

**The Lebalelo Water User Association**

# **ANNUAL REPORT**

**2014/2015**

**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 2015




*The residential area of the Lebalelo Water User Association at Havercroft.*

***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.***

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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 2015

Diemont, Zimmerman & Bolink  
Chartered Accountants (S.A.)  
Registered Auditors  
Issued 28 September 2015

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 2015

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**Diemont, Zimmerman & Bolink**

Geotrooieerde Rekenmeesters (S.A.) Geregistreerde Ouditeure  
Chartered Accountants (S.A.) Registered Auditors

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Polokwane  
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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 2015, 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 2015, 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**

**28 September 2015**

**25 Watermelon Street**  
**Platinum Park**  
**Bendor**  
**Polokwane**  
**0699**

### 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 2015

### 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 2016 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.

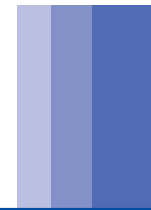
The external auditors are responsible for independently reviewing and reporting on the Association's annual financial statements. The annual financial statements have been examined by the Association's external auditors and their report is presented on page 2 of the annual financial statements.

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

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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 2015

## Report of the Management Committee

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The Management Committee submits its report for the year ended 30 June 2015.

### 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 2015

### Statement of Financial Position

Amount in Rands	Note(s)	2015	2014
<b>Assets</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	2	325 720 384	332 062 227
Long term pre-payments	3	159 182 066	169 390 048
Other financial assets	4	149 838 696	143 711 700
		<b>634 741 146</b>	<b>645 163 975</b>
<b>Current Assets</b>			
Inventories	5	1 108 726	1 186 747
Other financial assets	4	24 353 292	13 043 588
Trade and other receivables	6	15 130 456	16 264 404
Cash and cash equivalents	7	17 051	15 450
		<b>40 609 525</b>	<b>30 510 189</b>
<b>Total Assets</b>		<b>675 350 671</b>	<b>675 674 164</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Reserves		397 327 896	397 327 896
Retained income		62 226 745	53 271 101
		<b>459 554 641</b>	<b>450 598 997</b>
<b>Liabilities</b>			
<b>Non-current Liabilities</b>			
Deferred income	8	151 334 208	160 385 477
Long term payables	9	60 403 616	59 785 821
		<b>211 737 824</b>	<b>220 171 298</b>
<b>Current Liabilities</b>			
Trade and other payables	10	4 058 206	4 903 869
<b>Total Liabilities</b>		<b>215 796 030</b>	<b>225 075 167</b>
<b>Total Equity and Liabilities</b>		<b>675 350 671</b>	<b>675 674 164</b>

## 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).

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Annual Financial Statements for the year ended 30 June 2015

### Statement of Comprehensive Income

Amount in Rands	Note(s)	2015	2014
Revenue	11	51 395 371	49 892 573
Cost of sales		(16 507 843)	(14 879 232)
<b>Gross surplus</b>		<b>34 887 528</b>	<b>35 013 341</b>
Other income		9 309 800	10 085 349
Operating expenses		(42 153 078)	(40 869 570)
<b>Operating surplus (deficit)</b>		<b>2 044 250</b>	<b>4 229 120</b>
Investment revenue	13	6 911 394	5 518 315
<b>Surplus for the year</b>		<b>8 955 644</b>	<b>9 747 435</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>8 955 644</b>	<b>9 747 435</b>

## STATEMENT OF CHANGES IN EQUITY

### Lebalelo Water User Association

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Annual Financial Statements for the year ended 30 June 2015

### Statement of Changes in Equity

	Capital Reserve	Retained Income	Total Equity
Amount in Rands			
<b>Balance at 01 July 2013</b>	<b>397 327 896</b>	<b>43 523 666</b>	<b>440 851 562</b>
<b>Changes in equity</b>			
Surplus for the year	-	9 747 435	9 747 435
Total changes	-	9 747 435	9 747 435
<b>Balance at 01 July 2014</b>	<b>397 327 896</b>	<b>53 271 101</b>	<b>450 598 997</b>
<b>Changes in equity</b>			
Surplus for the year	-	8 955 644	8 955 644
Total changes	-	8 955 644	8 955 644
<b>Balance at 30 June 2015</b>	<b>397 327 896</b>	<b>62 226 745</b>	<b>459 554 641</b>

## 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).

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Annual Financial Statements for the year ended 30 June 2015

### Statement of Cash Flows

Amount in Rands	Note(s)	2015	2014
<b>Cash flows from operating activities</b>			
Cash receipts from customers		52 605 870	43 145 233
Cash paid to suppliers and employees		(39 086 811)	(34 866 587)
Cash generated from (used in) operations	15	13 519 059	8 278 646
Interest income		6 911 394	5 518 315
<b>Net cash from operating activities</b>		<b>20 430 453</b>	<b>13 796 961</b>
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment	2	(3 744 910)	(4 517 659)
Disposals and Profit of property, plant and equipment	2 + 15	134 963	519 761
Movement in investments		(17 436 700)	(9 717 150)
<b>Net cash from investing activities</b>		<b>(21 046 647)</b>	<b>(13 715 048)</b>
<b>Cash flows from financing activities</b>			
Capital contributed		-	-
Movement in other liability		617 795	(78 040)
<b>Net cash from financing activities</b>		<b>617 795</b>	<b>(78 040)</b>
<b>Total cash movement for the year</b>		<b>1 601</b>	<b>3 873</b>
Cash at the beginning of the year		15 450	11 577
<b>Total cash at end of the year</b>	7	<b>17 051</b>	<b>15 450</b>

**Lebalelo Water User Association**

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Annual Financial Statements for the year ended 30 June 2015

**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.

**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 2015

### 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 2015

## Accounting Policies

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### 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 2015

