria. WRC Board and Committee meetings attended: Board (2), RPS (2), Rem Com (4), SEHRIT (2).

Mr T Balzer (Acting DWA DG and Ex-officio Board member)
Appointed in March 2013. WRC Committee meetings attended: Board (2).

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 (5), RPS (4), Audit and Risk (5), Finance (3), SEHRIT (4), Rem Com (2).

The Executive Members: Standing (left to right): Mr Jay Bhagwan, Mr Dhesigen Naidoo (CEO), Dr Gerhard Backeberg, Dr Stanley Liphadzi. Sitting (left to right): Mr Nareshkumar Patel (CFO), Ms Eiman Karar, Dr Inga Jacobs, Ms Reshmili Lutchman.

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 Environmental Affairs in consultation with the Minister of Finance. Members that are not remunerated are the CEO and the ex-officio member of DWA. Board members are also paid for travel expenses.

Table 13. Remuneration paid to each board member in 2013/14

Name (rate per meeting)	Remuneration	Total (R)
Ms Barbara Schreiner (Chairperson)	2 056	125 416
Prof Sheryl Hendriks (Vice-Chairperson)	1 560	43 680
Mr Nala Mhlongo	1 560	70 200
Mr Patrick Mnisi (resigned 31 August 2013)	1 560	6 240
Mr Godfrey Mwiinga	1 560	51 480
Ms Dora Ndaba	1 560	92 040
Dr Barbara van Koppen	1 560	48 360
Mr Dhesigen Naidoo	N/A	N/A
DWA DG	N/A	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 WRC (Board and Management) identified 14 risks for the 2013/14 financial year. 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 were 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)
Business interruption / disaster	Alternative processing unit in place Disaster recovery site Disaster recovery plans Firewalls Uninterrupted Power Supply Anti-virus software Insurance Emergency response teams Evacuation plans and procedures Fully functional private network (VPN) Logical and physical access controls Fireproof strong room for research contracts Digitisation of documentation Utilisation of updated virus software 3G and cell phone enablement 24-hour security with armed response Storage of sensitive hard copy information in fireproof safes
Fraud (financial)	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 workshopped annually 24-hour fraud hotline Whistle-blowing policy implemented

Risk Name	Controls (Business process to manage the risk exposure)
Board governance	Board evaluation Implemented Board charter highlighting roles and responsibilities Induction programme for all Board members Quarterly pack submission to the Board Ongoing interaction between executive management and the Board All inclusive planning process (Board involvement) Chair of the Audit Committee has the appropriate financial skills and qualifications
Policy responses	Dialogues with various stakeholders and with decision makers Policy and ministerial briefs for decision making Policy research in the WRC portfolio
Administration and compliance	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 responsibility of all Executive Managers
Fraud (research)	Reference group peer review system Multiple approver procedure Requirement for declaration of publications and intellectual property Conference presentation for further technical peer review
Financial sustainability	Escalation provisions for funding Governed by legislation, Government Gazettes Diversified levy agencies (DWA, RW and UW) Significant leverage income to offset dependency Regular interaction with shareholder and stakeholders on funding issues Strategy to further diversify funding Prioritisation of available funds Stretching of resources Regular meetings with funders MOU and understanding of monthly payments with DWA Adherence to legislation (collection of income – WRA)
Complexity of research issues	Introduction of the Lighthouse programme to engage both complexity and trans-disciplinarity 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

Risk Name	Controls (Business process to manage the risk exposure)
Research balance priorities	Annual strategic review of research portfolio Stakeholder engagement Periodic institutional review of research portfolio Active engagement in COORT to ensure NSI balance Engagement with relevant stakeholders Various research strategies Deliverable system Engaging performance of researchers All inclusive strategic planning process with alignment of financial resources Prioritisation process for all research activities
Lack of uptake of research	Involvement of end users in design and roll-out 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
Keeping up with changes and trends in water research whilst remaining relevant	Capacity building – as part of research contracts and research prioritisation (including post docs) Mechanism of WRC dialogues 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 Leading (implementing agents) for national capacity drive Conference attendance to enhance knowledge 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
Competition from public and private sector	Engagement with research partners Collaboration with other institutions in NSI (both public and private) Support publication and exposure of students and training material Deliverable system Annual strategic review of research portfolio Periodic institutional review of research portfolio Engaging performance of researchers
Relevance of the WRC within Africa, SADC and Global	Attendance of international conferences Involvement in global, African and SADC level projects. WRC international strategy implemented Limited interaction with stakeholders on SADC, Africa and global involvement

Risk Name	Controls (Business process to manage the risk exposure)
Availability, continuity and growth of research expertise	Capacity building – as part of research contracts and research prioritisation in particular post graduate student support Introduction of Lighthouse programmes Engagement with research partners Support publication and exposure of students and training material Lobby for increased research funds through DWA and DST Leading (implementing agents) for national capacity drive

INTERNAL CONTROL UNIT

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

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

INTERNAL AUDIT AND AUDIT COMMITTEES

The WRC has an outsourced internal audit function. The WRC has adopted formal terms of reference as its Internal Audit Charter. The internal auditors prepare a rolling three-year audit plan, which on the recommendation of the Audit and Risk Committee is approved by the Board. The internal audit function reports directly to the Audit and Risk Committee. For the 2013/14 financial year it performed the following audits:

- Performance information review
- Financial discipline review
- Human resources review
- IT general controls review
- Follow-up review

Table 15 discloses relevant information on the Audit Committee Members:

Table 15. Audit Committee Member Details

Name	Qualifications	Internal/ External	Date appointed	No. of meetings attended
Nala Mhlongo (Committee chair)	Chartered Management Accountant, Chartered Global Management Accountant, Chartered Accountant, B.Com (Hons), B.Com	External	29 May 2012 (second term)	5
Dora Ndaba	MTech Transport Logisitics, B Tech Transport Logisitics, Certificate in Food Processing (Belgium), Certificate in Marketing and Management in Agriculture (USA), Diploma in Transport Economics, Diploma in Nursing	External	29 May 2012 (second term)	5

Name	Qualifications	Internal/ External	Date appointed	No. of meetings attended
Godfrey Mwiinga	MBA, MA Civil Engineering, Post Graduate Diploma in Sanitary Engineering BA Civil Engineering	External	29 May 2012	3
Patrick Roy Mnisi	Masters in Corporate Law, LLB, Certificate of Compliance Management	External	29 May 2012	1
Dhesigen Naidoo	CEO and ex-officio	Internal	1 October 2011	5

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.

HEALTH AND SAFETY

During the year under review the WRC implemented and tested its emergency evacuation plan. The Commission also ensured that employees have been trained in fire-fighting, first aid, emergency response and safety, health and the environment.

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)

CORPORATE SOCIAL RESPONSIBILITY

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

Through its corporate social responsibility actions, the WRC aims to:

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

Communities

The WRC contributed to communities through sustainable interventions that had a direct improvement on the lives and livelihoods of communities. This was achieved through support to historically disadvantaged students on research projects; small, medium and micro enterprises through research projects; as well as support to 40 projects that show transfer of knowledge via community involvement in the project.

One of the WRC's investments that have had the most community impact of the past financial year has been the low flush system installed through a partnership with eThekwini Water and Sanitation in two schools in the Durban area. Girls' and boys' toilet blocks were installed at Sizimesele Primary School as well as at Thandaza High School.

The provision of the new toilet blocks also created an opportunity to educate teachers and learners about the transmission of disease and how it can be prevented through an improvement in personal hygiene.

Another WRC-funded pilot study was successfully undertaken in the Western Cape to investigate the sustainability of pour flush toilets in high-density urban and peri-urban settlements. Pour flush toilets were installed in three communities in the municipal areas of Cape Town, Stellenbosch and Theewaterskloof.

Feedback from community members has been extremely positive, with all sites being receptive to the technology. Observations to date confirm that the pour flush design is working well without blockage. The success of the technology is further evidenced by the fact that some of the communities have expressed a willingness to contribute to the maintenance of their facilities.

In townships such as Klein Begin, the communal pour flush toilets are working and being kept clean despite failure of previous flush toilets due to lack of household servicing. Stellenbosch Municipality is already considering incorporating pour flush sanitation into its standard specifications for informal settlements.

Donation to local library

During the 2013/14 financial year the WRC reached out to public libraries in its vicinity. While small, the Commission's donation of water research books and materials has made a significant contribution to reference material available at Tshwane's public libraries. The collaboration with public libraries continues, with the Commission regular donating reader-friendly publications from its water knowledge stable.

Employee wellbeing

The WRC's performance is directly influenced by the health and wellbeing of its staff. In today's dynamic environment it has been crucial 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 Commission employees.

During 2013/14 the WRC aimed to improve the health and well-being of WRC staff through education and activities that support a positive lifestyle change, thereby resulting in improved employee productivity and morale in addition to healthcare cost savings for the employee and the organisation.

In striving to improve the health and wellbeing of its employees, the WRC's wellness strategy focused on three areas: health management, wellness management and socio-economic wellness. The health management focus aimed to encourage employees to know their health status and, where necessary, to take action to prevent illness and chronic conditions. In turn, the wellness management area focused on promoting the physical, social and emotional wellness of employees. To achieve this, the WRC set out to create a working environment and culture which takes into consideration the importance of achieving work-life balance. Economic stresses play a large role in the psycho-social wellness of employees, and the WRC also sought during the year to address this in creative ways by allowing staff to access information in an unintimidating forum.

Wellness Week 2013

A comprehensive Wellness Week was held from 16-20 September 2013. The programme was centred around self-care through balance. A total of 40 staff attended the Wellness Week activities, which presented the following the participants:

- A motivational session led by a clinical psychologist specialising in the field of achieving work-life balance by taking care of biological, personal and work needs.
- An in-depth education session on good nutrition and how the body functions, with advice on how to adapt daily habits to achieve better nutrition. In support of this the WRC has ensured that all employees have access to facilities for preparing healthy meal substitutes.
- Two morning sessions were dedicated to in-depth briefings on the importance of health screening tests and how to be responsive and proactive about the information obtained through such tests.

High risk diseases

Results from the 2012 Discovery Healthy Companies Index, in which the WRC participated, identified the most common diseases and risk factors within corporate environments as those contributing to heart and stroke, hypertension, inadequate exercise and diabetes. In response to this information, the WRC conducted supportive information campaigns during 2013/14, providing employees with direction on how to identify risk factors, and how to take action when faced with health and illness challenges.

WRC nutrition programme

To consolidate the impact of the Wellness Week initiatives and awareness of high risk diseases, the WRC arranged for the services of an onsite registered dietician to consult with employees and, where necessary, assist in drawing up individualised meal plans and nutrition management. A total of 17 WRC employees signed up for the programme and received nutrition plans.

WRC Step Up challenge

The wellness management thrust focused largely on the 'Step Up' challenge, which aimed to get employees moving and more active on a daily basis, for example, by using the stairs (rather than the lift) at every opportunity. The challenge was supported via email and poster campaigns to encourage continued activity. The next phase will be followed up with actual measurement of stair use among employees.

Wellness Day

A Discovery Wellness Day was hosted in February 2014. The day was attended by 40 employees who each underwent health and fitness screening and received detailed reports on health areas that required attention. Awareness information for the year ahead will challenge employees to keep their screening records and make active lifestyle changes in order to improve their screening results.

Invest in Yourself

A workshop on planning and managing personal finances was presented to employees in March 2014. Handbooks with practical applications were provided and useful information and spreadsheets distributed to all staff after the workshop.

Environment

Recycling campaign

The WRC acknowledges that the environment is a fundamental aspect of social responsibility. The business activity of the WRC has an impact to a greater or lesser degree on the environment. During the year under review, the WRC instituted an intensive recycling programme, enabling the recycling of plastic, glass, paper and cans through clearly marked bins. Recyclable material is collected by NAMPAK SA at no charge to the WRC.

In February 2014 a special Recycling Week was held where staff was encouraged to bring their recyclables to work. Guest speakers presented talks on the importance of recycling.

