

The Lebalelo Water User Association

ANNUAL REPORT

2013/2014

and

BUSINESS PLAN

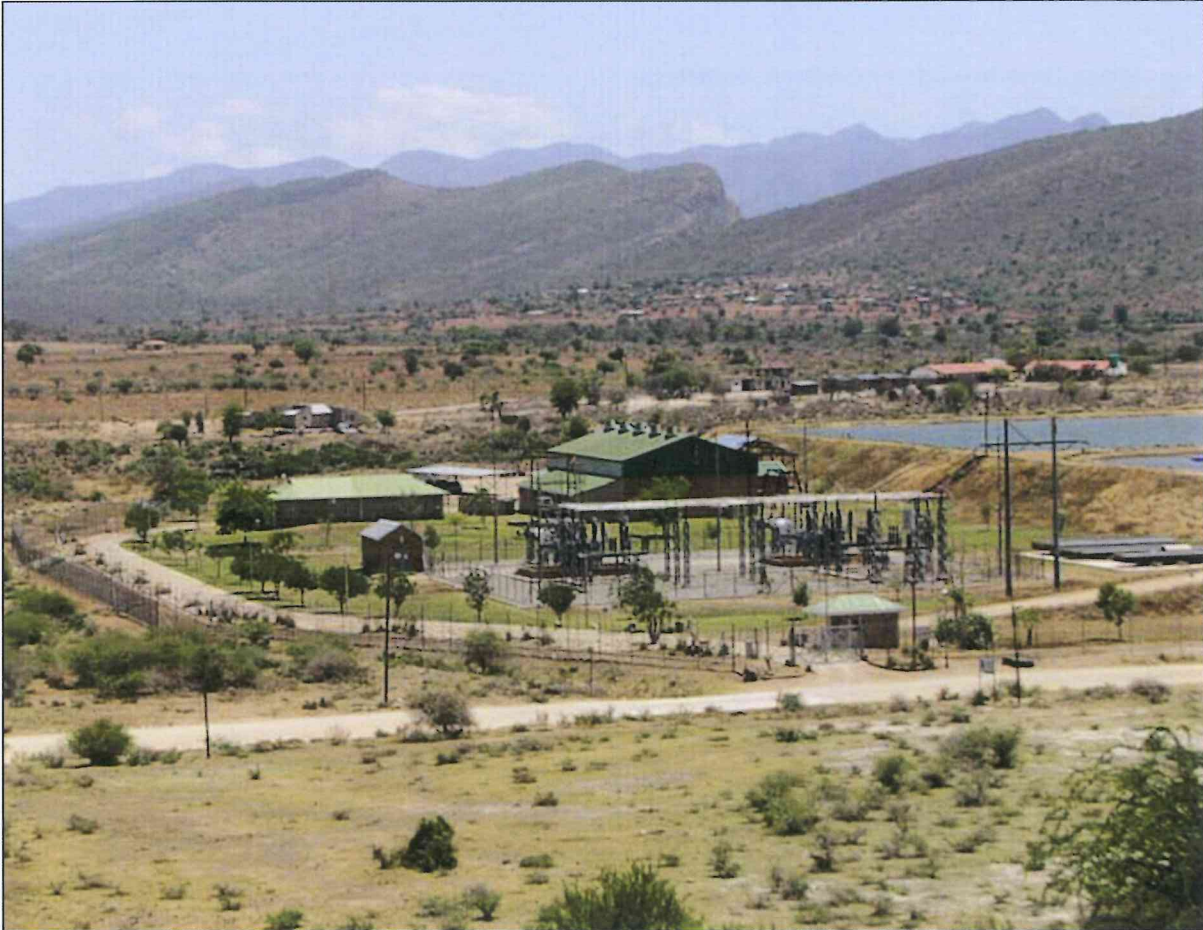


Legal Framework

The Lebalelo Water User Association (LWUA) was established on 1 February 2002 in terms of Chapter 8 of the National Water Act of 1998 (Act 36 of 1998) [Section 91(1)(f), 93(1) and 94(2), Schedule 4 (Management and Planning of Water Management Institutions) and Schedule 5, the model Constitution for Water User Associations, section 79(2) and 84(1)].



**ANNUAL REPORT OF
THE LEBALELO WATER USER ASSOCIATION**
for the year ending 30 June 2014



Main Pump Station area of the Lebalelo Water User Association.

The Lebalelo Water User Association shall, within the legal framework of the National Water Act, and taking cognisance of the prescribed health and safety standards, strive towards making raw water available to all clients and other stakeholders in a cost-effective, efficient, sustainable and responsible manner.

PO Box 2075, Polokwane, 0700
Telephone: +27(13) 216-8000/1/2
Fax: +27(13) 216-8003
E-mail: admin@lebalelo.co.za

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Lebalelo Water User Association
Established in terms of
Section 92(1) of the National Water Act, 1998 (Act No 36 of 1998).
Government Notice 89 as published in
Government Gazette 23053 of 1 February 2002.

Annual Financial Statements for the year ended 30 June 2014

Diemont, Zimmerman & Bolink
Chartered Accountants (S.A.)
Registered Auditors
Issued 23 September 2014

Lebalelo Water User Association

Established in terms of Section 92(1) of the National Water Act, 1998 (Act No. 36 of 1998).

Government Notice 89 as published in Government Gazette 23053 of 1 February 2002.

Annual Financial Statements for the year ended 30 June 2014

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The reports and statements set out below comprise the annual financial statements presented to the Management Committee:

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To the Management Committee of the Lebalelo Water User Association

We have audited the annual financial statements of Lebalelo Water User Association ("the Association"), which comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year ended, and a summary of significant accounting policies, other explanatory notes and the Report of the Management Committee, as set out on pages 4 to 17 in the annual financial statements.

Responsibilities of the Management Committee of the Association:

The Association's Management Committee is responsible for the preparation and fair presentation of the annual financial statements in accordance with the International Financial Reporting Standards for Small and Medium-sized Entities, and requirements of the Companies Act of South Africa, and for such internal control as the members determine is necessary to enable the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the Lebalelo Water User Association as at 30 June 2014, and of its financial performance and its cash flows for the year thus ended, in accordance with the International Financial Reporting Standards for Small and Medium-sized Entities, and the requirements of the Companies Act of South Africa.

Supplementary Information

Without qualifying our opinion, we draw your attention to the fact that the supplementary information set out on pages 18 to 21 of these annual financial statements do not form part of the audit scope of the annual financial statements and are presented as additional information.

Diemont, Zimmerman & Bolink
Chartered Accountants (S.A.)
Registered Auditors

23 September 2014

25 Watermelon Street
Platinum Park
Bendor
Polokwane
0699

Lebalelo Water User Association

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Government Notice 89 as published in Government Gazette 23053 of 1 February 2002.

Annual Financial Statements for the year ended 30 June 2014

Responsibilities and Approval of the Management Committee

The Management Committee is required by the Companies Act of South Africa, to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Management Committee to ensure that the annual financial statements fairly present the state of affairs of the Association as at the end of the financial year and the results of its operations and cash flows for the period ended, in conformity with the International Financial Reporting Standards for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standards for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The Management Committee has reviewed the Association's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, they are satisfied that the Association has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Association's annual financial statements. The annual financial statements have been examined by the Association's external auditors and their report is presented on page 2 of the annual financial statements.

The annual financial statements set out on pages 4 to 21, which have been prepared on the "going concern" basis, were approved by the Management Committee and signed on its behalf by:

H.B.H. Rossouw
Chief Executive Officer

D.W. Pelser
Chairperson
Management Committee

REPORT OF THE MANAGEMENT COMMITTEE

Lebalelo Water User Association

Established in terms of Section 92(1) of the National Water Act, 1998 (Act No. 36 of 1998).

Government Notice 89 as published in Government Gazette 23053 of 1 February 2002.

Annual Financial Statements for the year ended 30 June 2014

Report of the Management Committee

The Management Committee submits its report for the year ended 30 June 2014.

1. Review of activities

Main business and operations

The Association is engaged in supplying raw water to surrounding mines and to purification plants which supply potable water to the communities within its dedicated area.

The operating results and state of affairs of the Association are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Management Committee

During the year and to the date of this report, the Management Committee of the Association consists of the following persons:

Name

| | |
|----------------|--------------------------|
| D.W. Pelser | Chairperson |
| J.A. Bierman | Vice-Chairperson |
| H.B.H. Rossouw | CEO |
| V.C. Townsend | Member |
| L.P. le Roux | Member |
| H.C. Masete | Community representative |
| Vacant | Local Government |

3. Secretary

There is no requirement that the Association must have a secretary, only a Chief Executive Officer.

4. Auditors

Diemont, Zimmerman & Bolink will continue in office in accordance with section 90 of the Companies Act of South Africa.

STATEMENT OF FINANCIAL POSITION

Lebalelo Water User Association

Established in terms of Section 92(1) of the National Water Act, 1998 (Act No. 36 of 1998).

Government Notice 89 as published in Government Gazette 23053 of 1 February 2002.

Annual Financial Statements for the year ended 30 June 2014

Statement of Financial Position

| Amount in Rands | Note(s) | 2014 | 2013 |
|-------------------------------------|---------|--------------------|--------------------|
| Assets | | | |
| Non-current Assets | | | |
| Property, plant and equipment | 2 | 332,062,227 | 337,113,413 |
| Long term pre-payments | 3 | 169,390,048 | 179,598,031 |
| Other financial assets | 4 | 143,711,700 | 139,377,690 |
| | | 645,163,975 | 656,089,134 |
| Current Assets | | | |
| Inventories | 5 | 1,186,747 | 1,277,225 |
| Other financial assets | 4 | 13,043,588 | 7,660,448 |
| Trade and other receivables | 6 | 16,264,404 | 9,797,458 |
| Cash and cash equivalents | 7 | 15,450 | 11,577 |
| | | 30,510,189 | 18,746,708 |
| Total Assets | | 675,674,164 | 674,835,842 |
| Equity and Liabilities | | | |
| Equity | | | |
| Reserves | | 397,327,896 | 397,327,896 |
| Retained income | | 53,271,101 | 43,523,666 |
| | | 450,598,997 | 440,851,562 |
| Liabilities | | | |
| Non-current Liabilities | | | |
| Deferred income | 8 | 160,385,477 | 169,746,296 |
| Long term payables | 9 | 59,785,821 | 59,863,861 |
| | | 220,171,298 | 229,610,157 |
| Current Liabilities | | | |
| Trade and other payables | 10 | 4,903,869 | 4,374,123 |
| Total Liabilities | | 225,075,167 | 233,984,280 |
| Total Equity and Liabilities | | 675,674,164 | 674,835,842 |

STATEMENT OF COMPREHENSIVE INCOME

Lebalelo Water User Association

Established in terms of Section 92(1) of the National Water Act, 1998 (Act No. 36 of 1998).

Government Notice 89 as published in Government Gazette 23053 of 1 February 2002.

Annual Financial Statements for the year ended 30 June 2014

Statement of Comprehensive Income

| Amount in Rands | Note(s) | 2014 | 2013 |
|------------------------------------|---------|-------------------|-------------------|
| Revenue | 11 | 49,892,573 | 43,210,161 |
| Cost of sales | | (14,879,232) | (13,297,357) |
| Gross surplus | | 35,013,341 | 29,912,804 |
| Other income | | 10,085,349 | 9,901,043 |
| Operating expenses | | (40,869,570) | (38,944,347) |
| Operating surplus (deficit) | | 4,229,120 | 869,500 |
| Investment revenue | 13 | 5,518,315 | 4,118,788 |
| Surplus for the year | | 9,747,435 | 4,988,288 |
| Other comprehensive income | | - | - |
| Total comprehensive income | | 9,747,435 | 4,988,288 |

STATEMENT OF CHANGES IN EQUITY

Lebalelo Water User Association

Established in terms of Section 92(1) of the National Water Act, 1998 (Act No. 36 of 1998).

Government Notice 89 as published in Government Gazette 23053 of 1 February 2002.

Annual Financial Statements for the year ended 30 June 2014

Statement of Changes in Equity

| Amount in Rands | Capital Reserve | Retained Income | Total Equity |
|--------------------------------|------------------------|------------------------|---------------------|
| Balance at 01 July 2012 | 397,268,568 | 38,535,378 | 435,803,946 |
| Changes in equity | | | |
| Surplus for the year | - | 4,988,288 | 4,988,288 |
| Capital contribution | 59,328 | - | 59,328 |
| Total changes | 59,328 | 4,988,288 | 5,047,616 |
| Balance at 01 July 2013 | 397,327,896 | 43,523,666 | 440,851,562 |
| Changes in equity | | | |
| Surplus for the year | - | 9,747,435 | 9,747,435 |
| Total changes | - | 9,747,435 | 9,747,435 |
| Balance at 30 June 2014 | 397,327,896 | 53,271,101 | 450,598,997 |

STATEMENT OF CASH FLOWS

Lebalelo Water User Association

Established in terms of Section 92(1) of the National Water Act, 1998 (Act No. 36 of 1998).

Government Notice 89 as published in Government Gazette 23053 of 1 February 2002.

Annual Financial Statements for the year ended 30 June 2014

Statement of Cash Flows

| Amount in Rands | Note(s) | 2014 | 2013 |
|--|---------|---------------------|---------------------|
| Cash flows from operating activities | | | |
| Cash receipts from customers | | 43,145,233 | 41,874,102 |
| Cash paid to suppliers and employees | | (34,866,587) | (35,360,147) |
| Cash generated from (used in) operations | 15 | 8,278,646 | 6,513,955 |
| Interest income | | 5,518,315 | 4,118,788 |
| Net cash from operating activities | | 13,796,961 | 10,632,743 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment - Additions | 2 | (4,517,659) | (3,649,761) |
| Sale of property, plant and equipment - Disposals and Profit | 2 + 15 | 519,761 | 225,699 |
| Sale of other intangible assets | 3 | - | 1,536,275 |
| Movement in investments | | (9,717,150) | (43,716,364) |
| Net cash from investing activities | | (13,715,048) | (45,604,151) |
| Cash flows from financing activities | | | |
| Capital contributed | | - | 59,328 |
| Movement in other liability | | (78,040) | 34,910,956 |
| Net cash from financing activities | | (78,040) | 34,970,284 |
| Total cash movement for the year | | 3,873 | (1,124) |
| Cash at the beginning of the year | | 11,577 | 12,701 |
| Total cash at end of the year | 7 | 15,450 | 11,577 |

Lebalelo Water User Association

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Government Notice 89 as published in Government Gazette 23053 of 1 February 2002.

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the International Financial Reporting Standards for Small and Medium-sized Entities, and the Companies Act of South Africa. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period, except for the changes set out in note 17. First-time adoption of International Financial Reporting Standards for Small and Medium-sized Entities.

1.1 Property, plant and equipment

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

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

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

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

| Item | Average useful life |
|-------------------------------|----------------------------|
| Pipeline | 50 Years |
| Civil works | 45 Years |
| Ventilation and cranes | 20 Years |
| Mechanical | 15 Years |
| Electrical | 15 Years |
| Valves | 10 Years |
| Fencing | 10 Years |
| Furniture and fittings | 10 Years |
| Instrumentation and meters | 8 Years |
| Borehole pumps | 5 Years |
| Tools and equipment | 5 Years |
| Motor vehicle | 4 Years |
| IT equipment | 3 Years |
| Alarm system and safety ropes | 1 Year |

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

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

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 disposable proceeds, if any, and the carrying amount of the item.

ACCOUNTING POLICIES

Lebalelo Water User Association

Established in terms of Section 92(1) of the National Water Act, 1998 (Act No. 36 of 1998).

Government Notice 89 as published in Government Gazette 23053 of 1 February 2002.

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.2 Long term pre-payments

An intangible asset is recognised when -

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the Association; and
- the cost of the item can be measured reliably.

Long term pre-payments are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided to write down the long term pre-payments, on a straight line basis, to their residual values as follows:

| Item | Useful life |
|--|-------------|
| Servitude | Indefinite |
| Capital cost - ESKOM Powerline | 25 Years |
| ESKOM Point of Delivery (POD) costs | 25 Years |
| Exemption from Water Resource Development Charge | 25 Years |
| Water entitlements (2002 - 2007) | 5 Years |

1.3 Financial instruments

Initial recognition and measurement

The Association 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.

Subsequent measurement

Loans and receivables are measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Impairment of financial assets

At each reporting date the Association 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 have been impaired.

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 was 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 adjustments were 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.

Lebalelo Water User Association

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Government Notice 89 as published in Government Gazette 23053 of 1 February 2002.

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.3 Financial instruments (continued)

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 a debtor, probability that a debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 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.

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.

1.4 Inventories

Inventories are measured at the average of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

1.5 Revenue

Revenue from the sale of goods (raw water delivered to its members) is recognised when all the following conditions have been satisfied:

- The Association has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The Association 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 Association.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Lebalelo Water User Association

Established in terms of Section 92(1) of the National Water Act, 1998 (Act No. 36 of 1998).

Government Notice 89 as published in Government Gazette 23053 of 1 February 2002.