### Notes to the Annual Financial Statements

#### Amount in Rands

#### 2. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Plant and equipment - Existing scheme	222 239 729	(46 694 263)	175 545 466	221 910 065	(42 603 876)	179 306 189
Furniture and fixtures	482 450	(373 769)	108 681	411 192	(352 369)	58 823
Motor vehicles	5 125 008	(3 082 532)	2 042 476	4 505 863	(2 529 903)	1 975 960
IT equipment	1 716 412	(1 301 301)	415 111	1 598 271	(1 071 874)	526 397
Tools and equipment	3 539 579	(2 570 254)	969 325	3 019 824	(2 192 206)	827 618
Plant and equipment - Southern Extension	169 547 671	(23 243 151)	146 304 520	168 792 756	(19 676 272)	149 116 484
Plant and equipment - Booyssendal Platinum	343 512	(8 707)	334 805	250 756	-	250 756
<b>Total</b>	<b>402 994 361</b>	<b>(77 273 977)</b>	<b>325 720 384</b>	<b>400 488 727</b>	<b>(68 426 500)</b>	<b>332 062 227</b>

#### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Plant and equipment - Existing scheme	179 306 189	969 094	(391 443)	(4 338 374)	175 545 466
Furniture and fixtures	58 823	71 258	-	(21 400)	108 681
Motor vehicles	1 975 960	1 093 815	(2)	(1 027 297)	2 042 476
IT equipment	526 397	167 273	(5)	(278 554)	415 111
Tools and equipment	827 618	560 795	(2 884)	(416 204)	969 325
Plant and equipment - Southern Extension	149 116 484	789 920	(26 254)	(3 575 630)	146 304 520
Plant and equipment - Booyssendal Platinum	250 756	92 755	-	(8 706)	334 805
	<b>332 062 227</b>	<b>3 744 910</b>	<b>(420 588)</b>	<b>(9 666 165)</b>	<b>325 720 384</b>

#### 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	577 604	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 - Booyssendal Platinum	21 305	238 142	(8 691)	-	250 756
	<b>337 113 413</b>	<b>4 517 659</b>	<b>(147 423)</b>	<b>(9 421 422)</b>	<b>332 062 227</b>

During the course of the year portions of the pipeline were vandalised by unknown persons. Remedial steps have been taken to attend to the damage. Notice of an insurance claim has been lodged with the Association's insurer and once the full extent of the damage has been determined the claim will be assessed. A reliable estimate of the amount of the claim could not be made at year end.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### Lebalelo Water User Association

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Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

#### Amount in Rands

#### 3. Long term pre-payments

	2015			2014		
	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	(4 763 830)	6 338 512	11 102 342	(4 235 621)	6 866 721
ESKOM POD Cost	3 168 837	(1 655 625)	1 513 212	3 168 837	(1 529 524)	1 639 313
Exemption from Water Resource Development Charge as per clause 7.2 (refer to note 8)	224 730 097	(74 259 755)	150 470 342	224 730 097	(64 706 083)	160 024 014
<b>Total</b>	<b>246 861 276</b>	<b>(87 679 210)</b>	<b>159 182 066</b>	<b>246 861 276</b>	<b>(77 471 228)</b>	<b>169 390 048</b>

#### Reconciliation of long term pre-payments - 2015

	Opening balance	Amortisation	Total
Servitudes	860 000	-	860 000
Capital Costs - ESKOM Powerline	6 866 721	(528 209)	6 338 512
ESKOM POD Cost	1 639 313	(126 101)	1 513 212
Exemption from Water Resource Development Charge as per clause 7.2 (refer to note 8)	160 024 014	(9 553 672)	150 470 342
	<b>169 390 048</b>	<b>(10 207 982)</b>	<b>159 182 066</b>

#### 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
	<b>179 598 031</b>	<b>(10 207 983)</b>	<b>169 390 048</b>

## 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 2015

### Notes to the Annual Financial Statements

Amount in Rands	2015	2014
<b>4. Other financial assets</b>		
<b>At amortised cost</b>		
Longterm investment (Fixed deposits) - ABSA		
Interest rates ranging from 5.06% to 6.63% (2014: 5.06% to 6.45%) per annum	130 332 351	121 968 957
Short term investment - ABSA 40 6065 9221		
Interest rates ranging from 4.50% to 4.50% (2014: 4.50% to 4.50%) per annum	-	(50)
Replacement fund - ABSA 40 6069 7124		
Interest rates ranging from 5.00% to 5.25% (2014: 4.25% to 4.75%) per annum	5 421 252	5 147 342
Longterm investment (Fixed deposits) - ABSA - ESKOM Guarantees (Note 16)		
Interest rates ranging from 5.64% to 7.35% (2014: 4.55% to 6.34%) per annum	2 357 228	2 357 228
Call / Sweeping account - ABSA 40 5578 3249		
Interest rates ranging from 3.50% to 3.75% (2014: 3.50% to 3.50%) per annum	1 844 210	5 794 098
Depositor Plus - ABSA 92 8467 3157		
Interest rates ranging from 4.70% to 5.60% (2014: 4.70% to 5.60%) per annum	22 509 082	7 249 540
Depositor Plus - ABSA 92 8467 3335 (Mokgalakwena Regional Raw Water Scheme)		
Interest rates ranging from 5.00% to 5.60% (2014: 5.00% to 5.60%) per annum	11 727 865	14 238 173
	<b>174 191 988</b>	<b>156 755 288</b>
<b>Non-current assets</b>		
At amortised cost	149 838 696	143 711 700
<b>Current assets</b>		
At amortised cost	24 353 292	13 043 588
	<b>174 191 988</b>	<b>156 755 288</b>
<b>5. Inventories</b>		
Consumable stock	1 108 726	1 186 747
<b>6. Trade and other receivables</b>		
Trade receivables	5 494 833	6 705 331
Deposits	29 980	29 980
VAT	211 950	145 400
Sundry debtors	9 383 693	9 383 693
	<b>15 130 456</b>	<b>16 264 404</b>
<b>7. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	7 051	5 450
Bank balances	10 000	10 000
	<b>17 051</b>	<b>15 450</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### Lebalelo Water User Association