Reducing consumption of especially paper remains a priority, with compulsory double-sided printed and a move to using electronic communication rather than printed material being promoted throughout the year. Disposing of defunct computer systems effectively and efficiently with reduced impact on the environment also continued to receive attention during the year.

Colbyn Valley clean-up

On International Mandela Day, 18 July 2013, WRC staff, in partnership with the Agricultural Research Council participated in a clean-up of the Colbyn Valley Wetland, in Pretoria. Around 90 people participated in the event, which cleared 130 garbage bags of waste from this urban wetland. The sustainable management and utilisation of water in wetland ecosystems is one of the key focus areas of both the WRC and the ARC. Wetlands link people, fauna, flora and the environment in distinct and often inter-dependent ways through the life-supporting functions of water.

SECTION D:

WRC CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT 2013/14

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 2014 have been audited by the external auditors and their report is presented on page 86.

The audited Annual Financial Statements of the public entity set out on p92-179 have been approved.

Dhesigen Naidoo
Chief Executive Officer

Barbara Schreiner
Chairperson of the Board

REPORT OF THE AUDIT AND RISK COMMITTEE

Report of the Audit and Risk Committee 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 that 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.

Mr M Mhlongo
Chairperson of the Audit and Risk Committee

WATER RESEARCH COMMISSION
REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT

Report on the consolidated and separate Financial Statements

INTRODUCTION

1. I have audited the consolidated and separate financial statements of the Water Research Commission and its subsidiary set out on pages 90 to 150, which comprise the consolidated and separate statement of financial position as at 31 March 2014, the consolidated and separate statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the consolidated and separate financial statements

2. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with Generally Recognised Accounting Practices (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) 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.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

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

Basis for qualified opinion

Trade and other receivables

6. I was unable to obtain sufficient and appropriate audit evidence about the trade receivable balance reflected as R45.6 million (2013: R45.0 million- restated) in note 10 to the financial statements. There were significant

Report on the consolidated and separate Financial Statements

differences between the amounts recalculated as outstanding debtors balance and the amounts recorded in the accounting records of the entity which management could not substantiate. Alternative audit procedures did not render satisfactory results. Due to the inadequate systems in place at the entity I was unable to determine whether any adjustment to the trade receivables figure was necessary.

Qualified opinion

7. In my opinion, except for the effects of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Water Research Commission as at 31 March 2014, and its financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practices and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act No 71 of 2008).

Emphasis of matters

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

Restatement of corresponding figures

9. As disclosed in note 28 to the financial statements, the corresponding figures for 31 March 2013 have been restated as a result of an error discovered, during the current financial year ended 31 March 2014, in the financial statements of the Water Research Commission.

Matters important to the users of the financial statements

10. With reference to note 31 to the annual financial statements, the new minister of the Department of Water and Sanitation approved the 5.7% water levy increase effective from the 1 Jul 2013. This resulted in increase in revenue and trade and other receivables.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

11. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected portfolio presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

12. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected portfolio presented in the annual performance report of the public entity for the year ended 31 March 2014:
    a. Portfolio 1 : Research portfolio on pages 57 to 58.

Report on the consolidated and separate Financial Statements

13. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

14. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned portfolios. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).

15. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. The material findings in respect of the selected portfolio are as follows:

Usefulness of reported performance information

Performance targets not specific

17. The National Treasury Framework for managing programme performance information (FMPPI) requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 45% of the targets relevant to objectives were not specific in clearly identifying the nature and the required level of performance. This was due to the fact that management was aware of the requirements of the FMPPI but did not receive the necessary training to enable application of the principles.

Performance targets not measurable

18. The National Treasury Framework for managing programme performance information (FMPPI) requires that performance targets be measurable. The required performance could not be measured for a total of 20% of the targets relevant to objectives. This was due to the fact that management was aware of the requirements of the FMPPI but did not receive the necessary training to enable application of the principles.

Performance Indicators not well defined

19. The National Treasury Framework for managing programme performance information (FMPPI) requires that indicators should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 42% of the indicators relevant to objectives were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. This was due to the fact that management was aware of the requirements of the FMPPI but did not receive the necessary training to enable application of the principles.

Compliance with legislation

20. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Report on the consolidated and separate Financial Statements

Annual financial statements, performance and annual reports

21. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1) (a) (b) of the Public Finance Management Act.

22. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting documents could not be provided subsequently which resulted in the financial statements receiving a qualified audit opinion.

Procurement and contract management

23. Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1.

24. Goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by Treasury Regulations 16A6.1.

25. The preference point system was not applied in procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act and Treasury Regulations 16A6.3 (b).

26. Quotation were awarded to bidder that did not score the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act and Preferential Procurement Regulations.

Expenditure management

27. The accounting authority did not take effective steps to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the Public Finance Management Act.

Revenue management

28. Effective and appropriate steps were not taken to collect all money due, as required by section 51(1)(b)(i) of the Public Finance Management Act and Treasury Regulations 31.1.2(a) and 31.1.2(e)

Internal control

29. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion, the findings on the performance report and the findings on non-compliance with legislation included in this report.

Leadership

30. The accounting authority did not retain adequate oversight responsibility to prevent irregular expenditure.

Report on the consolidated and separate Financial Statements

Financial and performance management

31. The accounting authority did not adequately review the financial statements to ensure that they are prepared in all material respects in accordance with the requirements of Generally Recognised Accounting Practice.

32. The accounting authority did not adequately monitor compliance with laws and regulations during the year.

Auditor-General

Auditor-General

Pretoria
31 July 2014

AUDITOR-GENERAL
SOUTH AFRICA

General Information

Country of Incorporation and Domicile	South Africa
Nature Of Business And Principal Activities	Water related research
Registered Office	Marumati Building c/o Frederika and 18th Avenue Rietfontein Pretoria
Business Address	Marumati Building c/o Frederika and 18th Avenue Rietfontein Pretoria
Postal Address	Private Bag X03 Gezina 0031
Auditors	Auditor General Registered Auditors

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The reports and statements set out below comprise the annual financial statements presented to the Accounting Authority:

Statement Of Financial Position As At 31 March 2014

		Group		WRC	
	Note(s)	2014 R	2013 (Restated) R	2014 R	2013 (Restated) R
ASSETS					
Current assets					
Loans to economic entities	6	-	-	1,020,000	1,020,000
Operating lease asset		1,601	33,659	-	-
Trade and other receivables	10	45,666,293	45,065,932	45,643,014	45,045,696
Cash and cash equivalents	11	144,642,649	85,338,733	142,329,552	83,092,896
		190,310,543	**130,438,324**	**188,992,566**	**129,158,592**
Non-Current Assets					
Property, plant and equipment	3	10,998,676	11,453,170	2,307,154	2,761,648
Intangible assets	4	2,275,536	2,573,522	2,275,536	2,573,522
Investments in controlled entities	5	-	-	755,939	755,939
Loans to economic entities	6	-	-	21,159,229	19,137,514
Other financial assets	7	11,585,389	9,168,977	11,585,389	9,168,977
		24,859,601	**23,195,669**	**38,083,247**	**34,397,600**
Total Assets		**215,170,144**	**153,633,993**	**227,075,813**	**163,556,192**
LIABILITIES					
Current Liabilities					
Finance lease obligation	12	418,332	538,966	418,332	538,966
Trade and other payables	14	112,001,689	47,390,515	111,850,837	46,801,671
Accruals – leave and bonus	13	3,600,075	3,548,187	3,600,075	3,548,187
Trade and other payables – Non-exchange transactions		31,877	38,381	-	-
		116,051,973	**51,516,049**	**115,869,244**	**50,888,824**
Non-Current Liabilities					
Finance lease obligation	12	268,886	660,149	268,886	660,149
Operating lease liability		25,443	32,089	207,175	300,257
Employee benefit obligation	9	4,008,106	4,803,741	4,008,106	4,803,741
		4,302,435	**5,495,979**	**4,484,167**	**5,764,147**
Total Liabilities		**120,354,408**	**57,012,028**	**120,353,411**	**56,652,971**
Net Assets		**94,815,736**	**96,621,965**	**106,722,402**	**106,903,221**
NET ASSETS					
Accumulated surplus		94,815,736	96,621,965	106,722,402	106,903,221

Statement Of Financial Performance

		Group		WRC	
	Note(s)	2014 R	2013 R	2014 R	2013 R
Revenue	16	196,712,227	185,185,569	196,433,521	184,534,409
Other income		604,805	2,941,459	569,331	3,276,354
Operating expenses		(204,108,367)	(196,291,428)	(205,204,088)	(197,311,457)
Operating deficit	17	**(6,791,335)**	**(8,164,400)**	**(8,201,236)**	**(9,500,694)**
Investment revenue	18	2,679,816	3,298,773	5,715,127	6,036,449
Fair value adjustments		2,449,018	1,664,253	2,449,018	1,664,253
Finance costs	19	(143,728)	(178,303)	(143,728)	(178,303)
Deficit for the year		**(1,806,229)**	**(3,379,677)**	**(180,819)**	**(1,978,295)**
Attributable to:					
Owners of the controlling entity		(1,806,229)	(3,379,677)	(180,819)	(1,978,295)

Statement Of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Group		
Opening balance as previously reported	91,486,544	91,486,544
Adjustments		
Prior year adjustments	8,515,098	8,515,098
Balance at 01 April 2012 as restated	**100,001,642**	**100,001,642**
Changes in net assets		
Surplus (deficit) for the year	(3,379,677)	(3,379,677)
Total changes	(3,379,677)	(3,379,677)
Balance at 01 April 2013	**96,621,965**	**96,621,965**
Changes in net assets		
Surplus (deficit) for the year	(1,806,229)	(1,806,229)
Total changes	(1,806,229)	(1,806,229)
Balance at 31 March 2014	**94,815,736**	**94,815,736**

	Accumulated surplus R	Total net assets R
WRC		
Opening balance as previously reported	100,366,418	100,366,418
Adjustments		
Prior year adjustments	8,515,098	8,515,098
Balance at 01 April 2012 as restated	**108,881,516**	**108,881,516**
Changes in net assets		
Deficit for the year	(1,978,295)	(1,978,295)
Total changes	(1,978,295)	(1,978,295)
Balance at 01 April 2013	**106,903,221**	**106,903,221**
Changes in net assets		
Surplus (deficit) for the year	(180,819)	(180,819)
Total changes	(180,819)	(180,819)
Balance at 31 March 2014	**106,722,402**	**106,722,402**

Cash Flow Statement

		Group		WRC	
	Note(s)	2014 R	2013 R	2014 R	2013 R
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts					
Cash receipts from customers		196,289,470	183,429,905	195,986,300	183,946,697
Interest income		2,679,816	3,298,773	5,715,127	6,036,449
		198,969,286	186,728,678	201,701,427	189,983,146
Payments					
Cash paid to suppliers and employees		(138,522,495)	(193,266,779)	(139,300,181)	(195,119,511)
Finance costs		(143,728)	(178,303)	(143,728)	(178,303)
		(138,666,223)	(193,445,082)	(139,443,909)	(195,297,814)
Net cash flows from operating activities	22	**60,303,063**	**(6,716,404)**	**62,257,518**	**(5,314,668)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	3	(363,068)	(1,307,019)	(363,068)	(1,307,021)
Purchase of other intangible assets	4	(87,522)	(473,484)	(87,522)	(473,484)
Loans to economic entities repaid		-	-	(2,021,715)	(1,742,588)
Proceeds from other financial assets		32,606	17,124	32,606	17,124
Net cash flows from investing activities		**(417,984)**	**(1,763,379)**	**(2,439,699)**	**(3,505,969)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from / (Payments of) finance lease obligations		(511,897)	452,203	(511,897)	452,203
Net increase/(decrease) in cash and cash equivalents		**59,373,182**	**(8,027,580)**	**59,305,922**	**(8,368,434)**
Cash and cash equivalents at the beginning of the year		85,338,733	93,039,613	83,092,896	91,134,630
Effect of exchange rate movement on cash balances		(69,266)	326,700	(69,266)	326,700
Cash and cash equivalents at the end of the year	11	**144,642,649**	**85,338,733**	**142,329,552**	**83,092,896**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
WRC				
Statement of Financial Performance				
Revenue				
Revenue from exchange transactions				
Water Research Levies	174,162,616	177,171,072	3,008,456	
Leverage	34,139,632	19,262,449	(14,877,183)	1
Miscellaneous income	558,642	3,007,289	2,448,647	2
Interest received - investment	5,500,000	5,715,127	215,127	
Roll/Over of Committed funds	15,830,000	-	(15,830,000)	
Total revenue from exchange transactions	**230,190,890**	**205,155,937**	**(25,034,953)**	
Expenditure				
Fixed costs	(4,095,988)	(4,131,716)	(35,728)	
Running costs	(7,904,397)	(7,647,283)	257,114	
Human Resources costs	(41,589,240)	(39,988,003)	1,601,237	
Research and Development costs	(172,771,077)	(150,366,655)	22,404,422	3
Corporate expenses	(2,506,410)	(2,221,604)	284,806	
Capital expenditure	(1,323,778)	(477,813)	845,965	
Depreciation	-	(1,062,304)	(1,062,304)	
Post retirement medical aid liability	-	795,635	795,635	
Other expenses	-	(237,013)	(237,013)	
Total expenditure	**(230,190,890)**	**(205,336,756)**	**24,854,134**	
Net surplus/(deficit)	-	(180,819)	(180,819)	

Notes

1. Delays experienced on certain leverage funded projects;
2. Fair value movement on investments not budgeted for;
3. Due to the rescheduling of certain research projects.