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Amount in Rands

2. Property, plant and equipment

| | 2014 | | | 2013 | | |
|--|--------------------|--------------------------|--------------------|--------------------|--------------------------|--------------------|
| | Cost / Valuation | Accumulated depreciation | Carrying value | Cost / Valuation | Accumulated depreciation | Carrying value |
| Plant and equipment - Existing scheme | 221,910,065 | (42,603,876) | 179,306,189 | 220,741,724 | (38,287,741) | 182,453,983 |
| Furniture and fixtures | 411,192 | (352,369) | 58,823 | 384,299 | (337,191) | 47,108 |
| Motor vehicles | 4,505,863 | (2,529,903) | 1,975,960 | 4,315,069 | (2,366,277) | 1,948,792 |
| Alarm system | - | - | - | 6,945 | (6,944) | 1 |
| IT equipment | 1,598,271 | (1,071,874) | 526,397 | 1,178,672 | (841,882) | 336,790 |
| Tools and equipment | 3,019,824 | (2,192,206) | 827,618 | 2,530,253 | (1,952,649) | 577,604 |
| Plant and equipment - Southern Extension | 168,792,756 | (19,676,272) | 149,116,484 | 167,856,472 | (16,128,642) | 151,727,830 |
| Plant and equipment - Northam Platinum | 250,756 | - | 250,756 | 21,305 | - | 21,305 |
| Total | 400,488,727 | (68,426,500) | 332,062,227 | 397,034,739 | (59,921,326) | 337,113,413 |

Reconciliation of property, plant and equipment - 2014

| | Opening balance | Additions | Disposals | Depreciation | Total |
|--|--------------------|------------------|------------------|--------------------|--------------------|
| Plant and equipment - Existing scheme | 182,453,983 | 1,200,536 | (4) | (4,348,326) | 179,306,189 |
| Furniture and fixtures | 47,108 | 32,238 | (3) | (20,520) | 58,823 |
| Motor vehicles | 1,948,792 | 1,115,991 | (136,185) | (952,638) | 1,975,960 |
| Alarm system | 1 | - | (1) | - | - |
| IT equipment | 336,790 | 436,623 | (2,532) | (244,484) | 526,397 |
| Tools and equipment | 557,604 | 557,845 | (7) | (307,824) | 827,618 |
| Plant and equipment - Southern Extension | 151,727,830 | 936,284 | - | (3,547,630) | 149,116,484 |
| Plant and equipment - Northam Platinum | 21,305 | 238,142 | (8,691) | - | 250,756 |
| | 337,113,413 | 4,517,659 | (147,423) | (9,421,422) | 332,062,227 |

Reconciliation of property, plant and equipment - 2013

| | Opening balance | Additions | Disposals | Depreciation | Total |
|--|--------------------|------------------|-----------------|--------------------|--------------------|
| Plant and equipment - Existing scheme | 185,878,947 | 1,246,582 | (1,403) | (4,670,143) | 182,453,983 |
| Furniture and fixtures | 58,403 | - | - | (11,295) | 47,108 |
| Motor vehicles | 1,235,586 | 1,601,811 | (3) | (888,602) | 1,948,792 |
| Alarm system | 1 | - | - | - | 1 |
| IT equipment | 460,497 | 84,520 | (13,323) | (194,904) | 336,790 |
| Tools and equipment | 685,235 | 210,142 | (7,349) | (310,424) | 577,604 |
| Plant and equipment - Southern Extension | 153,934,735 | 485,401 | - | (2,692,306) | 151,727,830 |
| Plant and equipment - Northam Platinum | - | 21,305 | - | - | 21,305 |
| | 342,253,404 | 3,649,761 | (22,078) | (8,767,674) | 337,113,413 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Lebalelo Water User Association

Established in terms of Section 92(1) of the National Water Act, 1998 (Act No. 36 of 1998).

Government Notice 89 as published in Government Gazette 23053 of 1 February 2002.

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Amount in Rands

3. Long term pre-payments

| | 2014 | | | 2013 | | |
|--|--------------------|--------------------------|--------------------|--------------------|--------------------------|--------------------|
| | Cost / Valuation | Accumulated amortisation | Carrying value | Cost / Valuation | Accumulated amortisation | Carrying value |
| Water entitlements | 7,000,000 | (7,000,000) | - | 7,000,000 | (7,000,000) | - |
| Servitudes | 860,000 | - | 860,000 | 860,000 | - | 860,000 |
| Capital Costs - | | | | | | |
| ESKOM Powerline | 11,102,342 | (4,235,621) | 6,866,721 | 11,102,342 | (3,707,412) | 7,394,930 |
| ESKOM POD Cost | 3,168,837 | (1,529,524) | 1,639,313 | 3,168,837 | (1,403,423) | 1,765,414 |
| Exemption from Water Resource Development Charge as per clause 7.2 (refer to note 8) | 224,730,097 | (64,706,083) | 160,024,014 | 224,730,097 | (55,152,410) | 169,577,687 |
| Total | 246,861,276 | (77,471,228) | 169,390,048 | 246,861,276 | (67,263,245) | 179,598,031 |

Reconciliation of long term pre-payments - 2014

| | Opening balance | Amortisation | Total |
|--|--------------------|---------------------|--------------------|
| Servitudes | 860,000 | - | 860,000 |
| Capital Costs - ESKOM Powerline | 7,394,930 | (528,209) | 6,866,721 |
| ESKOM POD Cost | 1,765,414 | (126,101) | 1,639,313 |
| Exemption from Water Resource Development Charge as per clause 7.2 (refer to note 8) | 169,577,687 | (9,553,673) | 160,024,014 |
| | 179,598,031 | (10,207,983) | 169,390,048 |

Reconciliation of long term pre-payments - 2013

| | Opening balance | Disposals | Amortisation | Total |
|--|--------------------|--------------------|---------------------|--------------------|
| Servitudes | 860,000 | - | - | 860,000 |
| Capital Costs - ESKOM Powerline | 7,923,140 | - | (528,210) | 7,394,930 |
| ESKOM POD Cost | 1,891,515 | - | (126,101) | 1,765,414 |
| Exemption from Water Resource Development Charge as per clause 7.2 (refer to note 8) | 180,667,635 | (1,536,275) | (9,553,673) | 169,577,687 |
| | 191,342,290 | (1,536,275) | (10,207,984) | 179,598,031 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Lebalelo Water User Association

Established in terms of Section 92(1) of the National Water Act, 1998 (Act No. 36 of 1998).

Government Notice 89 as published in Government Gazette 23053 of 1 February 2002.

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

| Amount in Rands | 2014 | 2013 |
|--|--------------------|--------------------|
| 4. Other financial assets | | |
| At amortised cost | | |
| Longterm investment (Fixed deposits) - ABSA Interest rates ranging from 5.06% to 6.45% (2013: 4.55% to 6.15%) per annum | 121,968,957 | 119,082,949 |
| Short term investment - ABSA 40 6065 9221 Interest rates ranging from 4.50% to 4.50% (2013: 4.50% to 4.75%) per annum | (50) | 192 |
| Replacement fund - ABSA 40 6069 7124 Interest rates ranging from 4.25% to 4.75% (2013: 4.25% to 4.75%) per annum | 5,147,342 | 4,922,513 |
| Longterm investment (Fixed deposits) - ABSA - ESKOM Guarantees (Note 16) Interest rates ranging from 4.55% to 6.34% (2013: 4.55% to 6.15%) per annum | 2,357,228 | 2,357,228 |
| Call / Sweeping account - ABSA 40 5578 3249 Interest rates ranging from 3.50% to 3.50% (2013: 3.70% to 5.00%) per annum | 5,794,098 | 3,445,564 |
| Depositor Plus - ABSA 92 8467 3157 Interest rates ranging from 4.70% to 5.60% (2013: 3.70% to 5.00%) per annum | 7,249,540 | 3,937,000 |
| Call Account - ABSA 40 8003 4499 (Mokgalakwena Regional Raw Water Scheme) Interest rates ranging from 4.60% to 4.60% (2013: 4.60% to 4.60%) per annum | - | 277,692 |
| Depositor Plus - ABSA 92 8467 3335 (Mokgalakwena Regional Raw Water Scheme) Interest rates ranging from 5.00% to 5.60% (2013: 3.70% to 5.00%) per annum | 14,238,173 | 13,015,000 |
| | 156,755,288 | 147,038,138 |
| Non-current assets | | |
| At amortised cost | 143,711,700 | 139,377,690 |
| Current assets | | |
| At amortised cost | 13,043,588 | 7,660,448 |
| | 156,755,288 | 147,038,138 |
| 5. Inventories | | |
| Consumable stock | 1,186,747 | 1,277,225 |
| 6. Trade and other receivables | | |
| Trade receivables | 6,705,331 | 4,358,567 |
| Deposits | 29,980 | 29,980 |
| VAT | 145,400 | 383,945 |
| Sundry debtors | 9,383,693 | 5,024,966 |
| | 16,264,404 | 9,797,458 |
| 7. Cash and cash equivalents | | |
| Cash and cash equivalents consist of: | | |
| Cash on hand | 5,450 | 1,577 |
| Bank balances | 10,000 | 10,000 |
| | 15,450 | 11,577 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Lebalelo Water User Association

Established in terms of Section 92(1) of the National Water Act, 1998 (Act No. 36 of 1998).

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Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

| Amount in Rands | 2014 | 2013 |
|---|-------------------|-------------------|
| 8. Deferred income | | |
| Pre-payment by members in terms of the Raising of Flag Boshielo Dam Implementation Agreement signed on 19 March 2004. In terms of clause 7.2 thereof, the members shall after completion of the construction, in respect of the first 17 million cubic metres per annum, be exempted for a period of 25 years from the payment of the water resource development charge as determined in terms of the Pricing Strategy. | | |
| 9. Long term payables | | |
| Other long-term payables due to members - Southern Extension | 26,478,277 | 26,808,068 |
| Other long-term payables due to members - Mogalakwena Regional Raw Water Scheme | 33,307,544 | 33,055,793 |
| | 59,785,821 | 59,863,861 |
| 10. Trade and other payables | | |
| Trade payables | 1,390,068 | 1,082,835 |
| Other payables | 3,513,801 | 3,291,288 |
| | 4,903,869 | 4,374,123 |
| 11. Revenue | | |
| Variable operating costs | 15,607,154 | 12,182,458 |
| Fixed operating costs | 34,285,419 | 31,027,703 |
| | 49,892,573 | 43,210,161 |
| 12. Operating surplus (deficit) | | |
| Operating surplus (deficit) for the year is stated after accounting for the following: | | |
| Profit on sale of property, plant and equipment | 372,338 | 203,621 |
| Amortisation on intangible assets | 10,207,983 | 10,207,983 |
| Depreciation on property, plant and equipment | 9,421,422 | 8,767,675 |
| Employee costs | 11,698,688 | 10,688,739 |
| 13. Investment revenue | | |
| Interest revenue | | |
| Bank | 127,064 | - |
| Interest charged on trade and other receivables | 588,196 | - |
| Other interest | 4,803,055 | 4,118,788 |
| | 5,518,315 | 4,118,788 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Lebalelo Water User Association

Established in terms of Section 92(1) of the National Water Act, 1998 (Act No. 36 of 1998).

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Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

| Amount in Rands | 2014 | 2013 |
|---|------------------|------------------|
| 14. Auditors' remuneration | | |
| Fees | 96,996 | 97,268 |
| 15. Cash generated from operations | | |
| Surplus | 9,747,435 | 4,988,288 |
| Adjustments for: | | |
| Depreciation and amortisation | 19,629,405 | 18,975,658 |
| Profit on sale of assets | (372,338) | (203,621) |
| Interest received | (5,518,315) | (4,118,788) |
| Changes in working capital: | | |
| Inventories | 90,478 | (193,228) |
| Trade and other receivables | (6,466,946) | (1,009,315) |
| Trade and other payables | 529,746 | (2,152,195) |
| Deferred income | (9,360,819) | (9,772,844) |
| | 8,278,646 | 6,513,955 |

16. Contingencies

The Association had to supply a guarantee to ESKOM for the provision of power. The guarantee will remain in force for an indefinite period. The amount of the guarantee is R600,000 on behalf of Havercroft Pump Station's account, R400,000 on behalf of the Clapham Pump Station's account, R483,100 on behalf of the Borwa Pump Station's account, R509,791 on behalf of the Spitskop Pump Station's account and R364,337 on behalf of the Dwars River Pump Station's account. The total amount of the guarantee is R2,357,228 as per note 4.

17. First-time adoption of the International Financial Reporting Standards for Small and Medium-sized Entities.

The Association has applied International Financial Reporting Standards for Small and Medium-sized Entities, for the first time for the 2014 year end. In principle this standard has been applied retrospectively and the 2013 comparatives contained in these annual financial statements differ from those published in the annual financial statements published for the year ended 30 June 2013. The standard gives certain mandatory exemptions, and certain optional exemptions, have been detailed below. All adjustments were made to the opening comparative statement of financial position.

18. Comparative figures

Certain comparative figures have been reclassified.

19. Statement of Comprehensive Income

The variable and fixed costs for the members on the Southern Extension also includes the costs attributed to the original scheme (Havercroft to Maandagshoek).

Lebalelo Water User Association

Established in terms of Section 92(1) of the National Water Act, 1998 (Act No. 36 of 1998).

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Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Amount in Rands

20. Risk Management

Financial risk management

The Association's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The overall risk management of the Association's management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Association's financial performance. Risk management is carried out by the Management Committee under policies approved by the Management Committee. The Association identifies and evaluates financial risks in close co-operation with the Association's water demand and anticipated member's cash flow. The Management Committee provides principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk and credit risk and financial instruments and investment of excess liquidity.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Management Committee of the Association maintains flexibility in funding by maintaining availability under committed credit lines.

The Association's risk to liquidity is as a result of funds available to cover future commitments. The Association manages liquidity risk through an ongoing review of future commitments.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the Association's 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.

| At 30 June 2014 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|--------------------------|---------------------|--------------------------|--------------------------|--------------|
| Trade and other payables | 5,205,794 | - | - | - |
| At 30 June 2013 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
| Trade and other payables | 4,374,123 | - | - | - |

Credit risk

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

No credit limits were exceeded during the reporting period, and management does not expect a deficit from non-performance by these counterparties.

DETAILED STATEMENT OF COMPREHENSIVE INCOME

Lebalelo Water User Association

Detailed Statement of Comprehensive Income for the year ended 30 June 2014

| Notes | 2014 R | 2014 R | 2014 R | 2014 R | 2014 |
|---|-------------------------------|-----------------------|---------------------|------------|------------|
| | Havercroft to Maandagshoek | Southern Extension | Northam Platinum | Other | Total |
| Gross Revenue | 40,820,160 | 7,470,765 | 1,601,648 | - | 49,892,573 |
| Fixed operating costs | 26,777,795 | 4,799,195 | 1,407,327 | - | 32,984,317 |
| Fixed electricity | 1,991,548 | 402,150 | 194,321 | - | 2,588,019 |
| Variable electricity | 6,749,033 | 2,269,420 | - | - | 9,018,453 |
| Raw water | 4,693,994 | - | - | - | 4,693,994 |
| Water research fund | 293,060 | - | - | - | 293,060 |
| Maintenance | - | - | - | - | - |
| Potable water supply | 314,730 | - | - | - | 314,730 |
| Cost of revenue | 12,021,587 | 2,857,645 | - | - | 14,879,232 |
| Potable water supply | 314,730 | - | - | - | 314,730 |
| Fixed electricity | 1,976,919 | 399,612 | - | - | 2,376,531 |
| Variable electricity | 7,440,123 | 2,458,033 | - | - | 9,898,156 |
| Raw water | 1,965,657 | - | - | - | 1,965,657 |
| Water research fund | 324,158 | - | - | - | 324,158 |
| Gross surplus | 28,798,573 | 4,613,120 | 1,601,648 | - | 35,013,341 |
| Other income | - | - | - | 15,603,664 | 15,603,664 |
| Profit on disposal of fixed assets | - | - | - | 404,552 | 404,552 |
| Interest received | - | - | - | 5,518,315 | 5,518,315 |
| Discount received | - | - | - | 1,047 | 1,047 |
| Rent received | - | - | - | 125,000 | 125,000 |
| Amortisation-deferred income | - | - | - | 9,554,750 | 9,554,750 |
| Total income | 28,798,573 | 4,613,120 | 1,601,648 | 15,603,664 | 50,617,005 |
| Fixed operating costs (Refer to page 19) | 26,313,693 | 4,454,025 | 548,179 | 9,553,673 | 40,869,570 |
| Retained surplus/(deficit) for the year | 2,484,880 | 159,095 | 1,053,469 | 6,049,991 | 9,747,435 |
| Transfer of interest to non-distributable reserve | - | - | - | - | - |
| Accumulated surplus/(deficit) at the beginning of year | 5,697,305 | 66,070 | 106,398 | 37,653,893 | 43,523,666 |
| Accumulated surplus/(deficit) at the end of year | 8,182,185 | 225,165 | 1,159,867 | 43,703,884 | 53,271,101 |