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Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

Amount in Rands	2015	2014
<b>8. Deferred income</b>		
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.		
<b>9. Long term payables</b>		
Other long-term payables due to members - Southern Extension	26 621 614	26 478 277
Other long-term payables due to members - Mogalakwena Regional Raw Water Scheme	33 782 002	33 307 544
	<b>60 403 616</b>	<b>59 785 821</b>
<b>10. Trade and other payables</b>		
Trade payables	1 265 494	1 390 068
Other payables	2 792 712	3 513 801
	<b>4 058 206</b>	<b>4 903 869</b>
<b>11. Revenue</b>		
Variable operating costs	27 787 522	15 607 154
Fixed operating costs	23 607 849	34 285 419
	<b>51 395 371</b>	<b>49 892 573</b>
<b>12. Operating surplus (deficit)</b>		
Operating surplus (deficit) for the year is stated after accounting for the following:		
Profit on sale of property, plant and equipment	(285 685)	372 338
Amortisation on intangible assets	10 207 983	10 207 983
Depreciation on property, plant and equipment	9 666 167	9 421 422
Employee costs	12 293 114	11 698 688
<b>13. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	191 790	127 064
Interest charged on trade and other receivables	411 133	588 196
Other interest	6 308 471	4 803 055
	<b>6 911 394</b>	<b>5 518 315</b>

## 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 2015

### Notes to the Annual Financial Statements

Amount in Rands	2015	2014
<b>14. Auditors' remuneration</b>		
Fees	112 428	96 996
<b>15. Cash generated from operations</b>		
Surplus	8 955 641	9 747 435
<b>Adjustments for:</b>		
Depreciation and amortisation	19 874 150	19 629 405
Loss / (profit) on sale of assets	285 625	(372 338)
Interest received	(6 911 394)	(5 518 315)
<b>Changes in working capital:</b>		
Inventories	78 021	90 478
Trade and other receivables	1 133 948	(6 466 946)
Trade and other payables	(845 663)	529 746
Deferred income	(9 051 269)	(9 360 819)
	<b>13 519 059</b>	<b>8 278 646</b>

### 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. Comparative figures

Certain comparative figures have been reclassified.

### 18. 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).

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

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

### Amount in Rands

## 19. 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, credit risk, 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 being 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 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	4 306 671	-	-	-
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	-	-	-

### 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 2015

Notes	2015 R	2015 R	2015 R	2015 R	2015 R
	Havercroft to Maandagshoek	Southern Extension	Booyseendal Platinum	Other	Total
<b>Gross Revenue</b>	40 151 237	6 798 195	4 445 939	-	51 395 371
Fixed operating costs	16 998 431	3 875 451	4 010 391	-	24 884 273
Fixed electricity	1 991 548	402 150	194 321	-	2 588 019
Variable electricity	7 109 529	2 520 594	241 227	-	9 871 350
Raw water	13 408 738	-	-	-	13 408 738
Water research fund	302 721	-	-	-	302 721
Maintenance	-	-	-	-	-
Potable water supply	340 270	-	-	-	340 270
<b>Cost of revenue</b>	13 854 676	2 097 481	555 686	-	16 507 844
Fixed electricity	2 156 587	438 505	234 165	-	2 829 257
Variable electricity	8 672 869	1 658 976	321 521	-	10 653 366
Raw water	2 314 826	-	-	-	2 314 826
Water research fund	370 124	-	-	-	370 124
Potable water supply	340 270	-	-	-	340 270
<b>Gross surplus</b>	26 296 560	4 700 714	3 890 253	-	34 887 527
<b>Other income</b>	-	-	-	16 221 194	16 221 194
Profit on disposal of fixed assets	-	-	-	(264 135)	(264 135)
Interest received	-	-	-	6 911 394	6 911 394
Discount received	-	-	-	6 685	6 685
Rent received	-	-	-	12 500	12 500
Amortisation-deferred income	-	-	-	9 554 750	9 554 750
<b>Total income</b>	26 296 560	4 700 714	3 890 253	16 221 194	51 108 721
<b>Fixed operating costs</b> (Refer to page 19)	27 527 241	4 547 058	525 106	9 553 673	42 153 078
Retained surplus/(deficit) for the year	(1 230 681)	153 656	3 365 147	6 667 521	8 955 644
Transfer of interest to non-distributable reserve	-	-	-	-	-
Accumulated surplus/(deficit) at the beginning of year	8 182 185	225 165	1 159 867	43 703 884	53 271 101
Accumulated surplus/(deficit) at the end of year	6 951 504	378 821	4 525 014	50 371 405	62 226 745