Accounting Policies

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Consolidation

Basis of consolidation

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

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

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

The results of controlled entities, are included in the consolidated financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases. The difference between the proceeds from the disposal of the controlled entity and its carrying amount as of the date of disposal, including the cumulative amount of any exchange differences that relate to the controlled entity recognised in net assets in accordance with the Standard of GRAP on The Effects of Changes in Foreign Exchange Rates, is recognised in the consolidated statement of financial performance as the surplus or deficit on the disposal of the controlled entity.

An investment in an entity is accounted for in accordance with the Standard of GRAP on Financial Instruments: Recognition and Measurement from the date that it ceases to be a controlled entity, unless it becomes an associate or a jointly controlled entity, in which case it is accounted for as such. The carrying amount of the investment at the date that the entity ceases to be a controlled entity is regarded as cost on initial measurement of a financial asset in accordance with the Standard of GRAP on Financial Instruments: Recognition and Measurement.

The financial statements of the WRC and its controlled entities used in the preparation of the consolidated financial statements are prepared as of the same reporting date.

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

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

1.2 Significant judgements and sources of estimation uncertainty

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

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

The economic entity assesses its trade receivables, held to maturity investments and loans and 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 trade receivables, held to maturity investments and loans and 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.

Available-for-sale financial assets

The determination of the impairment of available-for-sale financial assets require significant judgement. In making this judgment, the economic entity evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

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 quoted market price used for financial assets held by the economic entity is the current bid price. The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. The economic entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates 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 recoverable amounts of cash-generating units and 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 assumption may change, which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

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. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Useful lives and residual values

The entity re-assesses 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.

Post retirement benefits

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 (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The economic entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash out-flows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the economic entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 9.

Effective interest rate

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

Accounting Policies

Allowance for doubtful debts

On debtors 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 debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

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 economic 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.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that

Accounting Policies

property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 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. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 capableof operating in the manner intended by the entity. Trade discounts and rebates are deducted in arriving at the cost. The cost, if any, also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Where an asset is acquired at no cost, or for a nominal cost, 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, its 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.

Major spare parts and standby equipment, which are expected to be used for more than one period, are included in property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs, which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above, are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

Item	**Average useful life**
Furniture and fixtures	10 - 40 years
Motor vehicles	170,000 km's
Office equipment	3 - 35 years
IT equipment	3 - 7 years
Finance lease assets	Years according to the lease term

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

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.

Items of entity 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.

Buildings are not currently depreciated as the residual value is estimated to be higher that the carrying value. The depreciation charge is zero when the residual value is estimated to be higher than the carrying amount. The residual value and the useful life of each asset are reviewed at each financial period.

1.5 Intangible assets

An asset is identified as an intangible asset when it:
- 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, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate 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.

Accounting Policies

Intangible assets are initially recognised at cost. An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition. Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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.

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

Item	**Useful life**
Computer software, other	3 - 10 years

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

1.6 Investments in controlled entities

Group annual financial statements

The economic entity annual financial statements include those of the controlling entity and its controlled entities. The revenue and expenses of the controlled entities are included from the effective date of acquisition.

On acquisition the economic entity recognises the controlled entity's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell.

WRC annual financial statements

In the entity's separate annual financial statements, investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in 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.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.7 Financial instruments

Classification

The economic entity classifies financial assets and financial liabilities into the following categories:
- Financial assets at fair value through surplus or deficit – designated
- Loans and receivables
- Financial liabilities at fair value through surplus or deficit – designated

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the economic entity becomes a party to the contractual provisions of the instruments.

The economic entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Accounting Policies

Subsequent Measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period. Net gains or losses on the financial instruments at fair value through surplus or deficit include dividends and interest. Dividend income is recognised in surplus or deficit as part of other income when the economic entity's right to receive payment is established. Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the economic 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 of financial assets

At each end of the reporting period the economic entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

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

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit – is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Accounting Policies

Financial instruments designated as available-for-sale

These financial assets are non-derivatives that are either designated in this category or not classified elsewhere. These other financial assets include investments made by the Water Research Commission invested in Old Mutual and Momentum Wealth.

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 in surplus or deficit until the security is disposed of or is determined to be impaired.

Loans to (from) economic entities

These include loans to and from controlling entities, fellow controlled entities, controlled entities, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to economic entities are classified as loans and receivables.

Loans from economic entities are classified as financial liabilities measured at amortised cost.

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

Trade and other receivables

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

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Accounting Policies

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.

Derecognition

Financial assets

A financial asset is derecognised where:
- the rights to receive cash from the asset have expired.
- the entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or.
- the entity has transferred its rights to receive cash flows from the asset and either
- has transferred substantially all the risks and rewards of the asset, or
- has neither transferred nor retained substantialy all the risks and rewards of the asset, but has transferred control of the asset.

Where the group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control the asset, the asset is recognised to the extent of the entity's continuing involvement in the asset. Continuing involvement that takes the form of a gaurantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the entity could be required to repay. Where continuing involvement takes the form of a written and/ or purchased option on the transferred asset, the extent of the entity's involvement is the amount of the transferred asset that the entity may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the entity's contuining involvement is limited to the lower of the fair value of the transferred asset and the option excercise price.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit – held for trading.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference

Accounting Policies

between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the economic entity has the positive intention and ability to hold to maturity are classified as held to maturity.

1.8 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. When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

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 rate on the remaining balance of the liability.

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

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.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

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.

Accounting Policies

1.9 Impairment of cash-generating assets

Cash-generating assets are those assets held by the economic entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:
(a) the period of time over which an asset is expected to be used by the economic entity; or
(b) the number of production or similar units expected to be obtained from the asset by the economic entity.

1.10 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Accounting Policies

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

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.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.11 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.

Accounting Policies

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.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the economic entity

No obligation arises as a consequence of the sale or transfer of an operation until the economic entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 24.

Accounting Policies

1.12 Revenue from exchange transactions

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

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

Measurement

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

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 economic 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 services are performed by an indeterminate number of acts over a specified time-frame, revenue is recognised on a straight line basis over the specified time-frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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.

1.13 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

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

The Water Research Commission 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.

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

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Public Finance Management Act (Act No 29 of 1999) and is recognised when the recovery thereof from the responsible board members or officials is virtually certain.

1.14 Borrowing costs

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

1.15 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, 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 annual 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 Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

Investments in controlled entities, joint ventures and associates

The results and financial position of a foreign operation are translated into the functional currency using the following procedures:
- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- revenue and expenses for each surplus or deficit item are translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences are recognised as a separate component of net assets.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially in a separate component of net assets reserve and recognised in surplus or deficit on disposal of the net investment.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation.

The cash flows of a foreign controlled entity are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

1.16 Research and development expenditure

It is the policy of the Water Research Commission that its management may allow overspending on a project budget in a given year, only if acceptable reasons are given, provided that the total contract amount is not exceeded.

1.17 Fruitless and wasteful expenditure

Fruitless 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 was 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 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) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):
Irregular expenditure that was incurred and identified during the current financial 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 also 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.

Accounting Policies

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 there to must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and up-dated accordingly in the irregular expenditure register.

1.19 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.

1.20 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.

Management are those persons 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 disclosed.

1.21 Commitments

Commitments are disclosed separately in the notes to the financial statements. Commitments represent all contractual expenditure which has not been incurred at reporting date.

Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 April 2014 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 105: Transfers of functions between entities under common control	1 April 2014	Unlikely material impact
• GRAP 106: Transfers of functions between entities not under common control impact	1 April 2014	Unlikely material
• GRAP 107: Mergers impact	1 April 2014	Unlikely material
• GRAP 20: Related parties impact	1 April 2013	Unlikely material
• IGRAP 11: Consolidation – Special purpose entities impact	1 April 2014	Unlikely material
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	1 April 2014	Unlikely material impact
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	1 April 2014	Unlikely material impact
• GRAP 7 (as revised 2010): Investments in Associates	1 April 2014	Unlikely material impact
• GRAP 8 (as revised 2010): Interests in Joint Ventures	1 April 2014	Unlikely material impact
• GRAP 1 (as revised 2012): Presentation of Financial Statements	1 April 2013	Unlikely material impact
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	1 April 2013	Unlikely material impact
• GRAP 7 (as revised 2012): Investments in Associates	1 April 2013	Unlikely material impact
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	1 April 2013	Unlikely material impact
• GRAP 12 (as revised 2012): Inventories	1 April 2013	Unlikely material impact
• GRAP 13 (as revised 2012): Leases	1 April 2013	Unlikely material impact
• GRAP 16 (as revised 2012): Investment Property	1 April 2013	Unlikely material impact
• GRAP 17 (as revised 2012): Property, Plant and Equipment	1 April 2013	Unlikely material impact
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	1 April 2013	Unlikely material impact
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	1 April 2013	Unlikely material impact
• IGRAP 16: Intangible assets website costs	1 April 2013	Unlikely material impact
• IGRAP 1 (as revised 2012):Applying the probability test on initial recognition of revenue	1 April 2013	Unlikely material impact

Notes to the Annual Financial Statements

3. PROPERTY, PLANT AND EQUIPMENT

Group	2014			2013		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	8,691,522	-	8,691,522	8,691,522	-	8,691,522
Furniture and fixtures	1,568,664	(492,871)	1,075,793	1,675,521	(485,485)	1,190,036
Motor vehicles	369,366	(56,409)	312,957	68,975	(53,029)	15,946
Office equipment	1,031,427	(540,134)	491,293	1,184,279	(443,326)	740,953
IT equipment	2,281,369	(1,854,258)	427,111	2,290,488	(1,475,775)	814,713
Total	**13,942,348**	**(2,943,672)**	**10,998,676**	**13,910,785**	**(2,457,615)**	**11,453,170**

WRC	2014			2013		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	1,568,664	(492,871)	1,075,793	1,675,521	(485,485)	1,190,036
Motor vehicles	369,366	(56,409)	312,957	68,975	(53,029)	15,946
Office equipment	1,031,427	(540,134)	491,293	1,184,279	(443,326)	740,953
IT equipment	2,281,369	(1,854,258)	427,111	2,290,488	(1,475,775)	814,713
Total	**5,250,826**	**(2,943,672)**	**2,307,154**	**5,219,263**	**(2,457,615)**	**2,761,648**