DETAILED STATEMENT OF COMPREHENSIVE INCOME

Lebalelo Water User Association

Detailed Statement of Comprehensive Income for the year ended 30 June 2014

| Notes | 2014 R | 2014 R | 2014 R | 2014 R | 2014 |
|-----------------------------------|-------------------------------|-----------------------|---------------------|-----------|------------|
| | Havercroft to Maandagshoek | Southern Extension | Northam Platinum | Other | Total |
| Fixed operating costs | 26,313,693 | 4,454,025 | 548,179 | 9,553,673 | 40,869,570 |
| Advertising | - | - | - | - | - |
| Auditors' remuneration | 96,996 | - | - | - | 96,996 |
| Bad debts | - | - | - | - | - |
| Bank charges | 27,389 | - | - | - | 27,389 |
| Bonuses | 1,370,055 | - | - | - | 1,370,055 |
| Computer & software expenses | 38,411 | - | - | - | 38,411 |
| Consulting fees | 2,578,648 | - | 246,061 | - | 2,824,709 |
| Depreciation and amortisation | 5,873,792 | 3,547,630 | - | - | 9,421,422 |
| Amortisation on intangible assets | 654,310 | - | - | 9,553,673 | 10,207,983 |
| Donations | 14,795 | - | - | - | 14,795 |
| Insurance | 650,899 | 119,791 | - | - | 770,690 |
| Interest | 724 | - | - | - | 724 |
| Legal expenses | 7,586 | - | - | - | 7,586 |
| Library | 7,376 | - | - | - | 7,376 |
| Management fees | - | - | - | - | - |
| Management meeting/Sub-executive | 63,016 | - | - | - | 63,016 |
| Maintenance: computer equipment | 44,731 | - | - | - | 44,731 |
| Maintenance: office equipment | 9,109 | - | - | - | 9,109 |
| Membership fees | 5,500 | - | - | - | 5,500 |
| Office cleaning and consumables | 9,759 | - | 1,421 | - | 11,180 |
| Plant hire | - | - | - | - | - |
| Postage | 595 | - | - | - | 595 |
| Public relations | - | - | - | - | - |
| Penalties and interest | 20,604 | - | - | - | 20,604 |
| Printing and stationery | 70,813 | - | - | - | 70,813 |
| Radio licences | 1,029 | 788 | - | - | 1,817 |
| Refreshments | 20,415 | - | - | - | 20,415 |
| Rental: office equipment | 60,909 | - | - | - | 60,909 |
| Security and safety | 1,917,406 | 390,854 | 187,642 | - | 2,495,902 |
| Salaries | 10,328,632 | - | - | - | 10,328,632 |
| Scarce skill incentive | - | - | - | - | - |
| Servitudes | 134,646 | - | - | - | 134,646 |
| Training | 77,387 | - | - | - | 77,387 |
| Telephone and fax | 259,220 | - | - | - | 259,220 |
| Transport costs | 7,462 | - | - | - | 7,462 |
| Operation and maintenance cost | - | - | - | - | - |
| - Abnormal maintenance | - | - | - | - | - |
| - Air conditioners | 12,682 | 1,889 | 802 | - | 15,373 |
| - Civil | 75,079 | 17,021 | 936 | - | 93,036 |
| - Cathodic protection | - | - | - | - | - |
| - Dams | 1,950 | - | - | - | 1,950 |
| - Mechanical | 356,405 | 23,108 | 29,703 | - | 409,216 |
| - Electrical | 127,404 | 38,310 | 42,164 | - | 207,878 |
| - Consumables | 50,950 | 11,337 | 1,210 | - | 63,497 |
| - Environment | 32,550 | 5,250 | 2,625 | - | 40,425 |
| - Gardens and housing | 86,787 | - | - | - | 86,787 |
| - Herbicide | 61,135 | 28,860 | 9,664 | - | 99,659 |
| - Instrumentation and telemetry | 166,319 | 169,308 | 5,925 | - | 341,552 |
| - Loose tools | 71,462 | 4,904 | - | - | 76,366 |
| - Motor vehicle costs | 549,917 | - | - | - | 549,917 |
| - Pest control | 277,836 | 33,384 | 8,652 | - | 319,872 |
| - Pipelines | 71,934 | 55,473 | 10,800 | - | 138,207 |
| - Water purification | 19,067 | 6,118 | 575 | - | 25,760 |

DETAILED STATEMENT OF COMPREHENSIVE INCOME

Lebalelo Water User Association

Detailed Statement of Comprehensive Income for the year ended 30 June 2014

| Notes | 2013 R | 2013 R | 2013 R | 2013 R | 2013 R |
|---|-------------------------------|-----------------------|---------------------|------------|------------|
| | Havercroft to Maandagshoek | Southern Extension | Northam Platinum | Other | Total |
| Gross Revenue | 35,863,348 | 7,035,574 | 311,238 | - | 43,210,161 |
| Fixed operating costs | 24,145,462 | 3,887,944 | 172,672 | - | 28,206,078 |
| Fixed electricity | 1,893,916 | 429,115 | 138,566 | - | 2,461,597 |
| Variable electricity | 5,795,134 | 2,289,057 | - | - | 8,084,191 |
| Raw water | 1,664,985 | - | - | - | 1,664,985 |
| Water research fund | 301,229 | - | - | - | 301,229 |
| Maintenance | 1,702,594 | 429,459 | - | - | 2,132,053 |
| Potable water supply | 360,028 | - | - | - | 360,028 |
| Cost of revenue | 10,892,634 | 2,404,723 | - | - | 13,297,357 |
| Potable water supply | 360,028 | - | - | - | 360,028 |
| Fixed electricity | 1,837,179 | 373,292 | - | - | 2,210,471 |
| Variable electricity | 6,562,943 | 2,031,431 | - | - | 8,594,374 |
| Raw water | 1,821,678 | - | - | - | 1,821,678 |
| Water research fund | 310,806 | - | - | - | 310,806 |
| Water losses | - | - | - | - | - |
| Gross surplus | 24,970,714 | 4,630,852 | 311,238 | - | 29,912,804 |
| Other income | - | - | - | 14,019,831 | 14,019,831 |
| Profit on disposal of fixed assets | - | - | - | 249,110 | 249,110 |
| Interest received | - | - | - | 4,118,788 | 4,118,788 |
| Discount received | - | - | - | 47,183 | 47,183 |
| Rent received | - | - | - | 50,000 | 50,000 |
| Amortisation-deferred income | - | - | - | 9,554,750 | 9,554,750 |
| Total income | 24,970,714 | 4,630,852 | 311,238 | 14,019,831 | 43,932,635 |
| Fixed operating costs (Refer to page 21) | 25,512,793 | 3,673,041 | 204,840 | 9,553,673 | 38,944,347 |
| Retained surplus/(deficit) for the year | (542,080) | 957,811 | 106,398 | 4,466,159 | 4,988,288 |
| Transfer of interest to non-distributable reserve | - | - | - | - | - |
| Accumulated surplus/(deficit) at the beginning of year | 6,239,385 | (891,741) | - | 33,187,734 | 38,535,378 |
| Accumulated surplus/(deficit) at the end of year | 5,697,305 | 66,070 | 106,398 | 37,653,893 | 43,523,666 |

DETAILED STATEMENT OF COMPREHENSIVE INCOME

Lebalelo Water User Association

Detailed Statement of Comprehensive Income for the year ended 30 June 2014

| Notes | 2013 R | 2013 R | 2013 R | 2013 R | 2013 R |
|-----------------------------------|-------------------------------|-----------------------|---------------------|-----------|------------|
| | Havercroft to Maandagshoek | Southern Extension | Northam Platinum | Other | Total |
| Fixed operating costs | 25,512,793 | 3,673,041 | 204,840 | 9,553,673 | 38,944,347 |
| Advertising | - | - | - | - | - |
| Auditors' remuneration | 97,268 | - | - | - | 97,268 |
| Bad debts | 12,108 | - | - | - | 12,108 |
| Bank charges | 25,257 | - | - | - | 25,257 |
| Bonuses | 1,280,037 | - | - | - | 1,280,037 |
| Computer & software expenses | 20,953 | - | - | - | 20,953 |
| Consulting fees | 2,633,155 | - | 31,770 | - | 2,664,925 |
| Depreciation and amortisation | 6,075,367 | 2,692,307 | - | - | 8,767,674 |
| Amortisation on intangible assets | 654,310 | - | - | 9,553,673 | 10,207,983 |
| Donations | 20,680 | - | - | - | 20,680 |
| Insurance | 627,413 | 115,232 | - | - | 742,645 |
| Interest | 989 | - | - | - | 989 |
| Legal expenses | 3,274 | - | - | - | 3,274 |
| Library | 6,193 | - | - | - | 6,193 |
| Management meeting cost | 1,745 | - | - | - | 1,745 |
| Sub-executive | 78,102 | - | - | - | 78,102 |
| Maintenance: computer equipment | 40,899 | - | - | - | 40,899 |
| Maintenance: office equipment | 3,568 | - | - | - | 3,568 |
| Membership fees | 5,000 | - | - | - | 5,000 |
| Office cleaning and consumables | 11,943 | - | - | - | 11,943 |
| Penalties and interest | - | - | - | - | - |
| Plant hire | - | 2,456 | - | - | 2,456 |
| Postage | 658 | - | - | - | 658 |
| Printing and stationery | 75,609 | - | - | - | 75,609 |
| Public relations | - | - | - | - | - |
| Radio licences | 2,001 | 788 | - | - | 2,789 |
| Refreshments | 16,460 | - | - | - | 16,460 |
| Rental: office equipment | 65,730 | - | - | - | 65,730 |
| Security and safety | 1,844,098 | 374,005 | 172,672 | - | 2,390,774 |
| Salaries | 8,866,965 | - | - | - | 8,866,965 |
| Scarce skill incentive | 541,737 | - | - | - | 541,737 |
| Training | 98,397 | - | - | - | 98,397 |
| Telephone and fax | 263,845 | - | - | - | 263,845 |
| Transport costs | 14,432 | - | - | - | 14,432 |
| Operation and maintenance cost | - | - | - | - | - |
| - Abnormal maintenance | - | - | - | - | - |
| - Air conditioners | 5,100 | 510 | - | - | 5,610 |
| - Civil | 74,729 | 4,474 | - | - | 79,203 |
| - Cathodic protection | 2,120 | - | - | - | 2,120 |
| - Dams | 52,607 | - | - | - | 52,607 |
| - Mechanical | 332,320 | 63,856 | - | - | 396,176 |
| - Electrical | 237,032 | 85,078 | - | - | 322,110 |
| - Consumables | 39,659 | 14,722 | 398 | - | 54,779 |
| - Environment | 32,550 | 5,250 | - | - | 37,800 |
| - Gardens and housing | 68,721 | 3 | - | - | 68,724 |
| - Herbicide | 54,783 | 26,520 | - | - | 81,303 |
| - Instrumentation and telemetry | 248,749 | 164,940 | - | - | 413,689 |
| - Loose tools | 91,123 | 2,448 | - | - | 93,571 |
| - Motor vehicle costs | 466,413 | - | - | - | 466,413 |
| - Pest control | 246,207 | 37,877 | - | - | 284,084 |
| - Pipelines | 147,906 | 81,093 | - | - | 228,999 |
| - Water purification | 24,582 | 1,482 | - | - | 26,064 |

2. Chief Executive Officer's (CEO) Report

2.1 Management Committee



*H.B.H. Rossouw
Chief Executive
Officer*

The Management Committee consists of the following persons:

| | |
|----------------------|---|
| Messrs: D.W. Pelsler | Chairperson: representing Anglo American Platinum Limited. |
| J.A. Bierman | Vice-chairperson: representing Rustenburg Platinum Mines Limited. |
| L.P. Le Roux | Member: representing African Rainbow Minerals Limited. |
| V.C. Townsend | Member: representing Impala Platinum Limited. |
| H.C. Masete | Member: Chairperson of the Sub-executive Committee representing communities adjacent to the Lebalelo Raw Water Supply Scheme. |
| H.B.H. Rossouw | Chief Executive Officer (CEO). |
| Vacant | Municipality. |

2.2 Operations

During the year under review, the protective lining of one of the Havercroft Dams was damaged during the mechanical cleaning. The Dams had to be emptied during this process and hydraulic pressure damaged patches were replaced. This problem periodically occurs. Heavy rains during the construction of the dams can be regarded as the main cause of the problem. The replacement of the total lining was considered but after due consideration, only damaged patches were successfully replaced. To prevent future damage an electro coagulation process or dredging may be considered to remove the silt load. However a final decision may only be taken if there is more clarity regarding the Association's possible future involvement in the raw water distribution system with the Olifants River Water Resource Development Project 2 (ORWRDP 2).



Repairs to the damaged floor of the Havercroft Reservoir.

The operation and maintenance of certain potable water schemes transferred from the previous Department of Water Affairs to the Sekhukhune District Municipality are still being carried out by the Association as requested by the Premier of the Limpopo Province.

During the reporting financial year, the Association has again successfully completed the following repairs on potable water schemes of communities adjacent to the Association's raw water pipeline:

- Villages visited: 56.
- Lister engines sent in for repairs: 1 (1 x Habeng).
- Repairs done to electrical supply at boreholes: 14 (3 x Modubeng, 4 x Malokela, 1 x Morapaneng, 3 x Moroke, 1 x Moshira, 1 x Motloulela, 1 x Magobading).
- Repairs done on electrical supply to school boreholes: 3 (1 x Shai P/S, 2 x Manyaba S/S).
- Pump elements and motors replaced in boreholes: 18 (3 x Selala, 2 x Motloulela, 2 x Morapaneng, 1 x Molapong, 1 x Maredi, 2 x Moshira, 2 x Ga-Manyaka, 2 x Ga-Phala, 1 x Diphale, 1 x Malokela, 1 x Maandagshoek).
- Pump elements and motors replaced at schools: 3 (1 x Moila P/S, 1 x Molope P/S, 1 x Mayaba S/S).
- Installation of elevated water tanks at schools: 1 (1 x Senyato P/P/S).
- Installation of elevated water tanks at villages: 3 (1 x Ga-Phala, 1 x Sehwiting, 1 x Sehunyane).
- V-Belts replaced on engines: 1 (1 x Magobading).

The Association also –

- rendered assistance with the cleaning of pump chambers in the Moutse River for the Motloulela Village;
- in collaboration with the Sekhukhune District Municipality and the Department of Water and Sanitation (DWS) relocated header tanks and altered pipeline routes in order to supply the entire Sehwiting Village with water; and
- assisted with pipeline repairs: 12 (2 x Magobading, 3 x Senyato, 1 x Ga-Rakgwale, 2 x Ga-Phala, 1 x Makwala, 1 x Sehwiting, 1 x Sehunyane, 1 x Modubeng.)



Cleaning of pump chambers in the Moutse River for the Motoulela Village.

2.3 Financial Overview

2.3.1 Operating Expenditure

The expenses set out in the following table, excluding working capital for extensions to infrastructure, for the total scheme from Havercroft to Booyensdal were incurred during the year ending 30 June 2014, as summarised from the detailed financial statements. A total quantity of 6 856 295 m³ was pumped from the Havercroft Pump Station:

| | | | 2014 | 2013 |
|-----------------------------------|---------------------|-------------------------|--------------|--------------|
| | | | % | % |
| • Amortisation: Intangible assets | R 10 207 983 | | 18.31 | 19.54 |
| • Replacement and renewal fund | R 9 421 422 | | 16.90 | 16.78 |
| • Fixed electricity cost | R 2 376 531 | | 4.26 | 4.23 |
| • Maintenance | R 2 469 494 | | 4.43 | 5.09 |
| • Overheads | R 4 169 888 | | 7.48 | 7.38 |
| • Personnel costs | R 14 600 783 | | 26.19 | 25.75 |
| • Potable water | R 314 730 | | 0.56 | 0.69 |
| Total Fix Costs | R43 560 831 | (R6.35/m ³) | 78.14 | 79.47 |
| • Electricity | R 9 898 156 | (R1.44/m ³) | 17.75 | 16.45 |
| • Raw water costs | R 2 289 815 | (R0.33/m ³) | 4.11 | 4.08 |
| Variable Costs | R 12 187 971 | (R1.78/m ³) | 21.86 | 20.53 |
| TOTAL EXPENDITURE | R 55 748 800 | (R8.13/m ³) | | 100% |

It is necessary to explain that the R10 207 983 Intangible assets resulted from-

- a) the raising of the Flag Boshielo Dam funded by the Association;
- b) the building of the powerline transferred to ESKOM; and
- c) the prepaid capital cost to ESKOM for the point of delivery (POD) which is depreciated over 25 years as provided within the financial system of the Association.

The financial year ended with a surplus of R9 747 435 and will be used to finance the 132 kV dedicated powerline to the Clapham Pump Station.

2.4 Health and Safety

The Association has not recorded any lost time incidents since its inception in June 2002. During the reporting year 60 613 accident free shifts have been reached.

2.5 Human Resources

The Association complies with the following Acts:

- Basic Conditions of Employment Act, 1997 (Act 75 of 1997)
- Labour Relations Act, 1995 (Act 66 of 1995 as amended)
- Employment Equity Act, 1998 (Act 55 of 1998)
- Skills Development Act, 1998 (Act 97 of 1998)

Employee remuneration levels are benchmarked at levels in line with those of member companies.

2.6 Capital Projects

2.6.1 Northern Extension

The Association has applied for –

- a) a licence to abstract water from the Flag Boshielo Dam;
- b) the extension of its area of operation to include the Mogalakwena area, i.e. the area from Flag Boshielo Dam up to the farm Pruisen and beyond; and
- c) the amendment of its constitution to provide for new members to ensure that the Mogalakwena area will be fully represented on the Association.

The applications set out above, notwithstanding various reminders and meetings with officials of the DWS, are still under consideration. A possible explanation for the delay is a possible policy change by the DWS regarding the continued existence of water user associations and water boards and the proposed regional water utilities. The building of the Mogalakwena Regional Water Supply Scheme is therefore still under consideration. Whilst various initiatives are currently taking place the Department has not taken a final decision regarding which institution will build and operate the proposed scheme.

2.7 Potable Water Supply

The Mooihoek Water Treatment Works have been transferred to Lepelle Northern Water in its capacity as the water services provider for the Sekhukhune District Municipality. These works are not operational and as the Association is an interested party, i.e. the provider of raw water, it was approved that the Association can carry out an audit on the works to determine the extent of work that must still be done and any costs to be incurred. The Association has the capacity to do the audit on behalf of Lepelle Northern Water and will be re-imbursed by the Water Board on completion of the audit.

The Steelpoort Water Treatment Plant will come into operation in the new financial year. A certificate for the practical completion thereof must still be issued by the consultants to Lepelle Northern Water. Raw water will be supplied by the Association via Phase 2C of the ORWRDP 2, i.e. the pipeline from De Hoop Dam which will be connected to the raw water distribution network of the Association. An agreement regarding raw water supply and the payment in advance of fixed operational costs and other tariffs still needs to be negotiated with Lepelle Northern Water.

2.8 Olifants River Water Resources Development Project Phase 2 (ORWRDP 2)

2.8.1 Project

The ORWRDP 2 is an integrated part of the future water delivery in the area and the Association has a material interest in the projects' development. Phase 2A of the ORWRDP 2, being the De Hoop Dam, has been completed and the pipeline from the Dam up to the point where it will be connected to the works of the Association (Phase 2C) is under construction. Once completed, water supply will be affected as follows:

- a) The Mototolo and Booyensdal Mines will be supplied from the De Hoop Dam and for this purpose the conditions of the existing water use licence issued to the Association will need to be amended.
- b) The pipeline from the De Hoop Dam, with the available pressure, will be connected to the suction side of the pump station at Spitskop.
- c) The electric motors at Spitskop will be altered to accommodate variable speed to run at low and high demand. This change will result in R1,5 billion savings in the cost of power supply calculated over a period of 20 years.