## DETAILED STATEMENT OF COMPREHENSIVE INCOME

### Lebalelo Water User Association

#### Detailed Statement of Comprehensive Income for the year ended 30 June 2015

Notes	2015 R	2015 R	2015 R	2015 R	2015 R
	Havercroft to Maandagshoek	Southern Extension	Booyseendal Platinum	Other	Total
<b>Fixed operating costs</b>	<b>27 527 241</b>	<b>4 547 058</b>	<b>525 106</b>	<b>9 553 673</b>	<b>42 153 078</b>
Advertising	-	-	-	-	-
Auditors' remuneration	112 428	-	-	-	112 428
Bad debts	-	-	-	-	-
Bank charges	29 349	-	-	-	29 349
Bonuses	1 532 007	-	-	-	1 532 007
Computer & software expenses	45 731	-	-	-	45 731
Consulting fees	2 512 935	-	166 903	-	2 679 838
Depreciation and amortisation	6 090 537	3 566 923	8 707	-	9 666 167
Amortisation on intangible assets	654 310	-	-	9 553 673	10 207 983
Donations	-	-	-	-	-
Insurance	662 999	121 547	-	-	784 546
Interest	2 695	-	-	-	2 695
Legal expenses	111 979	-	-	-	111 979
Library	12 937	-	-	-	12 937
Management meeting costs	-	-	-	-	-
Management / Sub-executive	72 465	-	-	-	72 465
Maintenance: computer equipment	126 235	-	-	-	126 235
Maintenance: office equipment	5 109	-	-	-	5 109
Membership fees	5 500	-	-	-	5 500
Office cleaning and consumables	19 421	-	1 743	-	21 164
Plant hire	-	-	-	-	-
Postage	718	-	-	-	718
Public relations	-	-	-	-	-
Penalties and interest	28	-	-	-	28
Printing and stationery	80 405	-	-	-	80 405
Radio licences	1 582	788	-	-	2 370
Refreshments	32 108	-	-	-	32 108
Rental: office equipment	61 492	-	-	-	61 492
Security and safety	2 108 035	407 108	204 445	-	2 719 589
Salaries	10 761 107	-	-	-	10 761 107
Scarce skill incentive	-	-	-	-	-
Servitudes	11 065	102 398	-	-	113 463
Training	218 527	-	-	-	218 527
Telephone and fax	235 643	-	-	-	235 643
Transport costs	14 676	-	-	-	14 676
Operation and maintenance cost	-	-	-	-	-
- Abnormal maintenance	-	-	-	-	-
- Air conditioners	14 198	4 629	-	-	18 826
- Civil	44 189	3 865	469	-	48 522
- Cathodic protection	1 765	1 777	-	-	3 541
- Dams	-	-	-	-	-
- Mechanical	310 671	10 933	744	-	322 348
- Electrical	195 305	63 031	33 228	-	291 563
- Consumables	62 432	11 332	386	-	74 150
- Environment	-	-	-	-	-
- Gardens and housing	58 473	549	-	-	59 022
- Herbicide	67 691	36 153	12 300	-	116 144
- Instrumentation and telemetry	265 457	49 200	23 048	-	337 675
- Loose tools	89 399	-	-	-	89 399
- Motor vehicle costs	523 495	-	-	-	523 495
- Pest control	149 868	38 124	6 084	-	194 076
- Pipelines	39 162	118 100	61 049	-	218 311
- Water purification	183 145	10 603	5 999	-	199 747



## DETAILED STATEMENT OF COMPREHENSIVE INCOME

### Lebalelo Water User Association

#### Detailed Statement of Comprehensive Income

for the year ended 30 June 2015

Notes	2014 R	2014 R	2014 R	2014 R	2014 R
	Havercroft to Maandagshoek	Southern Extension	Booyseendal Platinum	Other	Total
<b>Gross Revenue</b>	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
<b>Cost of revenue</b>	12 021 587	2 857 645	-	-	14 879 232
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
Potable water supply	314 730	-	-	-	314 730
<b>Gross surplus</b>	28 798 573	4 613 120	1 601 648	-	35 013 341
<b>Other income</b>	-	-	-	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
<b>Total income</b>	28 798 573	4 613 120	1 601 648	15 603 664	50 617 005
<b>Fixed operating costs</b> (Refer to page 21)	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 2015

Notes	2014 R	2014 R	2014 R	2014 R	2014 R
	Havercroft to Maandagshoek	Southern Extension	Booyseendal Platinum	Other	Total
<b>Fixed operating costs</b>	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 meeting costs	-	-	-	-	-
Management / 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
Penalties and interest	20 604	-	-	-	20 604
Plant hire	-	-	-	-	-
Postage	595	-	-	-	595
Printing and stationery	70 813	-	-	-	70 813
Public relations	-	-	-	-	-
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
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

## 2. Chief Executive Officer's (CEO) Report

### 2.1 Management Committee

The Management Committee consists of the following persons:

Messrs: D.W. Pelser	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	Local Government.



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

### 2.2 Operations

#### 2.2.1 During the year under review –

- a) patches of the protective lining of one of the Havercroft Dams, damaged during mechanical cleaning, were successfully replaced;
- b) the scheme of the Association was operated and maintained without major mechanical, electrical and structural incidents influencing water supply to users;
- c) communities situated on Community Land through which the Association's pipeline traverses, raised a number of issues, which included, inter alia that the mining companies that are supplied with water by the Association, should also address their social needs. The Association's area of jurisdiction to deliver raw water is relatively large whilst the mining companies in general only respond to the demands of communities in their immediate vicinity in terms of their social and labour plans which are required by law, and hence limits their areas of responsibility. The requests by the communities include social issues such as the building of community halls, crèches, roads, soccer fields and job opportunities. I have discussed the requests with representatives of the communities at various meetings, arranged by Mr H. Masete, community representative on the Management Committee of the Association. Whilst the Association has very limited capacity / resources and statutory powers, it has acted mainly as an intermediary between the mines and the communities. Notwithstanding these interventions, towards the end of the financial year communities situated in the affected area damaged certain parts of the Association's infrastructure;
- d) the operation and maintenance of certain potable water schemes transferred from the previous Department of Water Affairs to the Sekhukhune District Municipality were still being managed by the Association as requested by the Premier of the Limpopo Province; and
- e) 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 75;
  - Repairs done on pipeline systems in villages: 4 (2 x Modubeng, 2 x Senyato).
  - Repairs done on pipeline systems at schools: 5 (3 x Manayaba, 2 x Shai).