Reconciliation of property, plant and equipment - Group - 2014

	Opening balance	Additions	Scrapping	Reclassification	Depreciation	Total
Buildings	8,691,522	-	-	-	-	8,691,522
Furniture and fixtures	1,190,036	17,551	(60,916)	(26,414)	(44,464)	1,075,793
Motor vehicles	15,946	300,391	-	-	(3,380)	312,957
Office equipment	740,953	4,331	(65,381)	(5,529)	(183,081)	491,293
IT equipment	814,713	40,795	(14,499)	23,260	(437,158)	427,111
	11,453,170	**363,068**	**(140,796)**	**(8,683)**	**(668,083)**	**10,998,676**

Notes to the Annual Financial Statements

Reconciliation of property, plant and equipment - Group - 2013

	Opening balance	Additions	Scrapping	Depreciation	Total
Buildings	8,691,522	-	-	-	8,691,522
Furniture and fixtures	1,204,546	31,510	(5,494)	(40,526)	1,190,036
Motor vehicles	18,241	-	-	(2,295)	15,946
Office equipment	474,073	646,412	(152,472)	(227,060)	740,953
IT equipment	762,191	629,097	(31,757)	(544,818)	814,713
	11,150,573	**1,307,019**	**(189,723)**	**(814,699)**	**11,453,170**

Reconciliation of property, plant and equipment - WRC - 2014

	Opening balance	Additions	Scrapping	Reclassification	Depreciation	Total
Furniture and fixtures	1,190,036	17,551	(60,916)	(26,414)	(44,464)	1,075,793
Motor vehicles	15,946	300,391	-	-	(3,380)	312,957
Office equipment	740,953	4,331	(65,381)	(5,529)	(183,081)	491,293
IT equipment	814,713	40,795	(14,499)	23,260	(437,158)	427,111
	2,761,648	**363,068**	**(140,796)**	**(8,683)**	**(668,083)**	**2,307,154**

Reconciliation of property, plant and equipment - WRC - 2013

	Opening balance	Additions	Scrapping	Depreciation	Total
Furniture and fixtures	1,204,544	31,512	(5,494)	(40,526)	1,190,036
Motor vehicles	18,241	-	-	(2,295)	15,946
Office equipment	474,073	646,412	(152,472)	(227,060)	740,953
IT equipment	762,191	629,097	(31,757)	(544,818)	814,713
	2,459,049	**1,307,021**	**(189,723)**	**(814,699)**	**2,761,648**

Notes to the Annual Financial Statements

The Water Research Commission has assets that are fully depreciated to a nil value, however, these are still in use.

Group

	Cost	Accumulated Depreciation	Carrying value
Furniture	4,702	(4,702)	-
Office equipment	6,860	(6,860)	-
Computer equipment	603,963	(603,963)	-
	615,525	**(615,525)**	**-**

WRC

	Cost	Accumulated Depreciation	Carrying value
Furniture	4,702	(4,702)	-
Office equipment	6,860	(6,860)	-
Computer equipment	603,963	(63,963)	-
	615,525	**(75,525)**	**-**

Pledged as security

None of these assets were or are pledged as security.

Assets subject to finance lease (Net carrying amount)

	Group		WRC	
	2014	**2013**	**2014**	**2013**
Office equipment	353,596	348,927	353,596	348,927
Computer equipment	352,783	759,831	352,783	759,831
	706,379	**1,108,758**	**706,379**	**1,108,758**

Notes to the Annual Financial Statements

	Group		WRC	
	2014 R	2013 R	2014 R	2013 R
Details of properties				
Erf 706 Rietfontein, Pretoria, Gauteng				
- Purchase price	615,855	615,855	-	-
- Additions since purchase	8,075,667	8,075,667	-	-
	8,691,522	**8,691,522**	**-**	**-**
Fair value of property, plant and equipment				
Property	26,400,000	34,500,000	-	-

Details of valuation

The property has been valued at R26,400,000 (2013: R34,500,000) by Onyx Valuation Services, as an independent valuer on 31 March 2014.

A register containing the information required by the Public Finance Management Act is available for inspection at the registered office of the entity.

Notes to the Annual Financial Statements

4. INTANGIBLE ASSETS

Group	2014			2013		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3,971,976	(1,696,440)	2,275,536	3,872,112	(1,298,590)	2,573,522

WRC	2014			2013		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3,971,976	(1,696,440)	2,275,536	3,872,112	(1,298,590)	2,573,522

Reconciliation of intangible assets - Group - 2014

	Opening balance	Additions	Reclassification	Amortisation	Total
Computer software, other	2,573,522	87,522	8,683	(394,191)	2,275,536

Reconciliation of intangible assets - Group - 2013

	Opening balance	Additions	Amortisation	Total
Computer software, other	2,518,886	473,484	(418,848)	2,573,522

Reconciliation of intangible assets - WRC - 2014

	Opening balance	Additions	Reclassification	Amortisation	Total
Computer software, other	2,573,522	87,522	8,683	(394,191)	2,275,536

Notes to the Annual Financial Statements

Reconciliation of intangible assets - WRC - 2013

	Opening balance	Additions	Amortisation	Total
Computer software, other	2,518,886	473,484	(418,848)	2,573,522

Pledged as security

None of the intangible assets are pledged as security.

5. INVESTMENTS IN CONTROLLED ENTITIES

	% holding 2014	% holding 2013	Carrying amount 2014	Carrying amount 2013
Erf 706 Rietfontein (Pty) Ltd	100.00%	100.00%	755,939	755,939

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

The Commission holds 100% of the shares of Erf 706 Rietfontein (Pty) Ltd, a property company. Erf 706 Rietfontein (Pty) Ltd owns one property which is mainly occupied by the Water Research Commission. As per the valuation performed by Reinertsen Valuation Services, a professional valuer, the open market value of the property is valued at R26,400,000. Management therefore deems the fair value of Erf 706 Rietfontein (Pty) Ltd to be equal to the market value of the property held by Erf 706 Rietfontein (Pty) Ltd less its liabilities.

Controlled entities pledged as security

The investment in subsidiary is not pledged as security.

Notes to the Annual Financial Statements

	Group		WRC	
	2014 R	2013 R	2014 R	2013 R
6. LOANS TO (FROM) ECONOMIC ENTITIES				
Controlled entities				
Erf 706 Rietfontein (Pty) Ltd - Loan 1	-	-	19,595,566	17,546,400
The unsecured loan bears interest at a nominal rate of 15% and is repayable in equal monthly installments of R60,000 by 30 June 2017				
Erf 706 Rietfontein (Pty) Ltd - Loan 2	-	-	2,583,663	2,611,114
The unsecured loan bears interest at prime plus 2% and is repayable within 60 days from receipt of a written demand				
	-	**-**	**22,179,229**	**20,157,514**
Non-current assets	-	-	21,159,229	19,137,514
Current assets	-	-	1,020,000	1,020,000
	-	**-**	**22,179,229**	**20,157,514**

Credit quality of loans to economic entities

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

None of the loans to economic entities defaulted during the year under review.

The terms and conditions of the loans were not renegotiated during the period under review.

Fair value of loans to and from economic entities

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 does not hold any collateral as security for the loans.

Loans to economic entities past due but not impaired

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

Notes to the Annual Financial Statements

	Group		WRC	
	2014 R	2013 R	2014 R	2013 R
7. OTHER FINANCIAL ASSETS				
Designated at fair value				
Old Mutual	2,844,662	2,321,497	2,844,662	2,321,497
Momentum Wealth	8,740,727	6,847,480	8,740,727	6,847,480
	11,585,389	**9,168,977**	**11,585,389**	**9,168,977**
Non-current assets				
Designated at fair value	11,585,389	9,168,977	11,585,389	9,168,977

Financial assets at fair value

The group 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.

There were no gains or losses realised on the disposal of available for sale financial assets in 2014 and 2013, as all the financial assets were disposed of at their redemption date.

Notes to the Annual Financial Statements

8. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Group - 2014

	Loans and receivables	Fair value through surplus or deficit - designated	Total
Other financial assets	-	11,585,389	11,585,389
Trade and other receivables	45,666,293	-	45,666,293
Cash and cash equivalents	144,642,649	-	144,642,649
	190,308,942	**11,585,389**	**201,894,331**

Group - 2013

	Loans and receivables	Fair value through surplus or deficit - designated	Total
Other financial assets	-	9,168,977	9,168,977
Trade and other receivables	45,065,932	-	45,065,932
Cash and cash equivalents	85,338,733	-	85,338,733
	130,404,665	**9,168,977**	**139,573,642**

Notes to the Annual Financial Statements

WRC - 2014

	Loans and receivables	Fair value through surplus or deficit - designated	Total
Loans to economic entities	22,179,229	-	22,179,229
Other financial assets	-	11,585,389	11,585,389
Trade and other receivables	45,643,014	-	45,643,014
Cash and cash equivalents	142,329,552	-	142,329,552
	210,151,795	**11,585,389**	**221,737,184**

WRC - 2013

	Loans and receivables	Fair value through surplus or deficit - designated	Total
Loans to economic entities	20,157,514	-	20,157,514
Other financial assets	-	9,168,997	9,168,997
Trade and other receivables	45,045,696	-	45,045,696
Cash and cash equivalents	83,092,896	-	83,092,896
	148,296,106	**9,168,997**	**157,465,103**

Notes to the Annual Financial Statements

9. EMPLOYEE BENEFIT OBLIGATIONS

Pension and provident fund

The Water Research Commission 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 01 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 the adverse market conditions. However, all pensioners remained entitled to their benefits in terms of the old dispensation. (Refer to note 1.9) This afore-mentioned liability was outsourced to Old Mutual during the 2012/13 financial year with the approval of the Minster of Water and Environmental Affairs and the FSB.

Medical aid scheme

The Water Research Commission has made provision for a medical aid scheme covering retired members and active employees before 1 April 2008. 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).

These funds are actuarially valued at intervals of not more than three years using the projected unit credit method. No plan assets are held by the entity to fund the obligation. The Scheme was last actuarially valued at 31 March 2014. 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 like many other institutions in South Africa, 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 by the WRC, 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, in line with accepted practice, closed the subsidy/benefit to new recruits to the WRC as of 1 April 2008.
- The WRC, in line with industry and employer trends, 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 and out-sourced to a service provider.

Notes to the Annual Financial Statements

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

	Group		WRC	
	2014 R	**2013 R**	**2014 R**	**2013 R**
Carrying value				
Present value of the defined benefit obligation-partially or wholly funded	(31,511,745)	(33,198,862)	(31,511,745)	(33,198,862)
Fair value of plan assests	27,503,640	28,395,121	27,503,640	28,395,121
	(4,008,105)	**(4,803,741)**	**(4,008,105)**	**(4,803,741)**
Movement for the year - pension fund				
Opening balance	-	1,682,000	-	1,682,000
Net expense recognised in the statement of financial performance	-	(1,682,000)	-	(1,682,000)
	-	-	-	-
Net expense recognised in the statement of financial performance - pension fund				
Outsourcing of liability	-	(1,682,000)	-	(1,682,000)
Reconciliation of the obligation:				
Opening balance	-	4,200,000	-	4,200,000
Transferred	-	(4,200,000)	-	(4,200,000)
	-	-	-	-
Reconciliation of plan assets:				
Opening balance	-	2,518,000	-	2,518,000
Transferred	-	(2,518,000)	-	(2,518,000)
	-	-	-	-

Notes to the Annual Financial Statements

	Group		WRC	
	2014 R	2013 R	2014 R	2013 R

Key assumptions used

Assumptions used at the reporting date:
The expected rate of return on assets is based on assumptions that the investment returns will exceed general inflation by 4% after allowing for investment related expenses.