CHIEF EXECUTIVE OFFICER'S REPORT

- d) The portion of the Phase 2C pipeline that will be laid adjacent to the pipelines of the Association, will be linked at different points to ensure continuous supply to the Spitskop Pump Station. The higher assurance of supply will enable the Association to supply additional water to new mining development between Spitskop and Steelpoort.
- e) The Department of Water and Sanitation decided to build the Phase 2D to augment water to the farm Groothoek adjacent to the Mooihoek Plant. From this point water can be gravitated to the Olifantspoort Purification Plant for use by Lepelle Northern Water to the future benefit of the Polokwane Region.

It is understood that the building of Phases E and F of the ORWRDP 2 will be postponed until water supply from the Flag Boshielo Dam to the Olifantspoort Water Treatment Plant becomes critical.



A portion of the Phase 2C Pipeline.

2.8.2 Transfer of the Association's Infrastructure to the DWS

There are proposals within the DWS that some of the infrastructure of the Association could be incorporated in the ORWRDP 2 nor has there been a decision regarding the remaining infrastructure.

The building of the Phase 2B pipeline from the Flag Boshielo Dam up to Pruisen and beyond has not yet been finally considered by the Association as it is still negotiating with the DWS in this regard.

2.9 Acknowledgements

It is evident that the Association continues to make a major contribution towards the development of water resources, whilst supplying bulk raw water for mining development within the region. Acknowledgement is given to the Association's members and personnel for their continued support and co-operation.

H.B.H. Rossouw
CEO

27 November 2014



The new combined pump station for reversing the flow in the Association's pipeline and future supply to the Olifantspoort Purification Works of Lepelle Northern Water.

3. Chairperson's Review

3.1 Introduction

The Association's Management and staff are once again thanked for their ongoing efforts in the uninterrupted supply of bulk raw water to the members of the Lebalelo Water User Association ("the Association") during 2013/2014. The Association is also commended for yet another year of operation without a lost time injury. The operational and financial performance continued to improve during 2013/2014. The Association continues to see a steady increase in its water demand over the past 5 years.



*D.W. Pelsler
Chairman*

3.2 Operations

Negotiations between the Department of Water and Sanitation (DWS) and the Association regarding the comprehensive applications by the Association to build the Mogalakwena Regional Water Supply Scheme were terminated in February 2012. Negotiations regarding the involvement of the Association resumed in June 2014. The building of this scheme with funds that will predominantly be supplied by the mines, is a serious issue as the economy of the Region and that of the Country can be influenced. A partnership can be formed between the Association and the DWS to build the scheme. The water needs for this scheme can be accommodated in terms of the provisions of the Olifants River Water Supply Reconciliation Strategy which inter alia states that –

- i. water required to supply the current and future social and economic activities in the Olifants River Catchment will have to come from the Catchment's local resources;
- ii. water required in the Polokwane and Mokopane supply areas will be augmented from the Olifants River Catchment; and
- iii. water requirements can be balanced by availability through the implementation of the following measures:
 - Eliminating unlawful water use.
 - Introducing water conservation and water demand management in all sectors.
 - The introduction of a mechanism whereby water is saved through water use efficiency measures.
 - The treatment of acid mine drainage water to an acceptable standard, either for immediate direct use or before it is allowed to decant into the river system.
 - The removal of invasive alien plants. "Working for Water Programmes" must be accelerated to ensure that at least 50% of infested areas, plus all new growth, is eradicated by 2035.
 - The development of groundwater resources as a priority.
 - The reuse of return flows from Polokwane and Mokopane by the urban or mining sector.

All the above measures lean more towards management interventions rather than development interventions.

The provision of potable water is another serious concern and the Joint Water Forum (JWF), the Association and Lepelle Northern Water, the latter being the approved water services provider for the Sekhukhune District Municipality, can play major roles in the supply of financial aid, provided that funds contributed by members of the JWF be managed and controlled by the Association. The mining industry regards the Association as the most suitable vehicle to drive water supply. The Mooihoek Plant can be aided by the Steelpoort Producers Forum. This plant will receive water via the new Phase 2C of the ORWRDP 2 and will have an influence on the Association due to the reverse flow strategy that will come into operation. The infrastructure to supply potable water is more or less in place but not connected to supply lines. Once in operation users will reap the benefits of tariffs lower than those originally calculated, due to savings in electricity costs.

3.3 Social Responsibility

During 2013/2014, the Association maintained its social commitment by assisting local government in the maintenance of water supply works (boreholes, pumps and motors) of communities within the proximity of the Association footprint for which purpose the Association made a commitment to pay all reasonable costs.

There was also continued pressure on the Association and its members to employ locals from the Havercroft area. These expectations were shared with the human resource structures of the mining members of the Association who fully appreciated the primary need to respond to the employment demands of communities in their immediate vicinity.

3.4 Outlook

The approved budget for 2014/2015 generally reflects steady unit costs primarily through the benefits of economies of scale (bulk raw water demands in the Southern Extension will steadily increase in 2014/2015).

During 2014/2015, the Association will maintain its focus on inter alia the following:

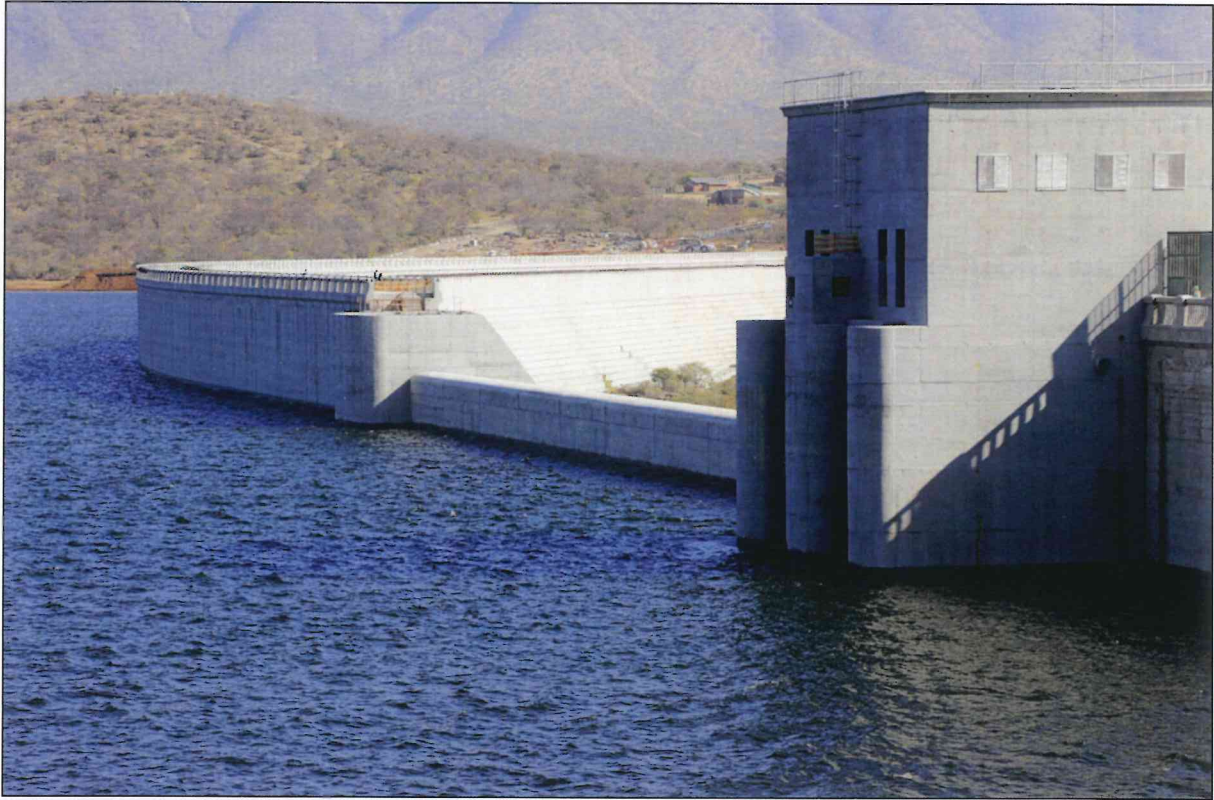
- The uninterrupted supply of bulk raw water to its members and where feasible the supply of surplus bulk raw water to other users.
- The long term viability of the Association's scheme through sound management practices.
- Ongoing dialogue with the DWS to explore viable options for the incorporation of the Association into the ORWRDP 2 infrastructure in the medium term.
- The approval by the Minister of Water and Sanitation of the proposed extended area of operation of the Association to the Mogalakwena area, the accompanying amendment of its constitution and its application for a licence to abstract additional water from the Flag Boshielo Dam.
- The development of additional water resources to supply the Mogalakwena area.
- The funding by the parties involved in the Flag Boshielo Dam/Mogalakwena Regional Water Scheme without any obligations to existing members that will not participate in the scheme.
- The transfer of the assets of the Association and the accompanying disestablishment of the Association due to policy changes in the DWS in terms of which they prefer water boards or utilities to take over water supply functions.
- The continuation of the Association's water supply function until all infrastructure (ORWRDP 2) have been completed and a final decision on the future of the Association has been taken.
- The search and development of new water resources and the building of infrastructure for the Mogalakwena Region with its vast mineral deposits waiting to be utilised. Without this development the economic growth of the Province and the Country as a whole will be influenced detrimentally and therefore positive and constructive negotiations with Government should continue.

Once again, I wish to express my gratitude to my colleagues, the Association's Management for their commitment to ensure optimum service delivery and achievement of objectives. I also wish to express my sincere thanks to the important role players, indicated below, in ensuring the continued existence of the Association:

- The Executive Management and staff of the Association.
- Personnel of Government Departments and other institutions, including members of the Joint Water Forum, for their guidance and courtesy.
- Our valued clients, customers, stakeholders and users, without whom we would not exist.

D.W. Pelsler
Chairperson

27 November 2014.



The De Hoop Dam - June 2014.



View of the De Hoop Dam.

4. MEMBERS OF THE ASSOCIATION AND REPRESENTATIVES AS AT 30 JUNE 2014.

ANGLO AMERICAN PLATINUM LIMITED
Mr D.W. Pelser

RUSTENBURG PLATINUM MINES LIMITED
Mr J.A. Bierman

AFRICAN RAINBOW MINERALS LIMITED
Mr L.P. Le Roux

NORTHAM PLATINUM LIMITED
Mr R. Rautenbach

SAMANCOR CHROME LIMITED
Ms H. Booysen

IMPALA PLATINUM LIMITED
Mr V.C. Townsend

SAMREC (PTY) LTD
Mr H. Jones

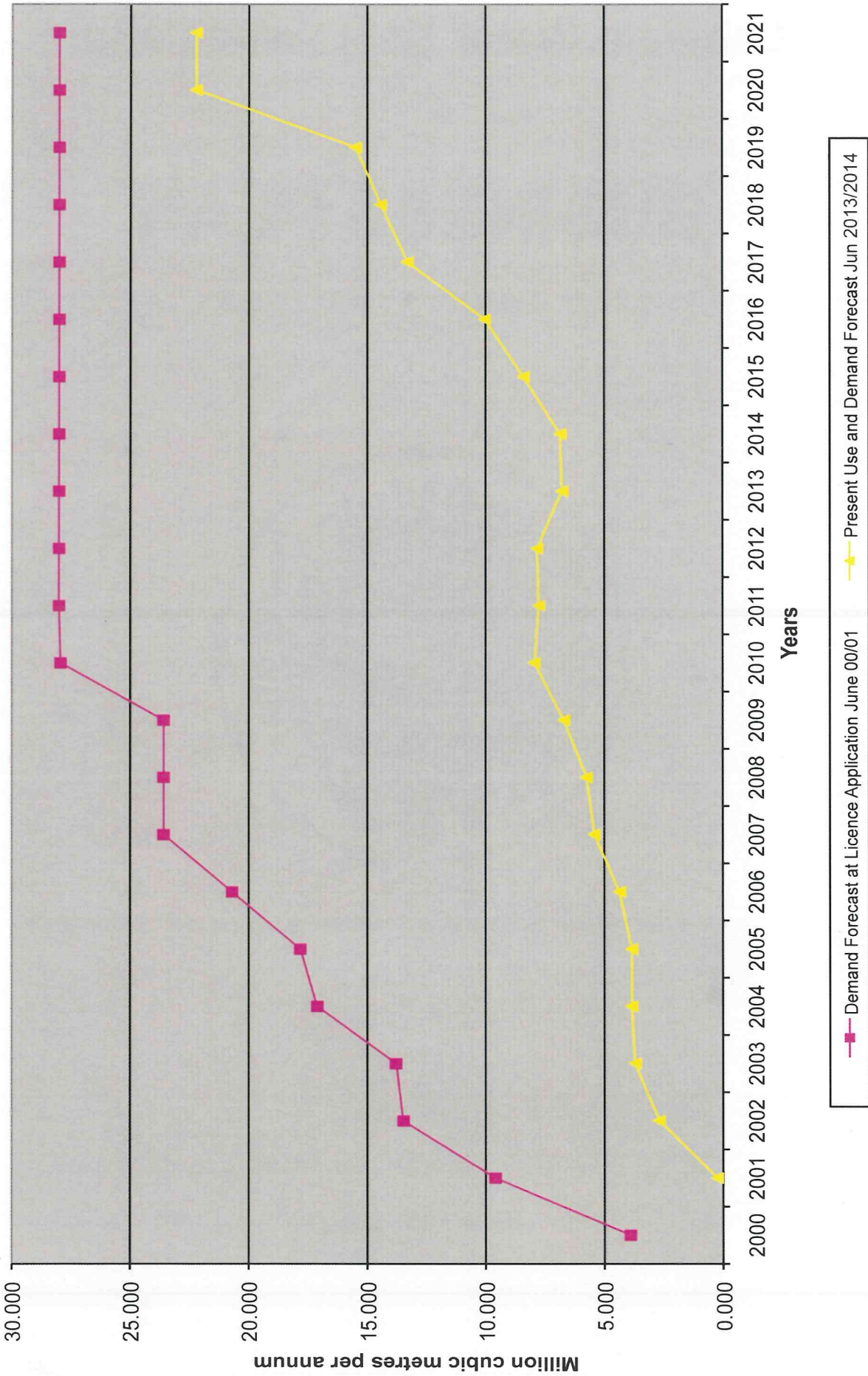
ASA METALS (PTY) LTD
Mr P. Mkhonto

CORRIDOR MINING RESOURCES PTY (LTD)
Vacant

RURAL COMMUNITIES
Mr H.C. Masete

LOCAL GOVERNMENT
Vacant

5.0 Water Use and Demand



Lebalelo Water User Association

BUSINESS PLAN



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1. Background

Full background details regarding the Lebalelo Water User Association were given in the Association's 2013 business plan but with this revision it is deemed necessary to, for the sake of completeness, only summarise the more important issues as follows:

- The Association is a water management institution established in terms of section 92 of the National Water Act, 1998 (Act 36 of 1998).
- Its area of operation and its constitution were approved by the then Minister of Water Affairs and Forestry as confirmed in Government Notice 89 published in the Government Gazette of 1 February 2002. The area of operation was extended in terms of section 92 (1) (b) of the National Water Act, 1998 by Government Notice 1110 of 18 November 2005 and the Association's Constitution was amended by the said Minister on 4 October 2005.
- The full extended area of operation of the Association is situated in the Olifants River Water Management Area 2. Its area of supply and the lay-out of its water distribution scheme are indicated on the attached plan (Annexure A1).
- The Association –
 - o is not responsible for the supply of water for irrigation purposes but was established to supply raw water for industrial (mining) and municipal use;
 - o initially leased 13,00 million m³/a agricultural water at a cost of R7 million which cost included the connection of the existing canal system with the raised Flag Boshielo Dam; and
 - o maintains potable water schemes, at its own expense, belonging to communities situated within its area of supply.
- The establishment of the Lebalelo Water User Association was preceded by a number of requests for water from the Olifants River for urban and industrial use, by Municipalities and mining companies situated in the area of jurisdiction of the Sekhukhune District Municipality, Limpopo Province.
- The then Department of Water Affairs and Forestry was instrumental in negotiations to establish the Association and the accompanying water entitlements. The consent of the Limpopo Provincial Government, the Department of Agriculture and Environment, the Office of the Premier and the Department of Mineral and Energy were also obtained.
- Water allocations were recommended by all interested parties, provided that the distribution and control thereof must be done by a statutory body, such as a water user association. Particulars of the Association's water allocations are set out in paragraph 3.3 hereunder.
- The establishment of the Association gave the then Department of Water Affairs and Forestry ample time to conclude arrangements for the raising by the Association of the Flag Boshielo Dam and to decide on the building of the De Hoop Dam to meet increased demands of the various sectors.
- The Association has, as explained in paragraph 3.3 (m) hereunder, applied to the Department to further extend its area of supply to meet the growing water demand in the Mogalakwena Area for which purpose a scheme will be built from the Flag Boshielo Dam to the farm Pruisen and beyond. Water will be supplied for industrial and urban use. These applications and the progress thereof are being dealt with in the said paragraph.

- Notwithstanding the fact that the Association is the supplier of raw water, the Institution is regarded as a vehicle to negotiate domestic water supply with the service providers, i.e. the Sekhukhune District Municipality and Lepelle Northern Water. The Association will supply, on an interim basis, financial assistance to do an audit on the Mooihoek Water Treatment Plant, presently being vandalized, to functionally complete the plant.

2. Members/parties

Any person who, as a condition of a license, issued in terms section 41 of the National Water Act, or who has an existing lawful use in terms of section 32 of the Act, is entitled to use water and may exercise the right from waterworks and/or sources under control of the Association, provided that such a person has been admitted as a member of the Association in terms of its Constitution and Members' Agreement.

The members are divided into industrial members and ordinary members, as set out in the Association's Constitution and the Members' Agreement.

The "Industrial members" are members whose principal business are mining and who will use water for industrial purposes (mining) or purposes related to mining.

The "Ordinary members" are members who will not use water for mining but for non-industrial or non-mining purposes.