- Repairs done to electrical supply to boreholes: 24 (4 x Ga-Mashabela, 2 x Legabeng, 1 x Ga-Maroga, 1 x Magobading, 3 x Moroke, 2 x Malokela, 2 x Sehwing, 2 x Kgopaneng, 1 x Ga-Phala, 2 x Ga-Manyaka, 2 x Ga-Mashisi, 1 x Ga-Mphogo, 1 x Habeng).
  - Repair and / or replace electrical control boxes: 13 (2 x Moroke, 2 x Maandagshoek, 1 x Legabeng, 1 x Maakubu, 1 x Ga-Mashabela, 1 x Malokela, 1 x Driekop, 1 x Swala Mapuru, 1 x Magobading, 1 x Ga-Mphogo, 1 x Ga-Mashisi).
  - Repairs done on electrical supply to schools: 2 (1 x Shai, 1 x Motloulela).
  - Pump and electrical control box systems replaced in villages: 7 (1 x Ga-Masete, 1 x Ga-Manyaka, 2 x Moroke, 1 x Ga-Mashabela, 1 x Maakubu, 1 x Ga-Mashisi).
  - Motors and pump elements replaced in boreholes: 14 (1 x Ga-Mongatane, 1 x Motloulela, 3 x Ga-Mashabela, 1 x Legabeng, 2 x Moroke, 3 x Maandagshoek, 1 x Ga-Manyaka, 1 x Motloulela, 1 x Mogabadeng).
  - Motors and pump elements replaced at schools: 3 (1 x Motloulela, 1 x Kwata, 1 x Marapong).
  - Repair to Zozo water tank: 1 x Maredi.
  - Building of new enclosure for pump and control panel at borehole: 1 x Ga-Masete village.
- f) The Association also –
- in collaboration with the Sekhukhune District Municipality, supplied 30 V-belts to Department of Water and Sanitation (DWS) for installation at borehole pumps; and
  - refurbished 6 mono pump ratchet heads.



*The artisan, Mr Nelson Mokwala, and his assistant Mr Kenneth Moloto, installing a new enclosure at Ga-Masete Village.*

## CHIEF EXECUTIVE OFFICER'S REPORT

### 2.3 Financial Overview

#### 2.3.1 Operating Expenditure

The treatment of operational expenditure, as summarised from the detailed financial statements are set out in the following table, which exclude working capital for extensions to infrastructure, for the total scheme from Havercroft to Booyssendal. A total quantity of 7 214 882 m<sup>3</sup> was pumped from the Havercroft Pump Station:

			2015 %	2014 %
• Amortisation: Intangible assets	R10 207 983		17.40	18.31
• Replacement and renewal fund	R 9 666 167		16.48	16.90
• Fixed electricity cost	R 2 829 257		4.82	4.26
• Maintenance	R 2 496 819		4.26	4.43
• Overheads	R 4 809 158		8.20	7.48
• Personnel costs	R14 972 952		25.52	26.19
• Potable water	R 340 270		0.58	0.56
<b>Total Fixed Costs</b>	<b>R45 322 606</b>	(R6.28/m <sup>3</sup> )	<b>77.26</b>	<b>78.13</b>
• Electricity	R10 653 366	(R1.48/m <sup>3</sup> )	18.16	17.75
• Raw water costs	R 2 289 815	(R0.37/m <sup>3</sup> )	4.58	4.12
<b>Total Variable Costs</b>	<b>R13 338 316</b>	(R1.85/m <sup>3</sup> )	<b>22.74</b>	<b>21.87</b>
<b>TOTAL EXPENDITURE</b>	<b>R58 660 922</b>	(R8.13/m <sup>3</sup> )	<b>100%</b>	

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

- the raising of the Flag Boshielo Dam funded by Association;
- the building of the powerline transferred to ESKOM; and
- 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 Association.

The financial year ended with a surplus of R8 955 644 and will be used for refurbishment purposes and the social mitigation plan.

### 2.4 Health and Safety

The Association has not recorded any lost time incidents since its inception in June 2002. During the reporting year 67 282 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 as well those of Lepelle Northern Water and Government. It is important that the remuneration levels are compared to mitigate discrepancies and complaints.





*Ms Maria Mohlala, the electrician, and her assistant Mr Onismus Ngwatle, busy replacing a control box at Ga-Mphogo Village.*

## 2.6 Capital Projects

### 2.6.1 Northern Extension

In order to offer an alternative to the delivery of raw water to users within the area of the Mogalakwena District Municipality, the Association applied for a licence to abstract water from the Flag Boshielo Dam; to extend its area of operation to include the Mogalakwena area, i.e. the area from Flag Boshielo Dam up to the farm Pruissen and beyond; and to amend its constitution to provide for new members to ensure that the Mogalakwena area will be fully represented on the Association.

The applications as referred to above have, notwithstanding an extensive negotiating process, not been approved by the DWS. In this regard the Trans Caledon Tunnel Authority (TCTA) has been mandated by the Minister of DWS to implement the Northern Extension as Phase 2B of the Olifants River Water Resource Development Project. This change of events will impact on the Association as some of the water allocated to it from the Flag Boshielo Dam will eventually be transferred to the De Hoop Dam. Some of the existing members of the Association will continue to receive water from the Flag Boshielo Dam, whilst other members will individually have to apply for a licence to abstract water from the De Hoop Dam. The end result will be that the Association's present licence will have to be amended to provide for the supply of water from both dams, until the Association's infrastructure is transferred to the DWS followed by the disestablishment of the Association.

### 2.7 Potable Water Supply

The Mooihoek Water Treatment Plant (MWTP) has been vandalised and the Association took the initiative, and proposed to the Sekhukhune District Municipality (SDM) and its Water Services Provider, Lepelle Northern Water (LNW), to bring the MWTP into production. The Association has made its consultants available to Lepelle Northern Water to do a gap analysis and a cost estimate of the work to be carried out. This proposal is subject to the condition that costs incurred by the Association can be claimed from LNW. The MWTP will be the central point of a potable water scheme as defined in a master plan compiled by the DWS in terms of which the area of potable supply has been divided into southern, central and northern regions. The latter region will eventually serve those communities on whose properties the Association's pipeline was built. It is estimated that they will only receive potable water after 5 to 10 years. The Association has proposed to the two service providers that they consider the building of a package plant for the northern region as the non-availability of potable water is one of the reasons for the damage to the Association's infrastructure. This proposal must still be developed and negotiated. The Association is not mandated to supply potable water but has offered technical assistance to the SDM and LNW.