	2014 R (Group)	2013 R (Group)	2014 R (WRC)	2013 R (WRC)
Movement for the year - provident fund	-	-		-
Opening balance	-	113,000	-	113,000
Net expenses recognised in the statement of financial performance	-	(113,000)	-	(113,000)
	-	-	-	-
Net expense recognised in the statement of financial performance - provident fund	-	-		
Outsourcing of liability	-	(113,000)	-	(113,000)
	-	-	-	-
Movement for the year-medical aid fund				
Opening balance	4,803,740	1,766,176	4,803,740	1,766,176
Benefits Paid	-	-	-	-
Net expense (gain) recognised in the statement of financial performance	(795,635)	3,037,564	(795,635)	3,037,564
	4,008,105	**4,803,740**	**4,008,105**	**4,803,740**
Net expense recognised in the statement of financial performance - medical aid fund				
Current service cost	255,725	221,937	255,725	221,937
Interest cost	2,228,287	2,261,213	2,228,287	2,261,213
Expected return on plan assets	(1,876,872)	(2,553,835)	(1,876,872)	(2,553,835)
Net actuarial (gains) losses	(2,294,257)	3,108,250	(2,294,257)	3,108,250
	(1,687,117)	**3,037,565**	**(1,687,117)**	**3,037,565**

Notes to the Annual Financial Statements

	Group		WRC	
	2014 R	2013 R	2014 R	2013 R
Reconciliation of the obligation:				
Opening balance	33,198,862	28,095,398	33,198,862	28,095,398
Current service cost	255,725	221,937	255,725	221,937
Interest cost	2,228,287	2,261,213	2,228,287	2,261,213
Contributions	(1,876,872)	(1,738,389)	(1,876,872)	(1,738,389)
Actuarial gains	(2,294,257)	4,358,703	(2,294,257)	4,358,703
	31,511,745	**33,198,862**	**31,511,745**	**33,198,862**
Reconciliation of the plan assets:				
Opening balance	28,395,121	26,329,222	28,395,121	26,329,222
Expected return	1,960,352	2,553,835	1,960,352	2,553,835
Contributions	(1,876,872)	(1,738,389)	(1,876,872)	(1,738,389)
Actuarial gains	(974,962)	1,250,453	(974,962)	1,250,453
	27,503,639	**28,395,121**	**27,503,639**	**28,395,121**
Assumptions used on last valuation on 31 March 2013				
Retirement age	65	65	65	65
Early retirement age	55	55	55	55
Percentage married on retirement	90.00%	90.00%	90.00%	90.00%
Medical aid inflation rate	7.54%	7.05%	7.54%	7.05%
Discount rate	8.65%	6.90%	8.65%	6.90%

The expected rate of return on assets is based on assumptions that the investment returns will exceed general inflation by 4% after allowing for investment related expenses.

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. In order to illustrate the sensitivity of the results to the changes in these inflation, morality and withdrawal assumptions, the liability figure has been recalculated on six additional bases outline in the following table:

Notes to the Annual Financial Statements

Assumption	Change	In-service (R)	Continuation (R)	Total (R)	% change
Central assumptions		4,317,000	27,195,000	31,512,000	
Health care inflation	1%	4,940,000	29,955,000	34,895,000	11%
Health care inflation	(1%)	3,787,000	24,814,000	28,601,000	(9%)
Post retirement mortality	(1 year)	4,485,000	28,301,000	32,786,000	4%
Average retirement age	(1 year)	4,759,000	28,301,000	33,060,000	1%

The following table shows the sensitivity of the interest cost and service cost to a change in the medical inflation rate:

Assumption	Change (R)	In-service (R)	Continuation (R)	Total	% change
Central assumptions		2,228,300	255,700	2,484,000	
Health care inflation	1%	2,503,700	297,200	2,800,900	13%
Health care inflation	(1%)	1,994,700	221,000	2,215,700	(11%)
Post retirement mortality	(1 year)	2,327,800	266,600	2,594,400	4%
Average retirement age	(1 year)	2,257,900	279,800	2,537,700	2%

The analysis above shows that past service liability is most sensitive to a change in the gap between medical inflation and interest rates. The liability is also sensitive to a change in mortality rates, which is most significant at post-retirement age. A change in withdrawal rates has an insignificant effect on the liability, as the average age for in service members is within the 45-50 age band and withdrawal rates fall to zero after age 50.

The analysis above shows that the sensitivity of the interest cost to a change in the medical inflation rate is similar to the sensitivity of the past service liability, although service cost is more sensitive.

Notes to the Annual Financial Statements

	Group		WRC	
	2014 R	2013 R	2014 R	2013 R

10. TRADE AND OTHER RECEIVABLES

Water research levies – non-exchange transactions	35,778,538	29,532,314	35,778,631	29,532,317
Other receivables – non-exchange transactions	9,864,383	15,513,379	9,864,383	15,513,379
Other receivables – exchange transactions	23,372	20,239	-	-
	45,666,293	**45,065,932**	**45,643,014**	**45,045,696**

Trade and other receivables pledged as security

No trade and other receivables were pledged as security for any financial liability.

Credit quality of trade and other receivables

None of the trade and other 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.

Trade receivables

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

Trade and other receivables past due but not impaired

Trade and other receivables are all considered for impairment. At 31 March 2014, R0 (2013 : R0) were past due but not impaired.

Notes to the Annual Financial Statements

Trade and other receivables impaired

Group

As of 31 March 2014, trade and other receivables of R446,506 (2013: R(147,300)) were (reversed) / impaired and provided for.

The amount of the provision was R19,488,261 as of 31 March 2014 (2013: R19,041,755).

WRC

As of 31 March 2014, trade and other receivables of R409,788 (2013: R49,940) were impaired and provided for.

The amount of the provision was R19,247,946 as of 31 March 2014 (2013: R18,838,157).

The ageing of these loans is as follows:

	Group		WRC	
	2014 R	**2013 R**	**2014 R**	**2013 R**
Current – Gross	14,021,035	18,897,587	13,757,441	18,906,505
1 Month past due – Gross	8,107,575	7,540,914	8,107,575	7,501,545
2 Months past due – Gross	8,113,583	7,672,376	8,113,583	7,672,376
3 Months past due – Gross	34,912,361	29,996,810	34,912,361	29,803,428
Current impaired amount	-	-	-	-
1 Month past due – Impaired amount	(145)	(47,851)	(145)	(16,425)
2 Months past due – Impaired amount	(399)	-	(399)	-
3 Months past due – Impaired amount	(19,487,717)	(18,993,904)	(19,247,402)	(18,821,734)
Reconciliation of provision for impairment of trade and other receivables				
Opening balance	19,041,755	18,894,455	18,838,157	18,788,217
Provision for impairment	446,506	147,300	409,789	49,940
	19,488,261	**19,041,755**	**19,247,946**	**18,838,157**

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit. Amounts charged to the allowance account are generally written off when there is no expectation of re-covering additional cash.

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

Notes to the Annual Financial Statements

	Group		WRC	
	2014 R	2013 R	2014 R	2013 R

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:				
Cash on hand	1,895	3,529	1,895	3,529
Bank balances	136,227,263	74,576,953	133,914,166	72,331,116
Short-term deposits	8,413,491	10,758,251	8,413,491	10,758,251
	144,642,649	**85,338,733**	**142,329,552**	**83,092,896**

Cash and cash equivalents are in respect of commitments.

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

Management considers that all of the above cash and cash equivalents categories are of good quality. The maximum exposure to credit risk at the reporting date is the fair value of each class of cash and cash equivalents mentioned above. All cash and cash equivalents held by the entity are available for use. The cash and cash equivalents were not pledged as security for financial liabilities.

12. FINANCE LEASE OBLIGATION

Minimum lease payments due				
- within one year	483,365	636,233	483,365	636,233
- in second to fifth year inclusive	306,148	789,512	306,148	789,512
	789,513	1,425,745	789,513	1,425,745
less: future finance charges	(102,295)	(226,630)	(102,295)	(226,630)
Present value of minimum lease payments	**687,218**	**1,199,115**	**687,218**	**1,199,115**
Present value of minimum lease payments due				
- within one year	418,332	511,897	418,332	511,897
- in second to fifth year inclusive	268,886	687,218	268,886	687,218
	687,218	**1,199,115**	**687,218**	**1,199,115**
Non-current liabilities	268,886	660,149	268,886	660,149
Current liabilities	418,332	538,966	418,332	538,966
	687,218	**1,199,115**	**687,218**	**1,199,115**

It is economic entity policy to lease certain equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 13% (2013: 13%).

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

Defaults and breaches

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

13. ACCRUALS – LEAVE AND BONUS

Reconciliation of accruals – leave and bonus - Group - 2014

	Opening Balance	Additions	Total
Accruals for leave	3,322,706	48,538	3,371,244
Accruals for bonus	225,481	3,350	228,831
	3,548,187	**51,888**	**3,600,075**

Reconciliation of accruals – leave and bonus - Group - 2013

	Opening Balance	Additions	Total
Accruals for leave	3,236,790	85,916	3,322,706
Accruals for bonus	193,872	31,609	225,481
	3,430,662	**117,525**	**3,548,187**

Reconciliation of accruals – leave and bonus - WRC - 2014

	Opening Balance	Additions	Total
Accruals for leave	3,322,706	48,538	3,371,244
Accruals for bonus	225,481	3,350	228,831
	3,548,187	**51,888**	**3,600,075**

Notes to the Annual Financial Statements

Reconciliation of accruals – leave and bonus - WRC - 2013

	Opening Balance	Additions	Total
Accruals for leave	3,236,790	85,916	3,322,706
Accruals for bonus	193,872	31,609	225,481
	3,430,662	**117,525**	**3,548,187**

14. TRADE AND OTHER PAYABLES

	Group		WRC	
	2014 R	**2013 R**	**2014 R**	**2013 R**
Trade payables - exchange transactions	20,749,600	22,444,177	20,598,748	22,328,132
Income received in advance	90,955,892	24,473,539	90,955,892	24,473,539
Accruals	296,197	472,799	296,197	-
	112,001,689	**47,390,515**	**111,850,837**	**46,801,671**

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

15. FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Group - 2014

	Financial liabilities at amortised cost	Total
Trade and other payables	112,001,689	112,001,689
Finance lease obligations	687,218	687,218
Accruals	3,600,075	3,600,075
	116,288,982	**116,288,982**

Notes to the Annual Financial Statements

Group - 2013

	Financial liabilities at amortised cost	Total
Trade and other payables	47,390,515	47,390,515
Finance lease obligations	1,199,115	1,199,115
Accruals	3,548,187	3,548,187
	52,137,817	**52,137,817**

WRC - 2014

	Financial liabilities at amortised cost	Total
Trade and other payables	111,850,837	111,850,837
Finance lease obligations	687,218	687,218
Accruals	3,600,075	3,600,075
	116,138,130	**116,138,130**

WRC - 2013

	Financial liabilities at amortised cost	Total
Trade and other payables	46,801,671	46,801,671
Finance lease obligation	1,199,115	1,199,115
Accruals	3,548,187	3,548,187
	51,548,973	**51,548,973**

Notes to the Annual Financial Statements

	Group		WRC	
	2014 R	2013 R	2014 R	2013 R

16. REVENUE

Water research levies – non-exchange transactions	177,171,072	164,788,656	177,171,072	164,788,656
Rental of facilities and equipment	280,320	647,146	-	-
Leverage income – non-exchange transactions	19,262,449	19,762,059	19,262,449	19,745,753
Fair value adjustment	(1,614)	(12,292)	-	-
	196,712,227	**185,185,569**	**196,433,521**	**184,534,409**

17. OPERATING DEFICIT

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

Operating lease charges				
Premises				
• Contractual amounts	254,731	254,731	2,074,237	2,074,237
Equipment				
• Contractual amounts	292,337	433,560	292,337	433,560
	547,068	**688,291**	**2,366,574**	**2,507,797**

Amortisation on intangible assets	394,221	418,848	394,221	418,848
Depreciation on property, plant and equipment	668,083	814,699	668,083	814,699
Employee costs	38,549,822	37,570,795	38,549,822	37,570,795
Research and development	145,210,965	138,665,127	145,210,965	138,665,127