The members / parties involved in the LEBALELO WATER USER ASSOCIATION are:

| Institution | Presented by |
|---------------------------------------|---------------------|
| • Anglo American Platinum Limited | Messrs: D.W. Pelser |
| • ASA Metals (Pty) Ltd | P. Mkhonto |
| • African Rainbow Minerals Limited | L.P. Le Roux |
| • Rustenburg Platinum Mines Limited | J.A. Bierman |
| • Northam Platinum Limited | R. Rautenbach |
| • Impala Platinum Limited | V.C. Townsend |
| • Corridor Mining Resources (Pty) Ltd | Vacant |
| • Samrec (Pty) Limited | H. Jones |
| • Rural Communities | H.C. Masete |
| • Samancor Chrome Limited | Ms: H. Booysen |
| • Provincial Government | Vacant * |
| • Municipalities | Vacant * |

Note: * These institutions were invited to nominate representatives but unfortunately no response has been received. This issue is followed up regularly. The Acting Director General of the Department of Water Affairs has indicated that the Department will assist the Association in this regard.

3. Mission, objectives and strategy

3.1 Mission

The Lebalelo Water User Association shall, within the legal framework of the National Water Act, 1998 (Act 36 of 1998) and taking cognisance of the prescribed health standards, strive towards making raw water available to all consumers and other shareholders in a cost effective, efficient, sustainable and responsible manner.

3.2 Objectives

- a) To maintain and operate a pipeline scheme to supply bulk raw water from the Olifants River, to satisfy the water demands of new mines and existing mines on the Eastern Limb of the Bushveld Igneous Complex.
- b) To supply water from the pipeline, and any extension thereof, from the Olifants River to satisfy the water demands of local government, including rural communities that can receive water from the Association's pipeline.
- c) To provide water for increased demands by rural communities from 25 litres/capita/day to 65 litres/capita/day and a growth in population from 132 000 to 165 000 people within 10 years.
- d) To continue with its intervention in the operation and maintenance of the Sekhukhune District Municipality's potable water schemes, which were transferred from the previous Department of Water Affairs and Forestry to the District Municipality, provided that the schemes are situated within the area of operation of the Association. The lack of maintenance of community water supply schemes by local authorities was the actual cause of water supply systems failing. The Association, by means of its Sub-executive Committee and its Chairperson, Mr Hendrick Masete, is playing a major role facilitating the repairs by a designated official of the Association. To finance maintenance work on community schemes the mining members of the Association contribute 4 cent per cubic metre towards a maintenance fund established for this purpose. The villages via the Sub-executive Committee of the Association supply information regarding borehole schemes not being operational and on receipt thereof, arrangements are made to carry out maintenance work. Details of the involvement of the Association are set out on page 26 of the Association's 2013/2014 Annual Report.

3.3 Strategies / methodology

The following methodology had been adopted to reach the stated objectives:

- a) The Lebalelo Water User Association was established in terms of Chapter 8 of the National Water Act (Act 36 of 1998) to have a statutory body to which the Department of Water Affairs and Forestry could issue a license to abstract water from the Olifants River, for supply to the different categories of water users.
- b) A licence was issued to the Lebalelo Water User Association to abstract raw water from the Olifants River. Licence B191/2/250/1 for a total volume of 16 million m³/a was issued on 6 January 2004. In addition to this quantity the Association also supplies 3,88 million m³/a via its scheme on behalf of the Department to local communities for domestic use. Due to the fact that the Association financed the raising of the Flag Boshielo Dam, an additional licence numbered B191/2/250/1 for a total volume of 1,0015 million m³/a was issued to the Association which represents lawful water entitlements of properties inundated by the raising of the Dam.

- c) The Lebalelo Water User Association appointed sufficient, competent staff to undertake its functions. Particulars of the Association's employers are set out under paragraph 10 of this business plan. Employees are appointed by the management committee and their competence is continuously upgraded through education and training to ensure efficient water supply and strict financial control.
- d) The Lebalelo Water User Association supplies raw water to communities in accordance with its constitution and members' agreement and the National Water Act 36 of 1998. Tariffs for these services are determined annually based on the actual cost of water supply.
- e) The Lebalelo Water Supply scheme consists mainly of –
 - i. the original scheme of which the main components are –
 - (aa) a weir in the Olifants River on the farms Havercroft 99KT and Lucern 84KT;
 - (bb) an abstraction pump station at the weir on the same farms mentioned in (aa) above;
 - (cc) main storage reservoirs;
 - (dd) a main pump station;
 - (ee) a rising main with branch pipelines and booster pump stations for the supply of water to the participating mining companies; and
 - (ff) four off-takes to supply raw water for purification to domestic users;
 - ii. the Southern Extension with booster pump stations supplying water to the Mototolo Mine which was further extended to supply the Booyensdal Project of Northam Platinum; and
 - iii. the raised Flag Boshielo Dam financed by the Association provided that it remains the property of the Government.
- f) Funds for the capital works were contributed by the participants in the scheme and were apportioned according to the water use entitlement of each stakeholder in the capacity of the scheme. A schematic layout of the scheme is indicated on the diagrams attached as Annexures A3 and A4.
- g) The Flag Boshielo Dam has been raised and the industrial members have funded the cost thereof to ensure water supply for mining and urban development. The cost for the raising of the Dam amounted to R225 million and as the Association also funded the expropriation of irrigation allocations attached to the properties inundated by the raising of the dam, an additional licence for 1 001 462 m³/a was issued under reference B191/2/250/1 to the Association on 05 June 2007.
- h) Strict financial control is being implemented and budgeting techniques and control are at all times adhered to.
- i) Interaction with all participants and affected parties in order to ensure an effective service, complying with the needs of participants.
- j) Continuous negotiations with all the role players regarding the responsibility for domestic water supply. The Association, as an interim measure, accepted this responsibility due to a lack of performance by other role players. A new water services institution must be appointed for potable water supply.
- k) Conclude water supply agreements with local authorities regarding the supply of raw water for purification and supply to domestic users, which will be in force until a new water services institution has been appointed.

- l) In October 2011 the LWUA applied to the DWA to –
- extend its area of operation to the Mogalakwena area;
 - amend its Constitution; and
 - abstract water from the Flag Boshielo Dam and the necessary license authorizing the water use.
- m) The need for the water supply to the extended area, as indicated on the attached plan (Annexure A2), the reasons for the applications, the proposed financing model for the Mogalakwena Regional Raw Water Scheme, the participants therein, the expected raw water demands etc, were fully dealt with in the Association's 2013 business plan and are not repeated in this document. The applications became clouded due to the completion by the Department of Phase 2C of the Olifants River Water Resource Development Project (ORWRDP 2). This Phase represents the pipeline from the De Hoop Dam up to the point where it will be connected to the Association's distribution network. Some of the infrastructure of the Association, not yet identified, will be taken over by the Department and therefore the disestablishment of the Association must be considered. The Department has indicated that –
- a) it will not destabilise the Association;
 - b) all uncertainties must be clarified; and
 - c) the Association's original applications will be considered at a more suitable stage.

The Department has not, since the applications in 2011, given any feedback in writing. The Association is in the process of re-negotiating the applications for which purpose it already had a number of high level meetings with officials of the Department.

4. Policies that guide Water User Association operations

The business plan will be the main guide to the Water User Association to achieve its mission and objectives. The Lebalelo Water User Association complies with the following Acts:

- Basic Conditions of Employment Act, 1997 (Act 75 of 1997)
- Labour Relations Act, 1995 (Act 66 of 1996 as amended)
- Employment Equity Act, 1998 (Act 55 of 1998)
- Skills Development Act, 1998, (Act 97 of 1998)

For the day to day operation of the Water User Association, operating rules, regulations, technical and administrative procedures, as approved by the management committee, are being adhered to.

5. Delegated management powers and duties

The Management Committee of the Lebalelo Water User Association is established in terms of Chapter 8 of the National Water Act, Act 36 of 1998, (Sections 91 (1) (f); 93 (1) and 94 (2)) and its Constitution as approved by the then Minister of Water Affairs and Forestry. The reasons for the establishment of the Association are set out in the introduction to this business plan as well as in the Government Notices referred to in that paragraph.

6. Powers and functions delegated to the Lebelelo Water User Association

The following powers and functions referred to in the National Water Act, 1998 (Schedule 3) were delegated to the Association by the Minister of Water Affairs.

| | |
|------------|---|
| Item 2: | <p>A water users association may:</p> <ul style="list-style-type: none"> a) manage and monitor permitted water use; b) conserve and protect water resources and resource quality; c) subject to the provisions of the Act, develop and operate a scheme in furtherance of its functions; d) do anything necessary to implement catchment management strategies; and e) by notice to a person taking water and after having given that person a reasonable opportunity to be heard, limit the taking of water in terms of Schedule 1. |
| Item 3: | <p>Subject to item 3(2), (5) and (6) a water user association may make rules to regulate water usage.</p> |
| Item 4(1): | <p>A water users association may require in writing that a water user:</p> <ul style="list-style-type: none"> a) install a recording- or monitoring device to monitor storing, abstraction or use of water; b) establish links with any monitoring or management system to monitor storing, abstraction and use of water; and c) keep records on the storing, abstraction and use of water and submit the records to the water user association. |
| Item 4(2): | <p>A water users association may undertake the installation or establishment of links referred to in item 4.1 and recover any reasonable costs from that water user if the water user fails to comply with a requirement in respect of item 4.1.</p> |
| Item 5(1): | <p>To, by written notice, request the owner or person in control of a waterworks within its area or operation to collect and submit particular information within a specified period to enable the water user association to determine whether that water work is constructed, maintained and operated in accordance with the Act.</p> |
| Item 5(2): | <p>To, subject to item 5(3), direct the owner or person in control of a waterworks situated within its area of operation, at the owner's own cost and within a specified period, to:</p> <ul style="list-style-type: none"> a) undertake specific alterations to the waterworks; b) install a specific device; or c) demolish, remove or alter the waterworks or render it inoperable, in a manner specified in the directive. |
| Item 5(4): | <p>If the owner fails to comply with a directive, to:</p> <ul style="list-style-type: none"> a) undertake the alterations; b) install the device; or c) demolish, remove or alter the waterworks inoperable, and recover any reasonable costs from the person to whom the directive was issued. |

| | |
|------------|---|
| Item 6(1): | <p>In the event of a water shortage within its area of operation, and subject to items 6(2) and (3) of Schedule 3, to by notice in the Gazette or by written notice to each of the owners in the area who are likely to be affected:</p> <ul style="list-style-type: none"> a) limit or prohibit the use of water; b) require any person to release stored water under that persons control; c) prohibit the use of any waterworks; and d) require specified water conservation measures to be carried out. |
| Item 6(4): | <p>To:</p> <ul style="list-style-type: none"> a) modify, or require the owner of the waterworks to modify the waterworks so that it cannot be used to take more water than that allowed for in the notice; or b) remove the waterworks or require the owner to remove the waterworks if the notice contains a prohibition on the use of that waterworks, if the owner or person in control of a waterworks contravenes a notice under item 6 (1) of Schedule 3. |
| Item 6(5): | <p>To recover from the owner any reasonable costs incurred by it in acting under Item 6(4).</p> |

7. Activities and services

7.1 Key services provided by the Water User Association

The Lebalelo Water User Association was established to supply via a fully paid water scheme, raw water to mining companies that have developed mines on the Eastern Limb of Bushveld Igneous Complex. The Association has accepted the responsibility to make raw water available to villages adjacent to its pipeline, to domestic consumers and to the Sekhukhune District Municipality, or its agents. The Association has also endeavoured to, as explained in paragraph 3.3 (m), expedite water supply to the Mogalakwena Region via a proposed scheme from the Flag Boshielo Dam.

7.2 Key activities to be undertaken to deliver services

The scheme of the Association mainly consists out of a bulk supply pipeline which supplies licenced raw water to each of the parties who have entered into a members' agreement. Treatment works and branch lines to the numerous rural villages in the area must be constructed as part of a separate project by the Department of Water and Sanitation (DWS).

The Lebalelo Water User Association can also act as agent for the provision of potable water by agreement as such supply is the responsibility of the Government, the DWS and / or Local Authorities. However, the Lebalelo Water User Association will become actively involved in negotiations with the water authorities in order to conclude agreements for the supply of bulk raw water. Negotiations with the DWS, the Sekhukhune District Municipality, Local Municipalities, the Limpopo and the Mpumalanga Provinces to become the raw water services provider, will continue.

Local authorities will be assisted with management skills in building potable water supply schemes to supply all the communities with water within the area of jurisdiction of the Association.

The bulk raw water pipeline has sufficient capacity and can deliver raw water for purification at suitable off-take points along the route, from where water can be distributed to domestic users (Sekhukhune District Municipality or its agents). Using this approach, some 13,85% of the bulk pipeline has been allocated to rural water, provided that the Government (the DWS, the Provincial or Local Government) pay for their portion of the fix operational cost of the scheme. No water will be made available to Local Government or its agents if all cost related to the bulk raw water scheme is not fully paid.

The capacity available to Local Government involves a capital contribution of R27,638 million, depending on the per capita demand. The mining companies have contributed R13,638 million, and the Department of Water Affairs R14 million for the available capacity at the off-take points. These contributions have been included in the cost set out in paragraph 13.1.1.

The Association will become involved in the supply of water through water schemes to other areas as is presently the case with the Mogalakwena Scheme which will mainly, if approved, be financed by industrial members. The Government will still be responsible for the cost of basic water supply.

7.3 The expected standards to be achieved

- a) The effective and sustainable long term bulk water supply to all users within the area of jurisdiction of the Association.
- b) To continuously strive towards the delivery of a "One Stop" service to all customers in each field of activity that the Association is engage into.
- c) To improve cost efficiencies by controlling the line items in terms of the budget and control in overall spending.
- d) To continuously improve the Association's relationship with key stakeholders.

8. Measurement of performance

In adopting the business plan, cognisance is taken by the Association of the powers and functions delegated to it as set out in paragraph 6 hereof. In carrying out its duties, the Lebalelo Water User Association must achieve a balance between –

- a) the provision of an efficient, reliable and sustainable water supply service;
- b) the optimal use of available resources;
- c) the strive to be financially viable;
- d) the promotion of the efficiency of local authorities;
- e) the needs of consumers;
- f) the need to apply policies and objectives of National and Provincial Government;
- g) the responsibility to act in an equitable and fair manner;

- h) the compulsory adherence to health and safety and environmental policies and the responsibility to take reasonable steps to promote water conservation and water demand management, including promoting public awareness in these matters; and
- i) the powers of the Minister of the DWS to direct the Management Committee to amend the Business Plan if it is not in the best interest of the general public within the area of jurisdiction or is not in accordance with the National Water Act or the provisions of its Constitution and Members' Agreement.

9. Governance arrangements

9.1 Governance Policies in place

Taking cognisance of Chapter 8 of the National Water Act, the Lebalelo Water User Association was established in terms of the National Water Act as a Water User Association as defined by the Act. The Lebalelo Water User Association has adopted and adhered to the constitution of the Association as approved by the Management Committee and the Minister.

9.2 Catchment Management Services

The Association has provided the electronic equipment at two weirs for in time availability of flow data in the Olifants and Mohlaitse Rivers to manage water releases from the Flag Boshielo Dam to the abstraction points of the Association and the Lepelle Northern Water and to curb water losses. The abstraction weir is equipped with electronic equipment that can be used to determine the environmental releases downstream of the weir. Information regarding the releases should be supplied by the DWS and water is, when requested, released from the Flag Boshielo Dam.

9.3 The Management Committee recognises the need for and accepts final responsibility for the institution of internal control systems and will ensure that –

- a) effective management objectives exist;
- b) relevant legislation and regulations are adhered to; and
- c) adequate internal financial control systems are developed to provide reasonable certainty in respect of the completeness and integrity of the accounting records.

9.4 For purposes of Governance arrangements the following documents are relevant:

- a) Annual financial statements for 2013/2014.
- b) Financial Management Information available at every management meeting which includes:
 - i) Water pumped report.
 - ii) Expenditure report.
 - iii) Debtor analysis.

- iv) Comprehensive statement of income.
- v) Cash flow report.
- vi) Water quality report.

9.5 Details of the Management Committee including a list of members

The Management Committee of the Lebalale Water User Association comprises of 5 members elected in accordance with the Constitution and Members' Agreement.

A Sub-executive Committee elected by all the villages within the area of jurisdiction is representing the communities.