### 2.8 Olifants River Water Resource Development Project Phase 2 (ORWRDP 2)

#### 2.8.1 Project

The De Hoop Dam has been completed but presently there are no additional water demands other than the normal flow that must be released from the Dam in the Steelpoort River to meet existing allocations. The Phase 2C pipeline from the De Hoop Dam up to the connection with the Association's Scheme has not been completed. It is envisaged that subject to an interim arrangement, once this pipeline has been connected to the suction side of the Spitskop Pump Station, the Mototolo and Booyseindal Mines could be supplied via the De Hoop Dam. A further interim measure is planned in that the water supply via the Association's infrastructure will also be reversed to supply Samancor, Modikwa and Dilokong mines as well as the Mooihoek Water Treatment Plant from the DWS Steelpoort Pump Station.

These interim arrangements will eventually result in the amendment of the water abstraction licences and the final disestablishment of the Association.



*A vandalised air valve and chamber along the pipeline route.*

### 2.8.2 Transfer of Lebalelo Water User Association Infrastructure to the DWS

There are proposals within the DWS that some of the infrastructure of the Association, still to be identified, be incorporated in the ORWRDP 2, but no decision regarding any remaining infrastructure, has been taken. Discussions with the Directorate: Institutional Oversight of the DWS have commenced regarding the issue of interim arrangements and the eventual disestablishment of the Association. In order to get a better understanding of the Association as “a going business” KPMG Services (Proprietary) Limited have been engaged to carry out a financial valuation, SSIS Pipeline Services (Pty) Ltd have been issued with an order to carry out an assessment of the Association's water infrastructure, and attorneys, Webber Wentzel have been briefed to assist with the legal issues. There are many legal, contractual and financial issues that must be clarified and negotiated with the Association before the transfer of works and the disestablishment of the Association can continue.

### 2.9 Acknowledgements

It is evident that the Association continues 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

**26 November 2015**



### 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 2014/2015. 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 2014/2015. The Association continues to see a steady increase in its water demand over the past 5 years.



*D.W. Pelser*  
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 partnership between the Association and the DWS to build the scheme ended during the financial year due to a decision by the DWS to mandate the Trans Caledon Tunnel Authority (TCTA) as the implementing agent. The Association will support the process via the Joint Water Forum.

After many years of discussion between representatives of the Lebalelo Water User Association as well as the Olifants Joint Water Forum (JWF), the Department of Water and Sanitation and the TCTA there has been a commitment to seeing the implementation of various phases with the Olifants River Water Resource Development Project (ORWRDP). The Association has reached a crucial point with regard to its future operations. In essence, with the much publicised statement that the Association will be incorporated into the ORWRDP, being a water institution and governed under the National Water Act, the Minister can have the last word in the Association's existence. However before this can happen there are a number of technical, financial, administrative and legal issues that need close attention in order to protect the rights of members. Inextricably linked with this process will be the incorporation of the Association's assets into the ORWRDP and the disestablishment of the Association, taking into consideration all financial, legal and human resources issues.

The lack of potable water provision in the areas in which we operate remains a serious concern. I am of the firm belief that the Association can still play major roles in resolving this by rendering technical support to the Sekhukhune District Municipality and Lepelle Northern Water. The Government Work being the Mooihoek Water Treatment Plant has been vandalised and the Association has negotiated with the two responsible institutions to bring the plant into operation in an attempt to meet the social water demand. This plant will receive raw water via the new Phase 2C pipeline of the ORWRDP 2 and will have an influence on the Association due to the reverse flow strategy that will come into operation once Phase 2C is commissioned. Some of the reticulation infrastructure required to supply potable water is in place, but because the Mooihoek Water Treatment Plant is not in operation, no potable water can be supplied to the installed supply lines. To accelerate water provision to communities in our operational area, the Association is currently negotiating the building of a package plant to supply communities, with potable water closest to our site operations. This proposed package plant will form part of the Lebalelo Water Supply Master Plan developed by the DWS and will be built to address grievances lodged against LWUA from communities not receiving any direct benefits from mining activities in the area (i.e. outside the footprint of Social Labour Plans (SLP) beneficiaries).

#### 3.3 Social Responsibility

During 2014/2015, 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. This commitment has been extended, due to the fact that communities situated on land through which the pipeline traverses, have now resorted to damaging the infrastructure of the Association, as they also wish to participate in the SLP benefits that other communities receive from mining activities. This is captured in the

Memorandum of Understanding (MoU) which was agreed upon by the relevant parties of the various member mining houses. Members are again requested to ensure they honour their commitments towards their financial assistance to implement the said MoU. The final MoU is presently in circulation with the Association for signature by the various parties. The Association continues to facilitate this process between the parties.

There remains 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. I would like to thank our members for responding positively to the employment demands of communities in their immediate vicinity.

Unfortunately due to the social up-rise in the area at large, damage was caused by various communities to the Association's infrastructure commencing in April 2015. The Association has appointed a social consultant to develop a social mitigation plan in an attempt to assist the Association with future engagement planning. We are alive to the fact that legislation required the mines to implement their Social and Labour Plans within their zone of influence, but unfortunately the communities outside of these footprints see the water from LWUA which traverses their properties solely as benefiting the mines who do nothing in return for them.

### 3.4 Outlook

The approved budget for 2015/2016 generally reflects steady to flat unit costs, primarily through the benefits of economies of scale (bulk raw water demands in the Southern Extension will steadily increase in 2015/2016).