18. INVESTMENT REVENUE

Interest revenue				
Listed financial assets	651,539	691,309	651,539	691,309
Loan to subsidiary (financial asset – loan and receivable)	-	-	3,041,714	2,762,587
Bank (financial asset – held for trading)	2,022,090	2,582,749	2,021,874	2,582,553
Interest charged on trade and other receivables	4,573	12,423	-	-
Interest received relating to extended credit terms provided	1,614	12,292	-	-
	2,679,816	**3,298,773**	**5,715,127**	**6,036,449**

Notes to the Annual Financial Statements

	Group		WRC	
	2014 R	2013 R	2014 R	2013 R
19. FINANCE COSTS				
Finance leases	143,728	178,303	143,728	178,303

20. TAXATION

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

21. AUDITORS' REMUNERATION

Fees	1,923,057	1,663,368	1,923,057	1,663,368

22. CASH GENERATED FROM (USED IN) OPERATIONS

Deficit	(1,806,229)	(3,379,677)	(180,819)	(1,978,295)
Adjustments for:				
Depreciation and amortisation	1,062,304	1,233,547	1,062,304	1,233,547
(Loss) gain on foreign exchange	58,206	(326,700)	58,206	(326,700)
Fair value adjustments	(2,449,018)	(1,664,253)	(2,449,018)	(1,664,253)
Loss on scrapping of assets	140,796	189,724	140,796	189,724
Debt impairment	446,507	147,300	409,788	49,940
Movements in operating lease assets and accruals	25,412	(7,498)	(93,082)	(525)
Movements in retirement benefit assets and liabilities	(795,635)	1,242,565	(795,635)	1,242,565
Movements in provisions	51,888	117,525	51,888	117,525
Reclassification of fixed assets	13,562	-	13,562	-
Reclassification of intangible assets	(8,683)	-	(8,683)	-
Other non cash flow items	6,152	-	6,152	-
Changes in working capital:				
Trade and other receivables	(1,050,174)	(4,506,330)	(1,007,106)	(3,993,025)
Trade and other payables	64,607,975	237,393	65,049,165	(185,171)
	60,303,063	**(6,716,404)**	**62,257,518**	**(5,314,668)**

Notes to the Annual Financial Statements

	Group		WRC	
	2014 R	2013 R	2014 R	2013 R
23. COMMITMENTS				
Authorised research expenditure not contracted				
• Research	-	-	-	-
Already contracted for but not incurred				
• Research	245,870,330	230,016,026	245,870,330	230,016,026
Operating leases - as lessee (expense)				
Minimum lease payments due				
- within one year	-	-	2,281,412	2,172,773
- in second to fifth year inclusive	-	-	-	2,281,412
	-	**-**	**2,281,412**	**4,454,185**

Operating lease payments represent rentals payable by the economic entity for its office properties. No contingent rent is payable. WRC entered into a 5 year agreement with Erf 706 (Pty) Ltd for provision of office space. The contract ends on 31 March 2015 and escalates by 5% per annum from one year after the date of inception.

24. CONTINGENCIES

The entity's subsidiary may incur R 15,000 legal costs in a case against one of the previous tenants.

Contingent assets

In the accounts of the entity's subsidiary an amount of R 240,222 as rental income due, inclusive of interest, is outstanding from a former tenant as at 31 March 2014.

The entity has exercised reasonable steps to recover the above amounts without positive reponse from the former tenant.

The full amount has been impaired as at 31 March 2014.

Notes to the Annual Financial Statements

	Group		WRC	
	2014 R	2013 R	2014 R	2013 R

25. RELATED PARTIES

Relationships				
Controlled entities	Refer to note 5			
Related party balances				
Loan accounts - Owing (to) by related parties				
Erf 706 Rietfontein (Pty) Ltd			22,179,229	20,157,514
Amounts included in Trade receivable (Trade Payable) regarding related parties				
Erf 706 Rietfontein (Pty) Ltd			(51,901)	-
Related party transactions				
Interest paid to (received from) related parties				
Erf 706 Rietfontein (Pty) Ltd			(3,041,714)	(2,762,587)
Rent paid to (received from) related parties				
Erf 706 Rietfontein (Pty) Ltd			2,074,237	2,074,237
Administration fees paid to (received from) related parties Erf 706 Rietfontein (Pty) Ltd			-	(441,229)
Municipal expenses paid to related parties				
Erf 706 Rietfontein (Pty) Ltd			567,787	541,586

Compensation to directors and other key management, refer to note 26.

Department of Water Affairs

Water Research Commission derives its main source of income (Water Research Levy) from Department of Water Affairs in terms of the Water Research Act.

Water Research Commission and Department of Water Affairs reports to the Minister of Water Affairs as their Executive Authority.

Notes to the Annual Financial Statements

	Group		WRC	
	2014 R	2013 R	2014 R	2013 R

26. DIRECTORS' AND EXECUTIVE MANAGERS' EMOLUMENTS

Total Directors' Emoluments				
Fees for services as directors	437,416	479,918	437,416	479,918
Basic salary	10,046,946	9,297,573	10,046,946	9,297,573
Bonuses and performance payments	931,664	620,938	931,664	620,938
Travel allowance	310,004	325,504	310,004	325,504
	11,726,030	**10,723,933**	**11,726,030**	**10,723,933**

Executive

2014	**Emoluments**	**Bonus and performance payments**	**Travel allowances**	**Total**
Mr DP Naidoo - Chief Executive Officer	1,786,150	198,646	-	1,984,796
Mr NB Patel - Chief Financial Officer	1,256,006	143,111	20,000	1,419,117
Dr GR Backeberg	1,058,987	72,459	-	1,131,446
Mr JN Bhagwan	1,235,574	156,012	156,000	1,547,586
Ms E Karar	1,307,574	100,293	84,000	1,491,867
Ms R Lutchman	1,263,935	141,611	-	1,405,546
Dr I Jacobs (Appointed 01/01/2013)	1,078,176	-	-	1,078,176
Dr S Liphadzi	1,060,544	119,532	50,004	1,230,080
	10,046,946	**931,664**	**310,004**	**11,288,614**

2013	**Emoluments**	**Bonus and performance payments**	**Travel allowances**	**Total**
Mr DP Naidoo - Chief Executive Officer	1,680,825	-	-	1,680,825
Mr NB Patel - Chief Financial Officer	1,164,925	101,577	62,500	1,329,002
Dr GR Backeberg	992,887	82,879	-	1,075,766
Mr JN Bhagwan	1,213,403	110,548	123,000	1,446,951
Ms E Karar	1,252,403	110,548	84,000	1,446,951
Ms R Lutchman	1,210,709	100,066	-	1,310,775
Dr HG Snyman (Resigned 30/09/2012)	525,521	57,971	6,000	589,492
Dr MS Liphadzi	1,001,651	57,350	50,004	1,109,005
Dr I Jacobs (Appointed 01/01/2013)	255,250	-	-	255,250
	9,297,574	**620,939**	**325,504**	**10,244,017**

Notes to the Annual Financial Statements

Non-executive

2014	Fees for services	Total
Ms BG Schreiner - Chairperson (Appointed 29/05/2012)	125,416	125,416
Prof SL Hendriks - Vice Chairperson (Appointed 29/05/2012)	43,680	43,680
Mr PR Mnisi (Appointed 29/05/2012)	6,240	6,240
Mr G Mwiinga (Appointed 29/05/2012)	51,480	51,480
Dr BCM Van Koppen (Appointed 29/05/2012)	48,360	48,360
Mrs DN Ndaba	92,040	92,040
Mr AN Mhlongo	70,200	70,200
	437,416	**437,416**

2013	Fees for services	Total
Prof JB Hiscock (Adams) - Chairperson	98,579	98,579
Mr EPW Cross	4,000	4,000
Ms ZB Mathenjwa	2,000	2,000
Adv D Block (Term ended 30/06/2012)	2,000	2,000
Ms BG Schreiner - Chairperson (Appointed 29/05/2012)	105,138	105,138
Prof SL Hendriks - Vice Chairperson (Appointed 29/05/2012)	43,100	43,100
Mr PR Mnisi (Appointed 29/05/2012)	16,310	16,310
Mr G Mwiinga (Appointed 29/05/2012)	53,085	53,085
Dr BCM Van Koppen (Appointed 29/05/2012)	28,078	28,078
Mrs DN Ndaba	69,898	69,898
Mr AN Mhlongo	57,730	57,730
	479,918	**479,918**

27. Change in Estimate

Property, plant and equipment

The entity has reassessed the useful lives of property, plant and equipment which resulted in certain assets' remaining useful lives to change as follows: (Office equipment from 4.5 to 5.5 years on average, Computer equipment from 6 to 7 years on average and Office Furniture from 38 to 40 years on average). The effect of the change in accounting estimate has resulted in a decrease in depreciation amounting to R 84,086 for the current and future period.

Notes to the Annual Financial Statements

Class	Previously assessed useful life	Resassessed assessed usual life	Financial impact on current and future depreciation
IT equipment	3 - 12 years	3 - 7 years	13,718
Office equipment	3 - 40 years	3 - 35 years	69,588
Furniture and fittings	10 - 42 years	10 - 40 years	780
			84,086

28. PRIOR PERIOD ERRORS

Property, plant and equipment

Property, plant and equipment was not appropriately classified in the correct asset category, management made an oversight on the intial classification of property, plant and equipment resulting in an understatement of accummulated depreciation in the financial statements for the period ending 31 March 2013. Therefore the prior year financial statements were adjusted with the amount of R13,961.

Furthermore, certain assets were identified that were incorrectly allocated to the income statement in prior years. The opening balance and property, plant and equipment opening balances of 2013/2014 were adjusted by R85,863.

Trade and Other Receivables

In the year ended 31 March 2012, the entity understated its Trade and Other Receivables by failing to recognise revenue received in advance from a material debtor. This has been corrected in the opening balance of 2013/2014.

Intangible assets

Intagibles was not appropriately classified in the correct asset category, management made an oversight on the intial classification of intangables asset resulting in an understatement of accummulated amortisation in the financial statements for the period ending 31 March 2013. Therefore the prior year financial statements were adjusted with the amount of R53,640.

Notes to the Annual Financial Statements

The correction of the error results in adjustments as follows:

	Group		WRC	
	2014 R	2013 R	2014 R	2013 R
Statement of financial position				
Property, plant and equipment	-	71,902	-	71,902
Intangibles assets	-	(53,640)	-	(53,640)
Trade and other receivables	-	8,429,235	-	8,429,235
Opening Accumulated Surplus or Deficit	-	(8,515,098)	-	(8,515,098)
Statement of Financial Performance				
Increase in expenditure	-	67,601	-	67,601

29. 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. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Group

At 31 March 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	112,001,689	-	-	-
Finance leases	483,365	306,148	-	-

At 31 March 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	47,390,515	-	-	-
Finance leases	636,233	789,512	-	-

WRC

At 31 March 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	111,850,837	-	-	-
Finance leases	483,365	306,148	-	-

Notes to the Annual Financial Statements

At 31 March 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	46,801,671	-	-	-
Finance leases	636,233	789,512	-	-

Interest rate risk

Due to the nature and extent of the Commission's investments, the Commission is not unduly exposed to interest rate risks as at least 80% of the investments are held in trusts.

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:

Financial instrument	Group		WRC	
	2014 R	2013 R	2014 R	2013 R
Deposits with banks	1,800	1,800	1,800	1,800
Corporation for Public Deposits	8,413,491	10,758,251	8,413,491	10,758,251
Bank balance	136,227,263	74,576,953	133,914,166	72,331,156

These balances represent the maximum exposure to credit risk.

Foreign exchange risk

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

Foreign currency exposure at statement of financial position date

Current assets

Cash and cash equivalents, USD 1,153,099 (2013 : USD 1,000,000) 31 March 2013	11,740,933	9,041,700	11,740,933	9,041,700

Notes to the Annual Financial Statements

Price risk

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

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified a available-for-sale.

30. GOING CONCERN

The annual 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.