The following companies and institutions are members of the Association and the Management Committee Members are elected in accordance with the voting powers set out in paragraph 9.6

- Anglo American Platinum Limited
- Impala Platinum Limited
- ASA Metals (Pty) Limited
- African Rainbow Minerals Limited
- Rustenburg Platinum Mines Limited
- Northam Platinum Limited
- Samancor Chrome Limited
- Corridor Mining Resources (Pty) Ltd
- Samrec (Pty) Limited
- Provincial Government
- Municipalities:
 - a) Sekhukhune District
 - b) Fetakgomo
 - c) Tubatse
- Rural Communities

9.6 Voting powers calculated on various demands are as follows:

| Voters list | | | |
|--|---------------------------------|-------------|-----------------|
| Members | Water Use entitlement | Votes % | Number of votes |
| Anglo American Platinum Limited | 16 000 m ³ /day | 20,85% | 2085 |
| Rustenburg Platinum Mines Ltd | 17 000 m ³ /day | 22,16% | 2216 |
| African Rainbow Minerals Ltd | 4 000 m ³ /day | 5,21% | 521 |
| Northam Platinum Limited | 7 000 m ³ /day | 9,12% | 912 |
| Impala Platinum Ltd | 13 800 m ³ /day | 17,99% | 1799 |
| ASA Metals (Pty) Ltd | 1 200 m ³ /day | 1,56% | 156 |
| Samancor Chrome Ltd | 6 000 m ³ /day | 7,82% | 782 |
| Samrec (Pty) Ltd | 600 m ³ /day | 0,78% | 78 |
| Corridor Mining Resources (Pty)Ltd | 500 m ³ /day | 0,65% | 65 |
| Rural demand (65¢/person/day) Municipalities | 10 625 m ³ /day | 13,85% | 1385 |
| Total demand | 76 725 m³/day | 100% | 10000 |

10. Management arrangements

The total manpower arrangements for the management of the affairs of the LWUA are:

(Organogram attached as **Annexure B**)

| | |
|---------------------------------------|-------------------|
| Management Committee | 5 elected members |
| Chief Executive Officer | 1 Post |
| Technical / Production Manager | 1 Post |
| Instrument Technician | 1 Post |
| Technical Superintendent | 1 Post |
| Planning Co-ordinator | 1 Post |
| Electrical | 2 Posts |
| Multi-skilled Artisans / Fitters | 4 Posts |
| Multi-skilled Artisan / Potable water | 1 Post |
| Multi-skilled Artisan / Helpers | 9 Posts |
| Semi-skilled Artisan | 1 Post |
| Drivers | 1 Post |
| Production Operators | 4 Posts |
| Procurement: Store man | 1 Post |

BUSINESS PLAN

| | |
|--------------------------------------|-----------------|
| Chief Financial Officer | 1 Post |
| Financial / Accountant / Bookkeeper | 1 Post |
| Financial / Bookkeeper / Assistant | 1 Post |
| Store superintendent | 1 Post |
| Financial / Bookkeeping Clerk | 1 Post |
| Human Resources Administrative Clerk | 1 Post |
| Students for training purposes | 1 Post |
| General Labourers | 3 Posts |
| Total | 38 Posts |

The Finance /Administrative Personnel are responsible for the following tasks:

- Maintain and update debtors
- Maintain and update creditors, creditor payments
- Maintain and update general ledger
- Maintain and update asset register
- Reconciliation of VAT account and payments
- Monthly bank reconciliations
- Monthly management accounts
- Maintenance of reports
- Store stock control
- Monthly payroll
- Daily backups
- Annual report

28 of the abovementioned posts are filled as follows:

| | |
|---------------------------------------|--|
| Chief Executive Officer | White male |
| Technical / Production Manager | White male |
| Instrument Technician | White male |
| Technical Superintendent | White male |
| Planning Co-ordinator | Vacant |
| Electricians | 1 Black female and 1 white male |
| Multi-skilled Artisans / Fitters | 1 Black male, 1 coloured male and 1 white male |
| Multi-skilled Artisan – Potable water | 1 Black male |
| Multi-skilled Artisan /Helpers | 1 Black female and 6 black males |
| Semi-skilled artisan | Vacant |
| Drivers | Vacant |
| Production Operators | 3 Black female, 1 black male |
| Procurement: Store man | Vacant |
| Chief Financial Officer | 1 White female |
| Financial / Accountant /Bookkeeper | 1 Black male |
| Financial / Bookkeeper / Assistant | 1 Black female |
| Financial / Bookkeeping Clerk | 1 Black male |
| Human Resources Administrative Clerk | Vacant |
| Students for training purposes | Vacant |
| General Labourers | 2 Black females and 1 black male |

Legislation regarding human resources and development was taken into account with the appointment of personnel.

11. Relationships

The Regional Office of the DWS was originally part of the constitution and the members' agreement and is currently taking part in the negotiations regarding the off-take points on the main pipeline.

A catchment management agency (CMA), does not exist at present in this area and certain functions of a CMA were delegated to the Association.

Presently only Lepelle Northern Water operates in the area as a water services provider for the Sekhukhune District Municipality.

12. Public participation consultation

12.1 Consultation with communities

There are 103 villages situated adjacent to the Association's pipeline, representing 132 000 people. They are represented on the Management Committee by Mr Hendrick Masete who was elected by the communities. Tribal authorities were also involved in the election process.

12.2 Major participants

The major stakeholders of the Water Use Association are:

- The founding members
 - o Anglo American Platinum Corporation Limited
 - o ASA Metals (Pty) Ltd
 - o Department of Water Affairs
 - o Corridor Mining Resources (Pty) Ltd
 - o Samancor Chrome Limited
 - o Samrec (Pty) Ltd
 - o Impala Platinum Limited
- Representatives from Rural Communities.
- Local Government
 - o Fetakgoma Municipality
 - o Greater Tubatse Municipality
 - o Sekhukhune District Municipality

13. Financial aspects of the Business Plan

13.1 Scheme funding

13.1.1 Introduction

The original scheme was funded by the participants summarized in paragraph 12.2. The total cost of this Phase amounted to R231 million and to increase the assurance of supply from the Olifants River the participants also financed the raising of the Flag Boshielo Dam at a cost of R225 million. The scheme was also extended (the so-called Southern Extension) at a cost of R165 million, contributed by the mining houses presently receiving water from this extension. An amount of R13,638 million to cover for the availability of capacity for increased demand and growth in population was contributed by the mines. The final cost of the scheme amounted to R621 million, which will increase due to the extension to the Booyensdal Project.

13.1.2 Financing the Lebalelo Water User Association

The project belongs to and has been financed by the Association on behalf of its members (the end users). The Department of Water Affairs has from the very beginning indicated that the Association's scheme should eventually be incorporated into the ORWRDP 2 which was announced in 2004. Various reconnaissance meetings in this regard were held between the parties without firm proposals to the Lebalelo Water User Association. The major issues that must be addressed before incorporation are:

- The repayment of the capital cost.
- The elements of the Scheme that will remain as assets of the Association.
- The institution that will operate and maintain the infrastructure after the incorporation.
- The building of other phases of the ORWRDP such as the Flag Boshielo Dam / Mogalakwena Regional Water Supply Scheme or any other phase of the Project that will be partly or fully financed by agreement with the Association.

The amalgamation process is in the court of the DWS. The lack of progress creates an uneasiness amongst members and personnel of the Association. Firm proposals for the inclusion of the scheme must urgently be made by the DWS.

The operation and maintenance costs are being recovered by the Association from the end users.

13.2 Costing criteria

The following costing criteria are used:

- Capital cost was contributed by each participant and is therefore not part of the water tariff, provided that provision is made for future refurbishment of the scheme. In future funds accumulated by investment of the refurbishment fund will be sufficient to carry the cost in this regard and therefore the fixed operational cost will decrease.
- The water tariff includes a raw water cost from the Flag Boshielo Dam (existing dam) as well as a cost for the raising of the dam. It also includes tariffs for catchment management charges and levies for purposes of the Water Research Commission as determined by the DWS.
- The water tariff also includes operational and maintenance cost.

13.3 Operational expenditure (Opex items)

The operation and maintenance budget is divided into a fixed and variable cost component. The fixed cost component is paid 3 months in advance to ensure a cash flow to keep the organization in a credit balance. The variable operational cost is invoiced each month and payable within 30 days. It is to the benefit of the members to ensure that the Association has a credit balance.

13.4 Operational Budget

Annexures C1-C3.

14.0 Annexures-

| | |
|--------------|---|
| Annexure A1: | Area of operation (Existing area) |
| Annexure A2: | Area of operation (Proposed Northern Extension) |
| Annexure A3: | Schematic layout (Original Scheme) |
| Annexure A4: | Schematic layout (Southern Extension) |
| Annexure B: | Organogram |
| Annexure C1: | Operational budget (Main Scheme) |
| Annexure C2: | Operational budget (Southern Extension) |
| Annexure C3: | Operational budget (Northam Platinum-Booysensdal) |

14.1 Section 1: Transformation Requirements

- a) Staff compliment per functional area.
- b) Workforce profile on the total number of employees.
- c) Workforce profile on the total number of employees with disabilities.
- d) Skills development.
- e) Statement on redressing inequalities.
- f) Statement on procurement.

14.2 Section 2: Statement of Comprehensive Income For The Business Plan

- a) Projected five-year income statement.
- b) Assumptions for projected Statement of Comprehensive Income.
- c) Capital expenditure summary.

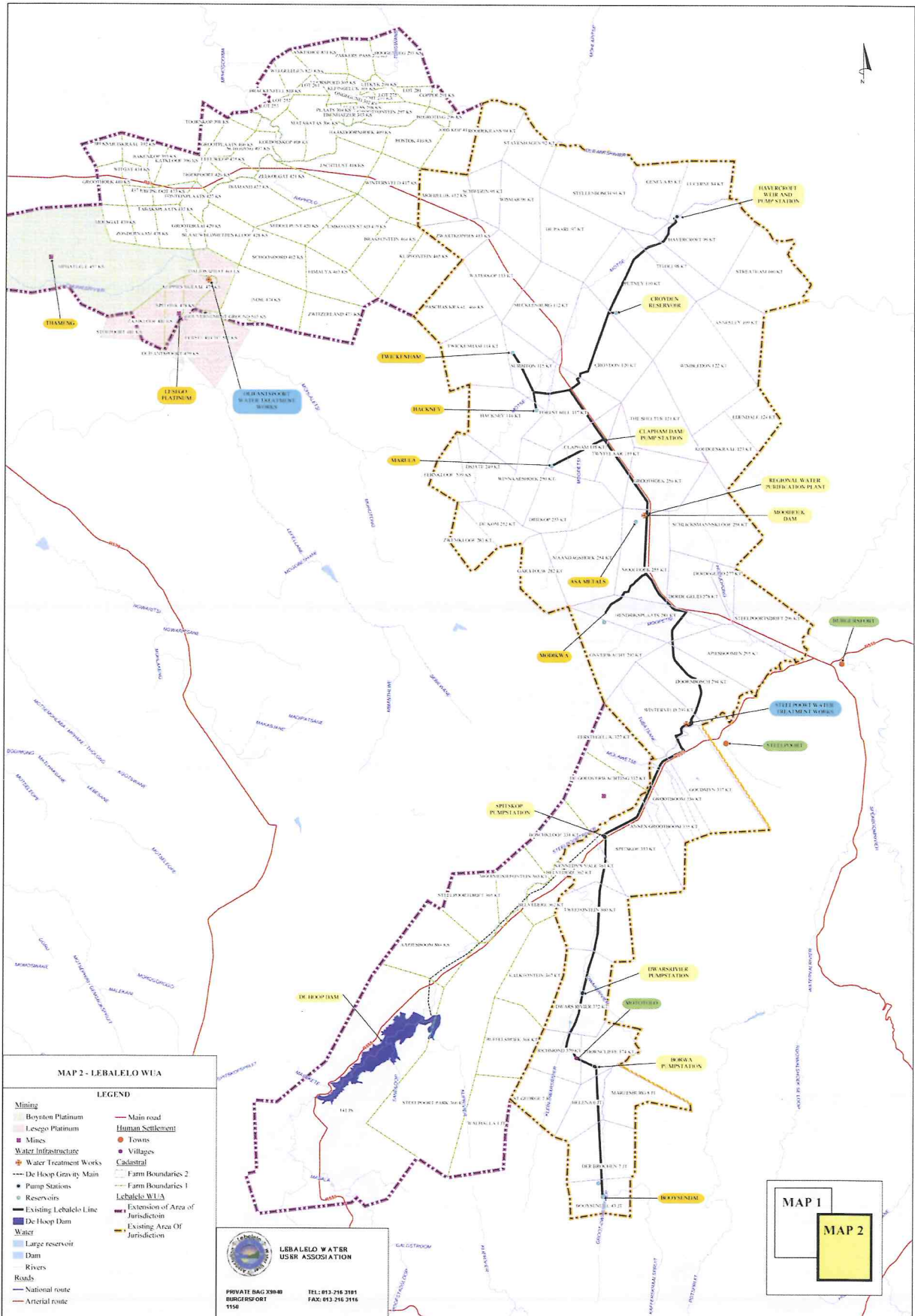
14.3 Section 3: Financial Indicators

- a) Generic financial indicators / ratios.
- b) Definition of ratios.

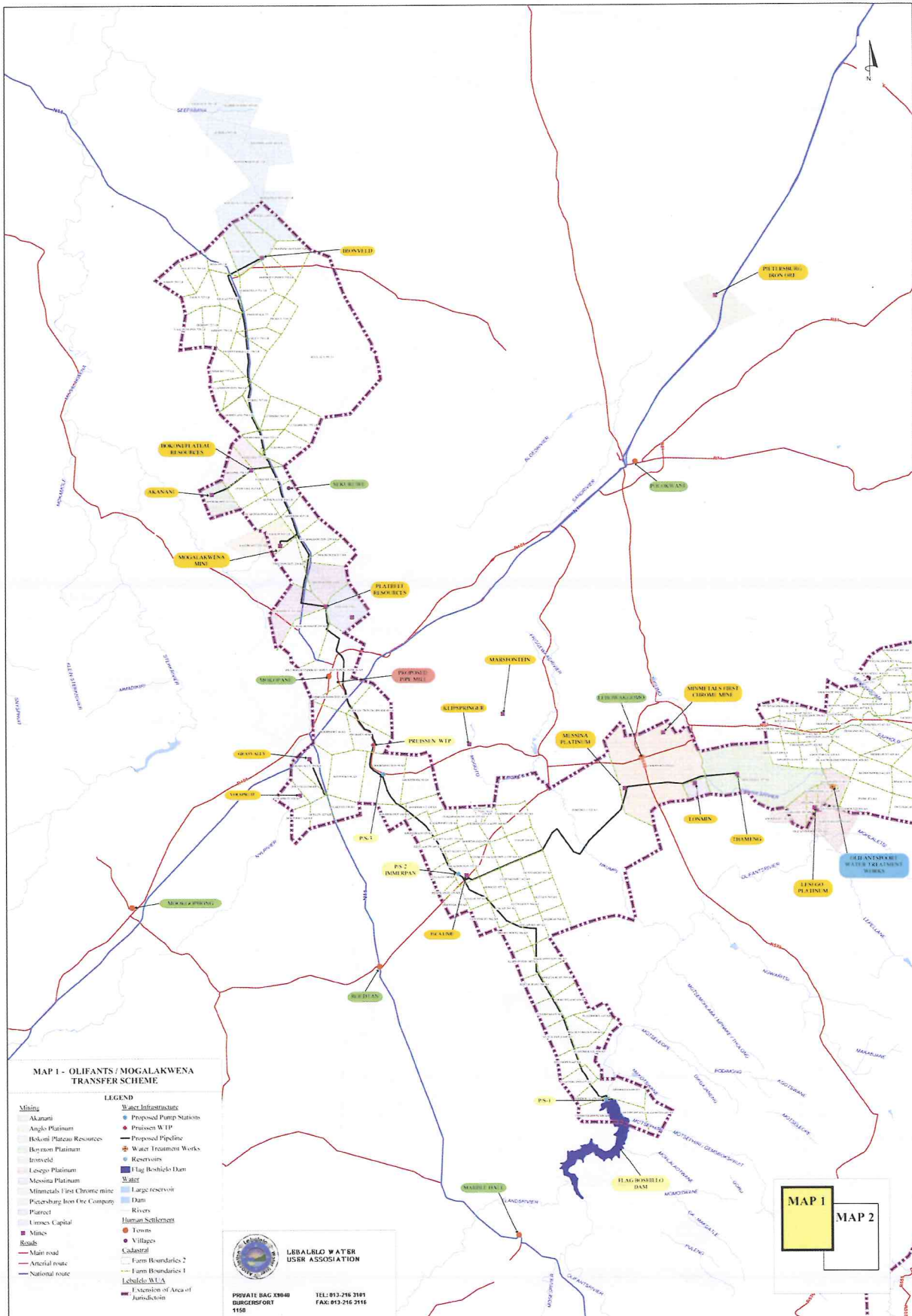
15. Financial Statements 2013/2014

See pages 3-21 of the Annual Report

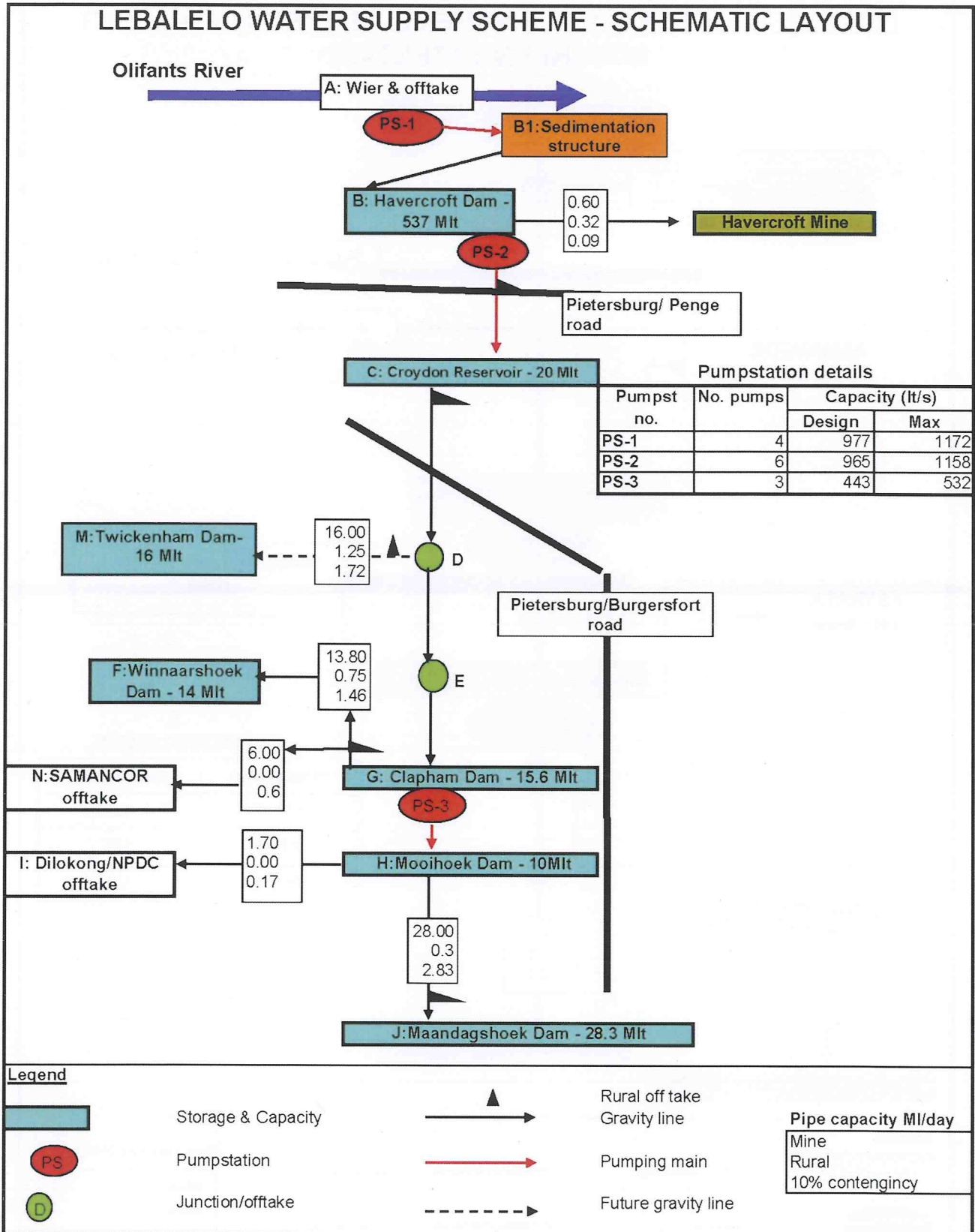
ANNEXURE A1: AREA OF OPERATION (EXISTING AREA)