During 2015/2016, the Association will maintain its focus on inter alia the following:

- The prevention of continuing damage of its works and the repair thereof. Detailed cost estimates will be made and the Association will follow the tender process to repair the infrastructure. Urgent steps are being taken to stabilize the situation and some of the cost will be recovered from the Association's insurer.
- 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 control 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 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 the DWS prefer the water boards or utilities to now take over water supply functions.
- The continuation of the Association's water supply function until the infrastructure of the ORWRDP 2 has been completed, and a final decision on the future of the Association has been taken.

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 appreciation to all the important role players as indicated below, thanks for 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 them we would not exist.

**D.W.Pelser**  
Chairman

**26 November 2015.**



*The Steelpoort Pump Station of the Department of Water and Sanitation.*



**4. MEMBERS OF THE ASSOCIATION AND REPRESENTATIVES AS AT 30 JUNE 2015.**

**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

**BOOYSENDAL PLATINUM (PTY) LTD**  
Mr R. Rautenbach

**SAMANCOR CHROME LIMITED**  
Ms H. Booysen

**IMPALA PLATINUM LIMITED**  
Mr V.C. Townsend

**SAMREC (PTY) LTD**  
Mr H. Jones

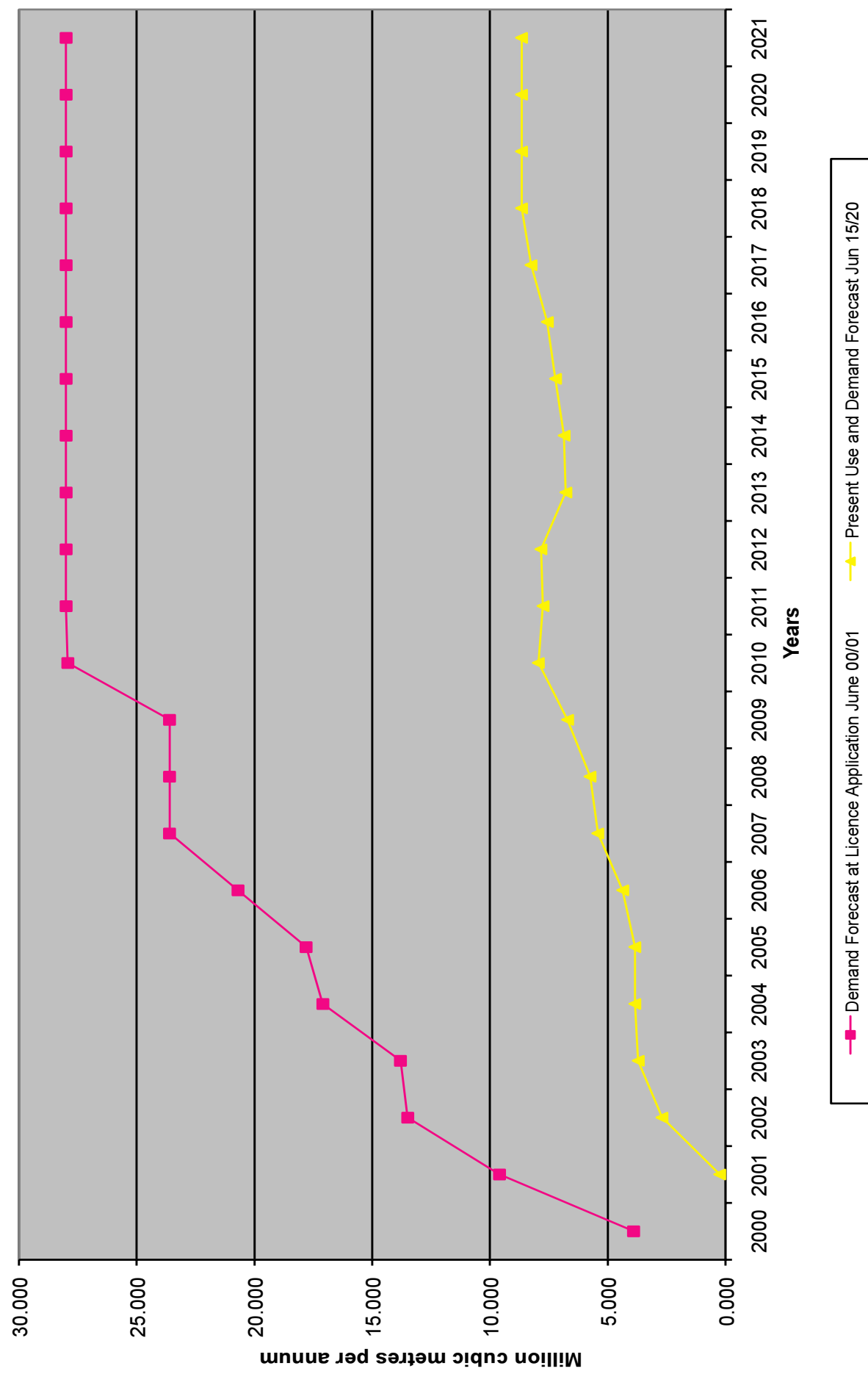
**ASA METALS (PTY) LTD**  
Mr P. Mkhonto

**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**

## **2015/2016**



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## 1. Background

Full background details regarding the Lebalelo Water User Association were given in the Association's 2014 /2015 business plan but with this revision it is deemed necessary to, for the sake of completeness, repeat the more important issues, with due cognisance of the fact that the Department has confirmed that the Association will be disestablished, that no time frame for this process was laid down, that the future operator of the scheme has not been identified and the financial and contractual arrangements that will affect the Association have not been concluded. The relevant issues are therefore summarized 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 m<sup>3</sup>/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 consents 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.
- 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 vandalised, to functionally complete the plant. However these funds will have to be repaid and the necessary arrangements are in place.