31. EVENTS AFTER THE REPORTING DATE

The Minister of Water Affairs approved a 5.7 % water levy increase effective from 01 July 2013 subsequent to the finalisation of the annual financial statements.

The above resulted in the adjustments to the annual financial statements as follows:

	Group		WRC	
	2014 R	**2013 R**	**2014 R**	**2013 R**
Statement of financial position				
Trade and other receivables	4,467,687	-	4,467,687	-
Statement of financial performance				
Revenue	4,467,687	-	4,467,687	-

32. IRREGULAR EXPENDITURE

	Group 2014 R	Group 2013 R	WRC 2014 R	WRC 2013 R
Opening balance	7,083,828	5,518,819	7,083,828	5,518,819
Add: Irregular Expenditure - current year	670,573	1,819,512	670,573	1,819,512
Less: Amounts condoned	(3,047,362)	(254,503)	(3,047,362)	(254,503)
	4,707,039	**7,083,828**	**4,707,039**	**7,083,828**

Notes to the Annual Financial Statements

	Group		WRC	
	2014 R	2013 R	2014 R	2013 R
Analysis of expenditure awaiting condonation per age classification				
Current year	670,573	1,819,512	670,573	1,819,512
Prior years	4,036,466	5,264,316	4,036,466	5,264,316
	4,707,039	**7,083,828**	**4,707,039**	**7,083,828**
Details of irregular expenditure – current year				
Preference point system was not applied in all procurement of goods and services above R30,000	184,184	1,721,069	184,184	1,721,069
Procured goods and services based on invalid quote	46,101	-	46,101	-
Competitive bidding not followed for procurement of service below R1,000,000	440,288	98,443	440,288	98,443
	670,573	**1,819,512**	**670,573**	**1,819,512**

The irregular expenditure disclosed above is not recoverable and the entity is awaiting condonement from the National Treasury.

33. DEFINED CONTRIBUTION PLANS

Employee contributions	1,460,229	1,331,719	1,460,229	1,331,719
Employer contributions	2,478,923	2,246,401	2,478,923	2,246,401
	3,939,152	**3,578,120**	**3,939,152**	**3,578,120**

The above contributions have been included as part of the personnel cost expense.

Detailed Income Statement

	Note(s)	Group 2014 R	Group 2013 R	WRC 2014 R	WRC 2013 R
Revenue					
Water Research Levies – Non-exchange transactions		177,171,072	164,788,656	177,171,072	164,788,656
Rental of facilities and equipment		280,320	647,146	-	-
Leverage income – non-exchange transactions		19,262,449	19,762,059	19,262,449	19,745,753
Fair value adjustment		(1,614)	(12,292)	-	-
	16	**196,712,227**	**185,185,569**	**196,433,521**	**184,534,409**
Other income					
Administration and management fees received		-	-	-	441,229
Other income – Exchange transactions		593,745	2,614,759	558,271	2,508,425
Interest received – investment – non-exchange	18	2,679,816	3,298,773	5,715,127	6,036,449
Profit on exchange differences		11,060	326,700	11,060	326,700
Fair value adjustments		2,449,018	1,664,253	2,449,018	1,664,253
		5,733,639	**7,904,485**	**8,733,476**	**10,977,056**
Expenses (Refer to page 152)		**(204,108,367)**	**(196,291,428)**	**(205,204,088)**	**(197,311,457)**
Operating deficit	17	**(1,662,501)**	**(3,201,374)**	**(37,091)**	**(1,799,992)**
Finance costs	19	(143,728)	(178,303)	(143,728)	(178,303)
Deficit for the year		**(1,806,229)**	**(3,379,677)**	**(180,819)**	**(1,978,295)**

The supplementary information presented does not form part of the annual financial statements and is unaudited.

Detailed Income Statement

		Group		WRC	
	Note(s)	2014 R	2013 R	2014 R	2013 R
Operating expenses					
Administration and management fees		(107,638)	(78,514)	(106,038)	(84,486)
Auditors remuneration	21	(1,923,057)	(1,663,368)	(1,923,057)	(1,663,368)
Bank charges		(75,498)	(62,201)	(70,495)	(57,479)
Corporate social costs		(37,497)	-	(37,497)	-
Consumables		(17,934)	(24,322)	(17,934)	(24,322)
Leadership		(338,834)	-	(338,834)	-
Debt impairment		(446,507)	(147,300)	(409,788)	(49,940)
Depreciation, amortisation and impairments		(1,062,304)	(1,233,547)	(1,062,304)	(1,233,547)
Discretionary fund		(14,012)	(37,826)	(14,012)	(37,826)
Entertainment		(317,712)	(238,759)	(317,712)	(238,759)
IT expenses		(990,566)	(783,784)	(990,566)	(783,784)
Insurance		(128,963)	(115,979)	(84,324)	(73,157)
Lease rentals on operating lease		(547,068)	(688,291)	(2,366,574)	(2,507,797)
Loss on exchange differences		(69,266)	-	(69,266)	-
Loss on scrapping of assets		(140,796)	(189,724)	(140,796)	(189,724)
Motor vehicle expenses		(12,341)	(6,912)	(12,341)	(6,912)
Patent registrations		(502,032)	(677,707)	(502,032)	(677,707)
Personnel		(38,549,822)	(37,570,795)	(38,549,822)	(37,570,795)
Postage		(117,471)	(156,388)	(117,471)	(156,388)
Printing and stationery		(4,803,446)	(5,476,917)	(4,803,446)	(5,476,917)
Professional fees		(1,115,353)	(1,046,944)	(1,115,353)	(1,046,944)
Promotions		(400,285)	(157,342)	(400,285)	(157,342)
Recruitment costs		(61,080)	(159,028)	(61,080)	(159,028)
Repairs and maintenance		(529,534)	(566,236)	(452,717)	(471,253)
Research and development costs		(145,210,965)	(138,665,127)	(145,210,965)	(138,665,127)
Security		(369,708)	(338,225)	-	-
Staff welfare		(18,688)	(19,128)	(18,688)	(19,128)
Subscriptions		(433,575)	(389,991)	(433,575)	(389,991)
Telephone and fax		(546,868)	(557,516)	(546,868)	(554,493)
Training		(205,134)	(361,660)	(205,134)	(361,660)
Travel - local		(3,059,287)	(2,806,304)	(3,059,287)	(2,806,304)
Travel - overseas		(1,117,743)	(1,225,424)	(1,117,743)	(1,225,424)
Utilities		(837,383)	(846,169)	(648,084)	(621,855)
		(204,108,367)	**(196,291,428)**	**(205,204,088)**	**(197,311,457)**

The supplementary information presented does not form part of the annual financial statements and is unaudited.

SECTION E:

Erf Sewe-Nul-Ses Rietfontein (Pty) Ltd Consolidated Financial Statements

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

Report on the Financial Statements

INTRODUCTION

1. I have audited the financial statements of the Erf Sewe-Nul-Ses Rietfontein (Proprietary) Limited set out on pages 158 to 180, which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets and the statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

2. The board of directors which constitutes the accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) 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.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Erf Sewe-Nul-Ses Rietfontein (Pty) Ltd as at 31 March 2014, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the PFMA and the Companies Act of South Africa, 2008 (Act No. 71 of 2008).

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

Report on the Financial Statements

Auditor-General

Auditor-General

Pretoria
31 July 2014

AUDITOR-GENERAL
SOUTH AFRICA

DIRECTORS' REPORT FOR ERF

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

Approval of Financial Statements

The Directors' Report and Financial Statements set out on pages 158 to 182 were approved by the Board of Directors and were signed on its behalf by:

Ms B Schreiner
Chairperson

Mr DP Naidoo
WRC Chief Executive Officer

GENERAL INFORMATION

Directors:
Mr DP Naidoo
Ms B Schreiner

Registered office:
301 Watko Building
491, 18th Avenue
Rietfontein
Pretoria

Registration number
1984/003566/07

Main business and purpose

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

Director's Report

General review

(a) To review the business and operations of the company for the above accounting 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.
(b) The Fourth Schedule to the Companies Act, 1973, requires the Directors to report on any material facts or circumstances which occurred between the accounting date and the date of their report. No such material or circumstances occurred.

Specific matters

(a) 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 Water Research Commission.
(b) No shares were allotted or issued by the company for the year ending 31 March 2014.
(c) No dividends were paid or declared during the accounting period and we have no recommendation to make in respect of dividends (2012-RNil)

Approval of Financial Statements

(d) The Directors and certain members of staff of Water Research Commission, for whom an administration fee is paid to the Water Research Commission, managed the business of the company. No third person was involved in managing the company.

(e) The names of Directors are shown below. No changes have taken place in the appointments during the accounting period. The company's secretary is Rene Vorster.
- Mr DP Naidoo
- Ms B Schreiner

The company is wholly owned by the Water Research Commission

ERF 706 RIETFONTEIN (PTY) LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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.
REGISTERED OFFICE	301 Watko Building 491, 18th Avenue Rietfontein Pretoria
CONTROLLING ENTITY	Water Research Commission
AUDITORS	Auditor General
COMPANY REGISTRATION NUMBER	1984/003566/07

ERF 706 RIETFONTEIN (PTY) LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

Index

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

The following supplementary information does not form part of the annual financial statements and is unaudited:

ERF 706 RIETFONTEIN (PTY) LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

Statement of Financial Position as at 31 March 2014

	Note(s)	2014 R	2013 R
ASSETS			
Current Assets			
Operating lease asset	5	183,333	301,827
Trade and other receivables	6	51,807	13,583
Other receivables – non exchange-transactions	6	23,372	20,239
Cash and cash equivalents	7	2,313,097	2,245,837
		2,571,609	**2,581,486**
Non-Current Assets			
Investment property	3	8,691,522	8,691,522
Total Assets		**11,263,131**	**11,273,008**
LIABILITIES			
Current Liabilities			
Other financial liabilities	9	1,020,000	1,020,000
Trade and other payables	10	202,753	602,431
Other payables - non-exchange transactions	10	31,877	38,381
		1,254,630	**1,660,812**
Non-Current Liabilities			
Other financial liabilities	9	21,159,228	19,137,513
Total Liabilities		**22,413,858**	**20,798,325**
Net Assets		**(11,150,728)**	**(9,525,317)**
Share capital	8	1	1
Accumulated deficit		(11,150,728)	(9,525,318)
Total Net Liabilities		**(11,150,727)**	**(9,525,317)**

ERF 706 RIETFONTEIN (PTY) LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

Statement of Financial Performance

	Note(s)	2014 R	2013 R
Revenue	12	2,701,473	3,118,586
Operating expenses		(1,291,572)	(1,782,292)
Operating surplus		**1,409,901**	**1,336,294**
Investment revenue	13	6,403	24,911
Finance costs	14	(3,041,714)	(2,762,587)
Deficit for the year		**(1,625,410)**	**(1,401,382)**

Statement of Changes in Net Assets

	Share Capital R	Accumulated deficit R	Total net liabilities R
Balance at 01 April 2012	**1**	**(8,123,936)**	**(8,123,935)**
Changes in net liabilities			
Deficit for the year	-	(1,401,382)	(1,401,382)
Total changes	-	(1,401,382)	(1,401,382)
Balance at 01 April 2013	**1**	**(9,525,318)**	**(9,525,317)**
Changes in net liabilities			
Deficit for the year	-	(1,625,410)	(1,625,410)
Total changes	-	(1,625,410)	(1,625,410)
Balance at 31 March 2014	**1**	**(11,150,728)**	**(11,150,727)**
Note	8		

ERF 706 RIETFONTEIN (PTY) LTD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

Statement of Cash Flows

	Note(s)	2014 R	2013 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Cash receipts from customers		2,740,199	3,008,852
Interest income		216	196
		2,740,415	**3,009,048**
Payments			
Cash paid to suppliers		(1,653,155)	(1,648,196)
Net cash flows from operating activities	16	**1,087,260**	**1,360,852**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of other financial liabilities		(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		**67,260**	**340,852**
Cash and cash equivalents at the beginning of the year		2,245,837	1,904,985
Cash and cash equivalents at the end of the year	7	**2,313,097**	**2,245,837**

Accounting Policies

1. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1.1 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.