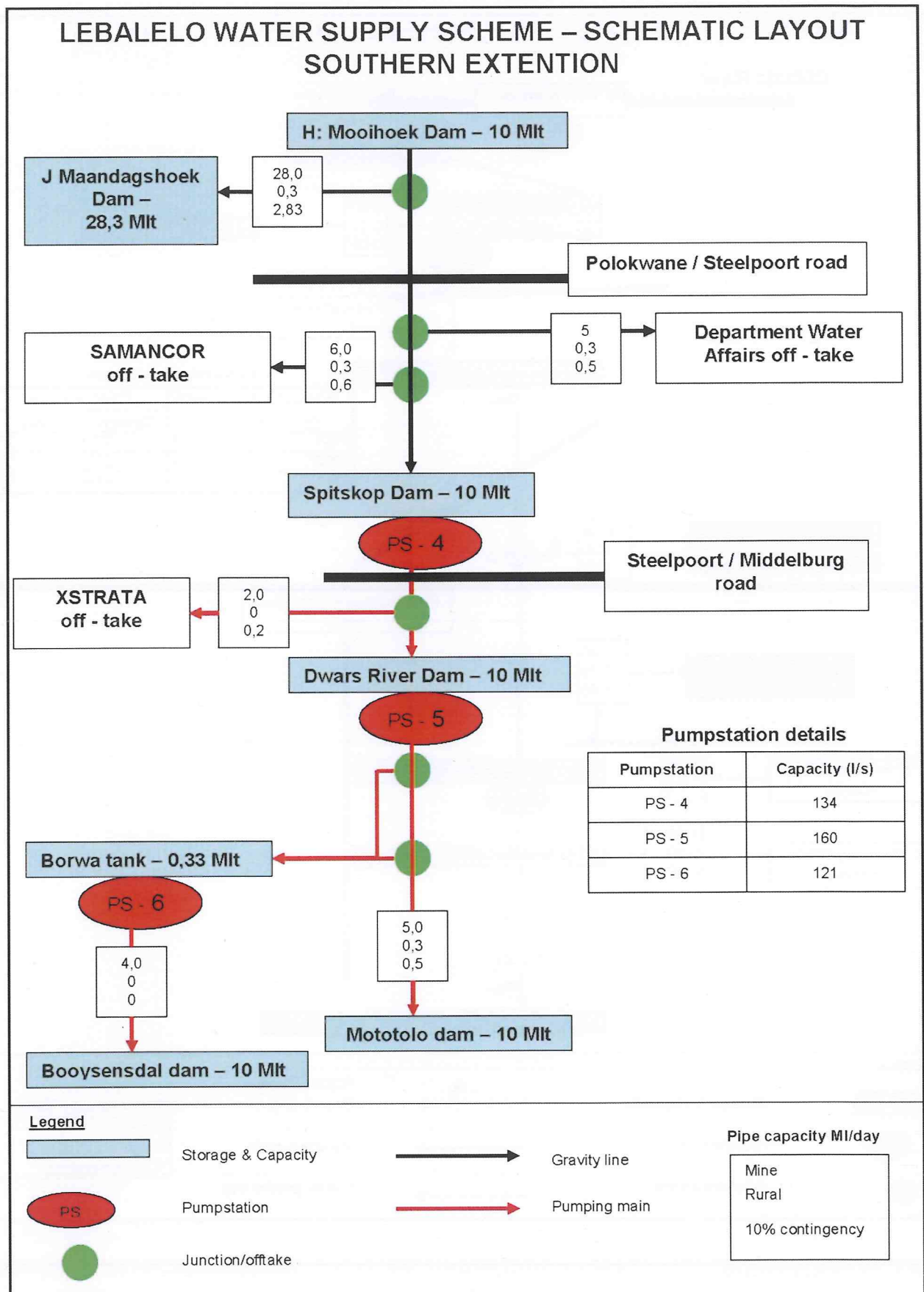


ANNEXURE A2: AREA OF OPERATION (PROPOSED NORTHERN EXTENSION)

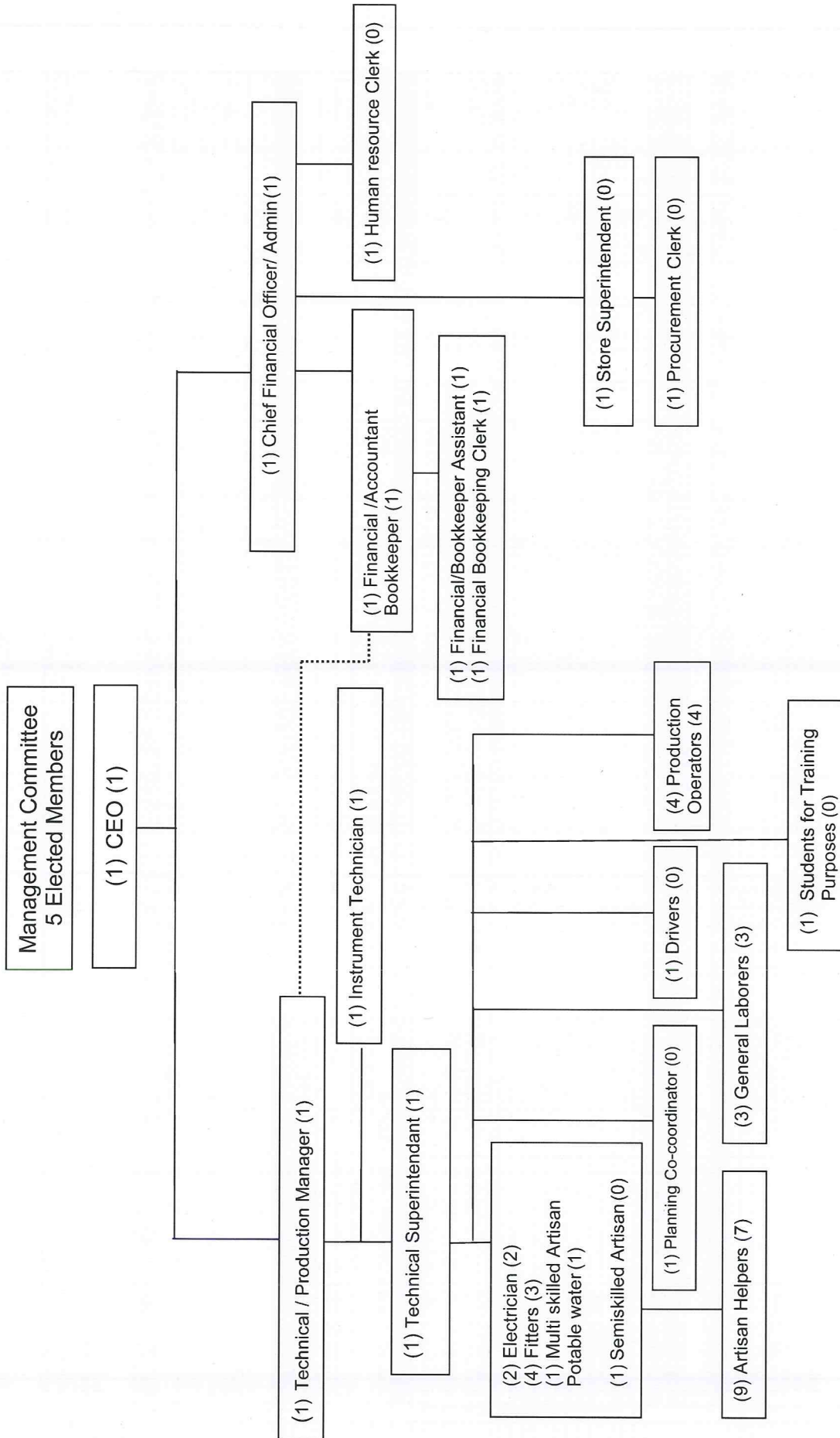


ANNEXURE A3: SCHEMATIC LAYOUT (ORIGINAL SCHEME)





**LEBALELO WATER USER ASSOCIATION
ORGANOGRAM**



ANNEXURE C3: OPERATIONAL BUDGET (NORTHAM PLATINUM - BOOYSENSDAL PROJECT)

| | | LEBALELO WATER USER ASSOCIATION - REVISED BUDGET : 01/07/2014 TO 30/06/2019 - NORTHAM PLATINUM | | | | | | | | | | | | | | | | | |
|--|--|--|---|----------------------------|----------------------------------|-----------------------------|-----------------------|-----------------------|--------------------------------|-------------------|-------------------------|-------------------|-------------------------|-------------------|-------------------------|-------------------|-------------------------|--|--|
| | | 2013/2014 | | | 2014/2015 | | | 2015/2016 | | | 2016/2017 | | | 2017/2018 | | | 2018/2019 | | |
| Page No | | Approve Budget R/m ² | APPROVED BUDGET Actual R/m ² | EXPENDITURE AS AT 30.06.14 | Approved Budget R/m ² | Rev Budget R/m ² | Approved Budget 14/15 | REVISSED BUDGET 14/15 | ADJUSTMENT INCREASE (decrease) | REVISSED BUDGET | Budget R/m ² | REVISSED BUDGET | Budget R/m ² | REVISSED BUDGET | Budget R/m ² | REVISSED BUDGET | Budget R/m ² | | |
| NORTHAM PLATINUM - SUMMARY | | | | | | | | | | | | | | | | | | | |
| NP/A WORKING CAPITAL | | | | | | | | | | | | | | | | | | | |
| 1 | 1 STORES | 0.20 | 295,500 | 50,342 | 0.09 | 0.12 | 115,000 | 110,000 | -5,000 | 116,500 | 0.16 | 288,150 | 0.11 | 140,965 | 0.12 | 155,962 | | | |
| 2 | 2 SPREADING INFRASTRUCTURE | 0.42 | 540,000 | 178,529 | 0.58 | 1.37 | 750,000 | 1,301,500 | 551,500 | 300,000 | 0.04 | 50,000 | | | | | | | |
| 3 | 3 TOOLS AND EQUIPMENT | 0.02 | 31,500 | 9,271 | 0.01 | 0.05 | 15,000 | 43,500 | 28,500 | 15,000 | 0.01 | 16,500 | 0.01 | 18,150 | 0.02 | 19,965 | | | |
| 4 | 4 REPLACEMENTS OUT OF REPAIRMENT FUND | | | | | | | | | | | | | | | | | | |
| 5 | SUB TOTAL WORKING CAPITAL | 0.64 | 837,000 | 238,142 | 0.68 | 1.53 | 880,000 | 1,455,000 | 575,000 | 431,500 | 0.21 | 274,450 | 0.12 | 159,115 | 0.13 | 175,927 | | | |
| FINANCED OUT OF REPLACEMENT AND REPAIRMENT FUND | | | | | | | | | | | | | | | | | | | |
| 10 | A SUB TOTAL WORKING CAPITAL | 0.64 | 837,000.00 | 238,142.01 | 0.68 | 1.53 | 880,000.00 | 1,455,000.00 | 575,000.00 | 431,500.00 | 0.21 | 274,450.00 | 0.12 | 159,115.00 | 0.13 | 175,927.00 | | | |
| NP/B FIXED OPERATIONAL COSTS | | | | | | | | | | | | | | | | | | | |
| 11 | 21 ADMINISTRATIVE EXPENSES | 0.03 | 1,650 | 246,051 | 0.08 | 0.06 | 101,815 | 88,000 | -13,815 | 96,800 | 0.08 | 106,480 | 0.09 | 117,128 | 0.10 | 128,841 | | | |
| 12 | 22 SECURITY & SAFETY | 0.17 | 217,488 | 187,642 | 0.18 | 0.22 | 239,215 | 211,545 | -27,670 | 227,774 | 0.19 | 250,552 | 0.21 | 275,607 | 0.23 | 303,168 | | | |
| 13 | 23 MAINTENANCE | 0.27 | 351,200 | 114,476 | 0.35 | 0.33 | 459,988 | 399,849 | -141,139 | 367,796 | 0.33 | 435,065 | 0.34 | 437,086 | 0.39 | 510,511 | | | |
| 14 | 24 DEPRECIATION (GAMP) | | | | 1.49 | 2.05 | 1,943,178 | 1,943,178 | | 1,922,042 | 1.60 | 2,081,144 | 1.68 | 2,183,201 | 1.76 | 2,294,461 | | | |
| 15 | 25 FIXED ELECTRICITY COSTS | 0.15 | 194,321 | | 0.16 | 0.21 | 213,753 | 197,340 | -16,413 | 217,074 | 0.18 | 238,782 | 0.20 | 262,660 | 0.22 | 288,936 | | | |
| 16 | B SUB TOTAL FIXED OPERATIONAL COSTS | 0.59 | 764,646 | 468,179 | 2.27 | 2.88 | 2,946,949 | 2,743,722 | -199,227 | 2,887,486 | 2.29 | 3,112,403 | 2.52 | 3,277,482 | 2.77 | 3,525,946 | | | |
| 17 | increase % year on year | | | | | | | | | | | | | | | | | | |
| 18 | | | | | | | 101.61% | | | 5.01% | | 7.78% | | 5.32% | | 7.57% | | | |
| 19 | TOTAL OPERATIONAL BUDGET (Fixed Cost)(A+B) | 1.23 | 1,601,646 | 706,321 | 2.95 | 4.43 | 3,838,949 | 4,284,722 | 375,743 | 3,118,986 | 2.61 | 3,386,673 | 2.64 | 3,456,797 | 2.85 | 3,709,932 | | | |
| 20 | <i>Water requirements in m³ (forecasted)</i> | | | | | | | | | | | | | | | | | | |
| 21 | | | 1,300,000 | 513,193 | | | 1,300,000 | 950,000 | 350,000 | 1,300,000 | | 1,300,000 | | 1,300,000 | | 1,300,000 | | | |
| NP/C VARIABLE COSTS | | | | | | | | | | | | | | | | | | | |
| 22 | ELECTRICITY COSTS According to Demand (Energy Cost) | | | | | | | | | | | | | | | | | | |
| 23 | | 0.77 | 1,007,655 | | 0.85 | 0.71 | 1,101,100 | 671,403 | -429,697 | 1,010,638 | 0.86 | 1,111,702 | 0.94 | 1,222,872 | 1.03 | 1,345,159 | | | |
| 24 | | | | | 0.85 | 0.71 | 1,101,100 | 671,403 | -429,697 | 1,010,638 | 0.86 | 1,111,702 | 0.94 | 1,222,872 | 1.03 | 1,345,159 | | | |
| 25 | C Total Variable Cost | 0.77 | 1,007,655 | | 0.85 | 0.71 | 1,101,100 | 671,403 | -429,697 | 1,010,638 | 0.86 | 1,111,702 | 0.94 | 1,222,872 | 1.03 | 1,345,159 | | | |
| 26 | A+B+C Total O & M Budget (Fixed & Variable) | 2.00 | 2,604,303 | 706,321 | 3.79 | 5.13 | 4,930,449 | 4,976,125 | -45,934 | 4,379,624 | 3.46 | 4,998,375 | 3.58 | 4,659,669 | 3.88 | 5,066,092 | | | |
| COST PER CUBIC METER - NORTHAM PLATINUM | | | | | | | | | | | | | | | | | | | |
| 27 | Northam Platinum | | | | | | | | | | | | | | | | | | |
| 28 | Fixed Operating Cost per m ³ | 1.23 | 1,601,646 | 706,321 | 4.43 | 4.43 | 4,204,712 | 4,204,712 | | 3,318,986 | 2.61 | 3,386,673 | 2.64 | 3,456,797 | 2.85 | 3,709,932 | | | |
| 29 | Variable Cost per m ³ | 0.77 | 1,007,655 | | 0.71 | 0.71 | 671,403 | 671,403 | | 1,010,638 | 0.86 | 1,111,702 | 0.94 | 1,222,872 | 1.03 | 1,345,159 | | | |
| 30 | Total costs per m ³ | 2.00 | 2,604,303 | 706,321 | 5.13 | 5.13 | 4,876,115 | 4,876,115 | | 4,329,624 | 3.46 | 4,498,375 | 3.58 | 4,679,669 | 3.88 | 5,055,091 | | | |
| 31 | Southern Extension Costs | | | | | | | | | | | | | | | | | | |
| 32 | Fixed Operating Cost per m ³ | 1.83 | 5,183,000 | 2,465,657 | 1.51 | 1.51 | 5,567,960 | 5,567,960 | | 6,184,696 | 1.38 | 6,795,226 | 1.51 | 7,455,508 | 1.58 | 8,186,192 | | | |
| 33 | Variable Cost per m ³ | 1.19 | 3,616,997 | 2,458,033 | 1.43 | 1.43 | 4,054,335 | 4,054,335 | | 4,419,225 | 1.56 | 4,819,225 | 1.85 | 5,184,655 | 1.99 | 5,550,461 | | | |
| 34 | Total costs per m ³ | 3.22 | 8,799,997 | 4,923,690 | 2.94 | 2.94 | 9,622,295 | 9,622,295 | | 10,603,921 | 3.08 | 11,614,451 | 3.37 | 12,640,163 | 3.59 | 13,736,653 | | | |
| 35 | Maintenance & Refurbishment Costs | | | | | | | | | | | | | | | | | | |
| 36 | Fixed Operating Cost per m ³ | 4.02 | 30,532,882 | 28,985,560 | 3.52 | 3.52 | 29,789,076 | 29,789,076 | | 34,017,749 | 2.81 | 36,784,874 | 2.83 | 40,045,036 | 2.89 | 43,476,470 | | | |
| 37 | Variable Cost per m ³ | 1.44 | 10,211,245 | 9,327,754 | 1.59 | 1.59 | 12,465,002 | 12,465,002 | | 16,220,834 | 1.87 | 23,616,800 | 2.02 | 27,691,739 | 2.19 | 32,246,567 | | | |
| 38 | Total costs per m ³ | 5.47 | 40,744,127 | 38,313,314 | 5.11 | 5.11 | 42,254,078 | 42,254,078 | | 50,243,583 | 4.68 | 60,401,674 | 5.85 | 67,736,775 | 5.08 | 75,723,037 | | | |
| 39 | TOTAL COST PER M³ | 10.70 | 52,148,220 | 47,422,314 | 13.19 | 13.19 | 55,908,328 | 55,908,328 | 0.00 | 64,889,349 | 11.22 | 76,114,499 | 11.83 | 84,658,907 | 12.56 | 94,304,802 | | | |