Investment property is subsequently carried at cost less accumulated depreciation and impairment losses.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Accounting Policies

1.2 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments.

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

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Subsequent measurement

Fair value determination

The fair values of quoted 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.

Trade and other receivables

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

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

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.

1.3 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.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

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 statement of financial performance.

1.4 Impairment of cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Accounting Policies

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

(a) the period of time over which an asset is expected to be used by the entity; or
(b) the number of production or similar units expected to be obtained from the asset by the entity.

1.5 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.

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

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods
- the company 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 associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 end of the reporting period. 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 associated with the transaction will flow to the company;
- the stage of completion of the transaction at the end of the reporting period 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 shall be recognised only to the extent of the expenses recognised that are recoverable.

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.

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.

Measurement

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

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.

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.

Accounting Policies

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.

1.7 Borrowing costs

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

1.8 Related parties

The entitiy follows the guidance of IPSAS 20 to identify related party relationships, transactions and balances and the disclosures on those identified.

Notes to the Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 1 April 2014 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	1 April 2013	Unlikely material impact
• GRAP 105: Transfers of functions between entities under common control	1 April 2014	Unlikely material impact
• GRAP 106: Transfers of functions between entities not under common control	1 April 2014	Unlikely material impact
• GRAP 107: Mergers	1 April 2014	Unlikely material impact
• GRAP 20: Related parties	1 April 2013	Unlikely material impact
• IGRAP 11: Consolidation – Special purpose entities	1 April 2014	Unlikely material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	1 April 2014	Unlikely material impact
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	1 April 2014	Unlikely material impact
• GRAP 7 (as revised 2010): Investments in Associates	1 April 2014	Unlikely material impact
• GRAP 8 (as revised 2010): Interests in Joint Ventures	1 April 2014	Unlikely material impact
• GRAP 1 (as revised 2012): Presentation of Financial Statements	1 April 2013	Unlikely material impact
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	1 April 2013	Unlikely material impact
• GRAP 7 (as revised 2012): Investments in Associates	1 April 2013	Unlikely material impact
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	1 April 2013	Unlikely material impact
• GRAP 12 (as revised 2012): Inventories	1 April 2013	Unlikely material impact
• GRAP 13 (as revised 2012): Leases	1 April 2013	Unlikely material impact
• GRAP 16 (as revised 2012): Investment Property	1 April 2013	Unlikely material impact
• GRAP 17 (as revised 2012): Property, Plant and Equipment	1 April 2013	Unlikely material impact
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	1 April 2013	Unlikely material impact
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	1 April 2013	Unlikely material impact
• IGRAP 16: Intangible assets website costs	1 April 2013	Unlikely material impact
• IGRAP 1 (as revised 2012): Applying the probability test on initial recognition of revenue	1 April 2013	Unlikely material impact

Notes to the Financial Statements

3. INVESTMENT PROPERTY

	2014			2013		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Investment property	8,691,522	-	8,691,522	8,691,522	-	8,691,522

	2014	2013
Fair value of investment properties	26,400,000	34,500,000

Details of property

ERF 706 RIETFONTEIN, PRETORIA

	2014	2013
- Purchase price	615,855	615,855
- Additions since purchase	8,075,667	8,075,667
	8,691,522	**8,691,522**

Details of valuation

The property has been valued at R26,400,000 (2013: R34,500,000) by Onyx Valuation Services, as an independent valuer on 31 March 2014.

Amounts recognised in surplus and deficit for the year.

	2014	2013
Rental revenue from investment property	2,099,826	2,466,652
Direct operating expenses from rental generating property	754,313	761,941

4. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

2014

	Loans and receivables	Total
Trade and other receivables	78,485	78,485
Cash and cash equivalents	2,313,097	2,313,097
	2,391,582	**2,391,582**

Notes to the Financial Statements

2013

	Loans and receivables	Total
Trade and other receivables	33,822	33,822
Cash and cash equivalents	2,245,837	2,245,837
	2,279,659	**2,279,659**

5. OPERATING LEASE ASSET

	2014 R	2013 R
Balance at year end	183,333	301,827
Minimum lease receipts due		
Within 12 months	2,001,239	2,323,513
Between 12 - 60 months	-	2,131,048
	2,001,239	**4,454,561**

The company enters into lease agreements between 2 and 5 years. Rentals are payable per month and escalates by between 5 and 11 percent per annum.

No contingent rent is receivable.

6. TRADE AND OTHER RECEIVABLES

Trade receivables – exchange transactions	51,807	13,583
Trade receivables – non-exchange transactions	23,372	20,239
	75,179	**33,822**

Trade and other receivables pledged as security

No trade and other receivables were pledged as security for any financial liability.

Credit quality of trade and other 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.

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

Trade and other receivables past due but not impaired

Trade and other receivables are all considered for impairment. At 31 March 2014, R Nil (2013: R Nil) were past due but not impaired.

Trade and other receivables impaired

As of 31 March 2014, trade and other receivables of R36,719 (2013: R97,360) were impaired and provided for.

The amount of the provision was R(240,316) as of 31 March 2014 (2013: R(203,597)).

Reconciliation of provision for impairment of trade and other receivables

	2014 R	2013 R
Opening balance	203,597	106,237
Provision for impairment	36,719	97,360
	240,316	**203,597**

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Bank balances	2,313,097	2,245,837

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

Management considers that the above cash and cash equivalents category are of good faith. The maximum exposure to credit risk at the reporting date is the fair value of cash and cash equivalents mentioned above.

Cash and cash equivalents pledged as collateral

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

Notes to the Financial Statements

	2014 R	2013 R
8. SHARE CAPITAL		
Authorised		
4,000 Ordinary shares of R1 each	4,000	4,000
Issued		
1 Ordinary share of R1 each	1	1

100% of the shares are owned by the Water Research Commission.

	2014 R	2013 R
9. OTHER FINANCIAL LIABILITIES		
At amortised cost		
Loan Nr. 1 - Water Research Commission	19,595,567	17,546,399
The unsecured loan bears interest at 15% (2013 – 15%) and is repayable in equal monthly installments of not less than R60,000 a month over 15 years.		
Loan Nr. 2 - Water Research Commission	2,583,661	2,611,114
The unsecured loan bears interest at prime plus 2% with no fixed terms of repayment.		
	22,179,228	**20,157,513**
Total other financial liabilities	**22,179,228**	**20,157,513**
Non-current liabilities		
At amortised cost	21,159,228	19,137,513
Current liabilities		
At amortised cost	1,020,000	1,020,000

Notes to the Financial Statements

	2014 R	2013 R
10. TRADE AND OTHER PAYABLES		
Trade payables – exchange transactions	202,753	129,632
Trade payables – non-exchange transactions	31,877	38,381
Accrued expenses	-	472,799
	234,630	**640,812**

The entity did not default on interest or capital on any trade and other payables.

None of the terms attached to the trade and other payables were renegotiated in the period under review.

11. FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

2014

	Financial liabilities at amortised cost	Total
Loans from shareholders	22,179,228	22,179,228
Trade and other payables	237,936	237,936
	22,417,164	**22,417,164**

2013

	Financial liabilities at amortised cost	Total
Loan from shareholder	20,157,513	20,157,513
Trade and other payables	652,062	652,062
	20,809,575	**20,809,575**

12. REVENUE

Municipal expense recoveries – exchange transactions	590,439	647,920
Rental received – exchange transactions	2,099,826	2,466,652
Sundry income – exchange transactions	12,822	16,306
Fair value adjustment	(1,614)	(12,292)
	2,701,473	**3,118,586**

Notes to the Financial Statements

	2014 R	2013 R
13. INVESTMENT REVENUE		
Interest revenue		
Bank	216	196
Interest charged on trade and other receivables	4,573	12,423
Interest received relating to extended credit terms provided	1,614	12,292
	6,403	**24,911**
14. FINANCE COSTS		
Non-current borrowings	3,041,714	2,762,587

15. TAXATION

No provision has been made for 2014 tax as the entity has no taxable income.

	2014 R	2013 R
16. CASH GENERATED FROM OPERATIONS		
Deficit	(1,625,410)	(1,401,382)
Adjustments for:		
Debt impairment	36,719	97,360
Movements in operating lease assets and accruals	118,494	(6,974)
Other non-cash items	3,041,714	2,762,587
Changes in working capital:		
Trade and other receivables	(44,663)	(20,998)
Impairment on trade receivables	(36,719)	(97,360)
Trade and other payables	(402,876)	38,871
	1,087,259	**1,372,104**

17. RELATED PARTIES

Relationships		
Holding entity	Water Research Commission	
Related party balances		
Loan accounts - Owing (to) by related parties		
Water Research Commission	(22,179,228)	(20,157,513)
Related party transactions		
Interest paid to (received from) related parties		
Water Research Commission	3,041,714	2,762,587

Notes to the Financial Statements

	2014 R	2013 R
Municipal expenses paid to (received from) related parties		
Water Research Commission	(567,787)	(541,586)
Rent paid to (received from) related parties		
Water Research Commission	(1,905,917)	(1,819,506)
Administration fees paid to (received from) related parties		
Water Research Commission	-	441,229

18. PRIOR PERIOD ERRORS

During prior financial year, the company recognised an insurance invoice in duplicate in error. This error has been corrected in the current financial year.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Trade and other payables - exchange transactions	-	11,252
Statement of Financial Performance		
Insurance expense	-	(11,252)

19. 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 utilised borrowing facilities are monitored.

The table on page 180 analyses the 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. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Notes to the Financial Statements

At 31 March 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	204,547	-	-	-
Loan no. 1	720,000	720,000	18,155,567	-
Loan no. 2	300,000	300,000	900,000	1,083,661

At 31 March 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	631,444	-	-	-
Loan no. 1	720,000	720,000	16,106,399	-
Loan no. 2	300,000	300,000	900,000	1,111,114

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 2014, if interest rates on Rand-denominated borrowings had been 2% higher or lower with all other variables held constant, post-tax surplus for the year would have been R 51,573 (2013: R 52,222) lower or higher, 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:

Financial instrument	2014	2013
ABSA Bank	2,313,097	2,245,837

20. CONTINGENCIES

Legal costs of R 15,000 may be incurred in a case against one of the previous tenants.

Contingent assets

An amount of R 240,222 as rental income due, inclusive of interest, is outstanding from a former tenant as at 31 March 2014.

The entity has exercised reasonable steps to recover the above amounts without positive reponse from the former tenant.

The full amount has been impaired as at 31 March 2014.

Notes to the Financial Statements

21. GOING CONCERN

We draw attention to the fact that at 31 March 2014, the entity had accumulated deficits of R (11,150,728) and that the entity's total liabilities exceed its assets by R (11,150,727), however the entity is a going concern based on the property valuation.

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.

22. EVENTS AFTER THE REPORTING DATE

There were no events after reporting date that require adjustment to or disclosure in the financial statements.

Detailed Income Statement

	Note(s)	2014 R	2013 R
Revenue			
Municipal expense recoveries – exchange transactions		590,439	647,920
Rental income – exchange transactions		2,099,826	2,466,652
Sundry income – exchange transactions		12,822	16,306
Fair value adjustment		(1,614)	(12,292)
	12	**2,701,473**	**3,118,586**
Other income			
Interest received	13	6,403	24,911
Operating expenses			
Administration and management fees		1,600	435,257
Bad debts		36,719	97,360
Bank charges		5,003	4,722
Insurance		44,639	42,822
Repairs and maintenance		76,817	94,983
Security		369,708	338,225
Telephone and fax		-	3,023
Utilities		757,086	765,900
		1,291,572	**1,782,292**
Operating surplus		**1,416,304**	**1,361,205**
Finance costs	14	(3,041,714)	(2,762,587)
Deficit for the year		**(1,625,410)**	**(1,401,382)**

The supplementary information presented does not form part of the financial statements and is unaudited