25 June 2014
DATE

APPROVED: DW PELSER
CHAIRPERSON, MANAGEMENT COMMITTEE
LEBALELO WATER USER ASSOCIATION

BUSINESS PLAN

14.1 SECTION 1: TRANSFORMATION REQUIREMENTS FOR THE BUSINESS PLAN

a) Staff complement per functional area

| YEAR | 2013/2014 | 2014/2015 | 2015/2016 | 2016/2017 | 2017/2018 | 2018/2019 |
|---------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Executive Office | 1 | 1 | 1 | 1 | 1 | 1 |
| Finance Section | 2 | 2 | 2 | 2 | 2 | 2 |
| Operations Section | 20 | 21 | 23 | 23 | 25 | 25 |
| Administration Section | 2 | 2 | 3 | 4 | 4 | 4 |
| Other Functional Sections | 3 | 3 | 3 | 3 | 3 | 3 |

b) Workforce profile on the total number of employees (including employees with disabilities) in each of the following occupational levels: Note: A=Africans, C=Coloureds, I=Indians and W=Whites

| Occupational Levels | Male | | | | Female | | | | Foreign Nationals | | Total |
|--|-----------|----------|----------|----------|----------|----------|----------|----------|-------------------|----------|-----------|
| | A | C | I | W | A | C | I | W | Male | Female | |
| Top management | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Senior management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 1 |
| Professionally qualified and experienced specialists and mid-management | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents | 3 | 1 | 0 | 4 | 1 | 0 | 0 | 0 | 0 | 0 | 9 |
| Semi-skilled and discretionary decision making | 8 | 0 | 0 | 0 | 5 | 0 | 0 | 0 | 0 | 0 | 13 |
| Unskilled and defined decision making | 1 | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 3 |
| TOTAL PERMANENT | 12 | 1 | 0 | 6 | 8 | 0 | 0 | 1 | 0 | 0 | 28 |
| Temporary employees | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| GRAND TOTAL | 12 | 1 | 0 | 6 | 8 | 0 | 0 | 1 | 0 | 0 | 28 |

c) **Workforce profile on the total number of employees with disabilities in each of the following occupational levels: Note: A=Africans, C=Coloureds, I=Indians and W=Whites**

| Occupational Levels | Male | | | | Female | | | | Foreign Nationals | | Total |
|--|----------|----------|----------|----------|----------|----------|----------|----------|-------------------|----------|----------|
| | A | C | I | W | A | C | I | W | Male | Female | |
| Top management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Senior management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Professionally qualified and experienced specialists and mid-management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Semi-skilled and discretionary decision making | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unskilled and defined decision making | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL PERMANENT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Temporary employees | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| GRAND TOTAL | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

d) **Skills development by % of payroll cost spent**

| | Total payroll costs (per annum) in Rand | Target of total payroll costs (in %) to be spent on training (p.a.) | Target costs to be spent on training (p.a.) in Rand | Actual total cost spent on training (per annum) in Rand | Actual total payroll costs spent (per annum) in % |
|---|---|---|---|---|---|
| Full staff Complement | 14,600,783 | 1.45% | 211,010 | 77,388 | 0.53% |
| HDI (Africans, Coloureds, Indians, White Females) | 8,226,176 | 2.00% | 164,523 | 63,911 | 0.78% |

e) Statement on redressing inequalities

List of HDI targeted for assistance: All communities within area of operation of LWUA. Total visits to communities = 56

Brief description of assistance required: Sustainable potable water supply infrastructure within area of operation of LWUA

Brief description of assistance rendered: Assistance to DWS and the Sekhukhune District Municipality to maintain borehole schemes of communities within the area of operation of the LWUA

Target amount to be spent on assistance rendered to communities: R0.04/m³ of water forecast per annum = R314,730

Amount spent in Rands (p.a.) on (1.) upgrading HDI internal infrastructure: R296,183

Amount spent in Rands (p.a.) on (2.) expanding water distribution to HDI communities: R59,460

Actual total amount (1. and 2. above) spent as % of target amount: 113%

f) Statement on procurement

List of HDI targeted for assistance: Businesses situated in Local Communities in area of operation e.g. 100% Black owned and female ownership

Capacitating requirements per HDI: Delivering of various services and products to the LWUA

Brief details of assistance rendered: Training

Target amount to be spent in line with Procurement policy of the LWUA: R6,5 million pa.

Actual amount spent on assistance: R5,9 million pa.

Actual total amount spent as % of target amount: 92%

% of total procurement needs of LWUA secured by assisted HDI (p.a.): 18%

% of total procurement needs of LWUA secured by BBEE rated companies (p.a.): 96%

% of total procurement needs of LWUA secured by others: 4%

14.2 SECTION 2: STATEMENT OF COMPREHENSIVE INCOME FOR THE BUSINESS PLAN

a) Projected five-year income statement

| YEAR | 2013/2014 | 2014/2015 | 2015/2016 | 2016/2017 | 2017/2018 | 2018/2019 |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| WATER USE IN m³ | 6 856 925 | 8 458 600 | 10 097 050 | 13 371 105 | 14 484 677 | 15 543 677 |
| Fixed Electricity Costs | 2 588 019 | 2 750 074 | 2 978 115 | 3 225 164 | 3 492 809 | 3 782 782 |
| Fixed Operating Income | 31 003 817 | 32 599 210 | 35 905 307 | 38 464 215 | 41 751 328 | 45 309 234 |
| Maintenance | 1 980 500 | 3 874 119 | 4 234 037 | 4 742 549 | 5 113 816 | 5 648 830 |
| Potable water - maintenance | 314 730 | 338 344 | 403 882 | 534 844 | 579 387 | 621 747 |
| Variable Electricity | 9 018 453 | 13 967 301 | 18 150 889 | 24 554 546 | 28 250 366 | 32 464 392 |
| Water use charges | 4 987 054 | 2 379 280 | 3 137 719 | 4 593 182 | 5 481 202 | 6 477 816 |
| TOTAL REVENUE | 49 892 573 | 55 908 328 | 64 809 949 | 76 114 500 | 84 668 908 | 94 304 801 |
| Cost of Revenue | | | | | | |
| Electricity Charges - Fixed Costs | 2 376 531 | 2 750 074 | 2 978 115 | 3 225 164 | 3 492 809 | 3 782 782 |
| Electricity Charges - Variable costs | 9 898 156 | 13 967 301 | 18 150 889 | 24 554 546 | 28 250 366 | 32 464 392 |
| Potable water - maintenance | 314 730 | 338 344 | 403 882 | 534 844 | 579 387 | 621 747 |
| Water Charges (Purchases) | 2 289 815 | 2 820 311 | 3 629 953 | 5 134 639 | 6 136 365 | 7 198 496 |
| COST OF REVENUE | 14 879 232 | 19 876 030 | 25 162 839 | 33 449 193 | 38 458 927 | 44 067 417 |
| GROSS SURPLUS | 35 013 341 | 36 032 298 | 39 647 110 | 42 665 307 | 46 209 981 | 50 237 384 |
| Administration Costs | 4 162 425 | 4 113 370 | 5 852 914 | 8 007 148 | 7 061 802 | 7 754 005 |
| Salaries | 14 600 780 | 16 395 387 | 18 255 356 | 18 255 356 | 21 696 803 | 23 870 917 |
| Maintenance | 2 476 960 | 3 874 119 | 4 234 037 | 4 742 549 | 5 113 816 | 5 648 830 |
| Depreciation | 9 421 422 | 10 194 422 | 10 708 303 | 11 325 604 | 11 995 145 | 12 721 675 |
| Amortisation | 654 310 | 654 310 | 654 310 | 654 310 | 654 310 | 654 310 |
| FIXED COSTS | 31 315 897 | 35 231 608 | 39 704 920 | 42 984 967 | 46 521 876 | 50 649 737 |
| Operating surplus | 3 697 444 | 800 690 | -57 810 | -319 660 | -311 895 | -412 353 |
| Interest received | 5 518 316 | 4 300 000 | 4 300 000 | 4 300 000 | 4 300 000 | 4 300 000 |
| Other Income | 530 599 | - | - | - | - | - |
| Deferred Income | 9 554 750 | 9 554 750 | 9 554 750 | 9 554 750 | 9 554 750 | 9 554 750 |
| Less: Amortisation | -9 553 673 | -9 553 673 | -9 553 673 | -9 553 673 | -9 553 673 | -9 553 673 |
| NETT SURPLUS | 9 747 435 | 5 101 767 | 4 243 267 | 3 981 417 | 3 989 182 | 3 888 724 |

b) Assumptions for the projected Statement of Comprehensive income

| YEAR | 2013/2014 | 2014/2015 | 2015/2016 | 2016/2017 | 2017/2018 | 2018/2019 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| Consumer Price Index (CPI or CPIX) | 5.8% | 6.3% | 6.5% | 6.5% | 6.5% | 6.5% |
| Water Use Growth (%) | 1% | 23% | 19% | 32% | 8% | 7% |
| Water Purchases Cost Increase (%) | 6% | 11% | 10% | 10% | 10% | 10% |
| Prime Interest Rate (%) | 9% | 9.25% | 9.5% | 9.5% | 9.5% | 9.5% |
| Average Interest Rate on Investments (%) | 5% | 5.5% | 5.5% | 5.5% | 5.5% | 5.5% |
| Other Assumptions | 10% | 10% | 10% | 10% | 10% | 10% |

c) Capital expenditure summary

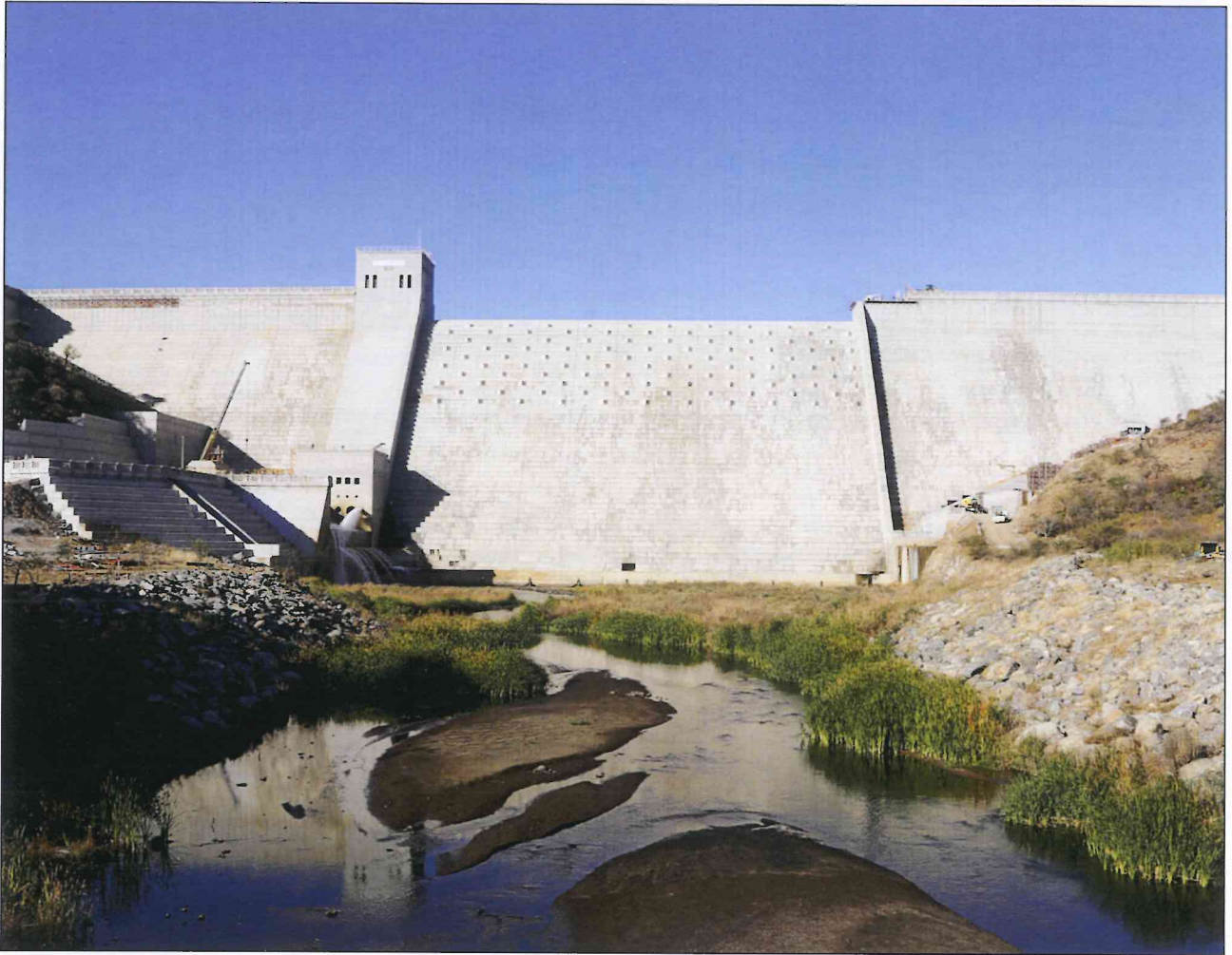
| YEAR | 2013/2014 | 2014/2015 | 2015/2016 | 2016/2017 | 2017/2018 | 2018/2019 |
|---|------------------|------------------|----------------|----------------|----------------|----------------|
| Capital Works | 1 643 354 | 0 | 0 | 0 | 0 | 0 |
| Renewals | 2 374 962 | 5 787 000 | 791 640 | 1 457 954 | 1 743 370 | 2 186 507 |
| Movable Assets | 2 142 697 | 2 135 000 | 596 500 | 334 650 | 342 415 | 241 957 |
| Less: Refurbishment Fund Contributions | -4 279 517 | -6 467 000 | -791 640 | -1 457 954 | -1 743 370 | -2 186 507 |
| Total Capital Expenditure Requirements | 1 881 496 | 1 455 000 | 596 500 | 334 650 | 342 415 | 241 957 |

14.3 SECTION 3: FINANCIAL INDICATORS FOR ANNUAL REPORT
a) Generic financial indicators/ratios

| Indicators/Ratios | 2013/2014 | 2014/2015 | 2015/2016 | 2016/2017 | 2017/2018 | 2018/2019 |
|--------------------------------------|------------|------------|------------|------------|------------|------------|
| Gross Revenue (R) | 49 892 573 | 55 908 328 | 64 809 949 | 76 114 500 | 84 668 908 | 94 304 801 |
| Average Water Use Charge (R) | 0.33 | 0.33 | 0.36 | 0.38 | 0.42 | 0.46 |
| Operating Surplus (% of GR) | 7.41% | 1.43% | -0.09% | -0.42% | -0.37% | -0.44% |
| Total Expenditure (R) | 46 195 129 | 55 107 638 | 64 877 759 | 76 434 160 | 84 980 803 | 94 717 154 |
| Operating Costs (% of GR) | 92.59% | 98.57% | 100.09% | 100.42% | 100.37% | 100.44% |
| Cost of Revenue (% of GR) | 29.82% | 35.55% | 38.83% | 43.95% | 45.42% | 46.73% |
| Finance Costs (% of GR) | 0% | 0% | 0% | 0% | 0% | 0% |
| Manpower Costs (% of GR) | 29.26% | 29.33% | 28.17% | 23.98% | 25.63% | 25.31% |
| Training Costs per Employee (R/year) | 1 945 | 6 839 | 7 179 | 7 850 | 6 245 | 6 798 |
| Working Ratio | 0.74 | 0.80 | 0.84 | 0.86 | 0.86 | 0.87 |
| Rate of Return on Assets | n/a | n/a | n/a | n/a | n/a | n/a |
| Gross Surplus Margin (%) | 70.18% | 64.45% | 61.17% | 56.05% | 54.58% | 53.27% |
| Current Ratio | 6.22 | 5.5 | 5.5 | 5.5 | 5.5 | 5.5 |
| Debt Service Ratio | 0% | 0% | 0% | 0% | 0% | 0% |
| Debt – Equity Ratio | 0% | 0% | 0% | 0% | 0% | 0% |
| Average Debtors Days | 79 | 73 | 73 | 73 | 73 | 73 |

b) Definition of ratios

| | |
|--------------------------|--|
| Working Ratio | Operating costs divided by operating revenue |
| Rate of Return on Assets | Net operating income divided by total fixed assets |
| Current Ratio | Net current assets divided by net current liabilities |
| Debt-Service Ratio | Net operating income divided by net finance and interest costs |
| Debt: Equity Ratio | Total liabilities (interest bearing) divided Total equity (capital and reserves) |



Upstream view of the De Hoop Dam

**THE LEBALELO WATER USER ASSOCIATION
2014**



The Labalelo Water User Association