**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:

<b>Institution</b>	<b>Presented by</b>
• 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
• Booyseendal Platinum (Pty) Ltd	R. Rautenbach
• Impala Platinum Limited	V. Townsend
• Samrec (Pty) Limited	H. Jones
• Rural Communities	H.C. Masete
• Samancor Chrome Limited	Ms: H. Booysen
• Corridor Mining Resources (Pty) Ltd	Vacant
• 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.
- 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 pages 25 and 26 of the Association's 2014/2015 Annual Report.
- e) To negotiate with the communities not to vandalise the scheme of the Association. The scheme was built on Community Land and traverses the land on which villages are situated. The communities are aggrieved as they are not recognised by the mining members of the Association and therefore obtain no benefits from mining activities. The villages are situated outside the footprints of the various mines and do not form part of the Social and Labour Plans (SLP's) of the mines. As a result hereof the communities that are not included in the SLP's of the mines started to damage the Associations infrastructure and after consultation between the communities and the mines, a negotiation structure was implemented. A Committee of 14 representing the villages has been established to negotiate benefits with the mines. The Association plays the role of a facilitator between the two parties and a number of meetings to solve problems have already been held. A Memorandum of Understanding between the mines and the communities is being drafted to define the role and responsibilities of the two parties.

### 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 m<sup>3</sup>/a was issued on 6 January 2004. In addition to this quantity the Association also supplies 3,88 million m<sup>3</sup>/a via its scheme on behalf of the Department to local communities for domestic use. Due to the fact that Lebalelo financed the raising of Flag Boshielo Dam, an additional licence numbered B191/2/250/1 for a total volume of 1,0015 million m<sup>3</sup>/a was issued to the Association which represents lawful water entitlements of properties undated by the raising of the Dam.

- c) The Lebalelo Water User Association appointed sufficient, competent staff to undertake its functions. Particulars of the Associations 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 Booyseendal 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. The schematic lay-out of the scheme is indicated on the diagrams attached as Annexures A2 and A3.
- 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 m<sup>3</sup>/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 have at all times been 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 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.

The Department has not, since the applications in 2011, given any feedback in writing. The Association was, however, informed that the TCTA will be mandated to build the scheme.

#### **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 was 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 was 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 Lebalelo 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"> <li>a) manage and monitor permitted water use;</li> <li>b) conserve and protect water resources and resource quality;</li> <li>c) subject to the provisions of the Act, develop and operate a scheme in furtherance of its functions;</li> <li>d) do anything necessary to implement catchment management strategies; and</li> <li>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.</li> </ul>
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"> <li>a) install a recording- or monitoring device to monitor storing, abstraction or use of water;</li> <li>b) establish links with any monitoring or management system to monitor storing, abstraction and use of water; and</li> <li>c) keep records on the storing, abstraction and use of water and submit the records to the water user association.</li> </ul>
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"> <li>a) undertake specific alterations to the waterworks;</li> <li>b) install a specific device; or</li> <li>c) demolish, remove or alter the waterworks or render it inoperable, in a manner specified in the directive.</li> </ul>
Item 5(4):	<p>If the owner fails to comply with a directive, to:</p> <ul style="list-style-type: none"> <li>a) undertake the alterations;</li> <li>b) install the device; or</li> <li>c) demolish, remove or alter the waterworks inoperable, and recover any reasonable costs from the person to whom the directive was issued.</li> </ul>

Item 6(1):	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: 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):	To: 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):	To recover from the owner any reasonable costs incurred by it in acting under Item 6(4).

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 expedite water supply to the Mogalakwena Region via a proposed scheme from the Flag Boshielo Dam, but this proposal was not accepted.

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, and the Limpopo Province to become the raw water service 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 fixed 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.

### 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.
- e) To facilitate the negotiations for social benefits to communities damaging the infrastructure of the Association.

## 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 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**

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 to capture data in the Olifants and Mochlapiitse Rivers to manage water releases from 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 released from 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 2014/2015 attached.
- 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 Lebalelo 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 are 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
- Booyseendal Platinum (Pty) Ltd
- Samancor Chrome Limited
- Corridor Mining Resources (Pty) Ltd
- Samrec (Pty) Limited
- Provincial Government
- Municipalities:
- 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 m³/day	20,85%	2085
Rustenburg Platinum Mines Ltd	17 000 m³/day	22.16%	2216
African Rainbow Minerals Ltd	4 000 m³/day	5,21%	521
Booyssendal Platinum (Pty) Ltd	7 000 m³/day	9,12%	912
Impala Platinum Ltd	13 800 m³/day	17,99%	1799
ASA Metals (Pty) Ltd	1 200 m³/day	1,56%	156
Samancor Chrome Ltd	6 000 m³/day	7,82%	782
Samrec (Pty) Ltd	600 m³/day	0,78%	78
Corridor Mining Resources (Pty)Ltd	500 m³/day	0,65%	65
Rural demand (65¢/person/day) Municipalities	10 625 m³/day	13,85%	1385
<b>Total demand</b>	<b>76 725 m³/day</b>	<b>100%</b>	<b>10000</b>

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 Superintendant	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
<b>Total</b>	<b>38 Posts</b>

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 Superintendant	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	2 Black females and 7 black males
Semi-skilled artisan	Vacant
Drivers	Vacant
Production Operators	3 Black females, 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.

Frequent meetings with the Committee of 14 referred to in paragraph 3.2 (e) are held to implement their demands following constructive negotiations.

### 12.2 Major participants

The major stakeholders of the Water User 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 / Municipalities.

## 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 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 additional R13,638 million to cover for the availability of capacity for increased demand and growth in population was also contributed by the mines. Therefore 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 Lebelelo 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 Lebelelo Water User Association. The major issues that must be addressed before incorporation are:

- The repayment of the infrastructure of the Association in terms of a negotiated tariff from the ORWRDP 2 for members of the Association.
- The institution that will operate and maintain the infrastructure after the incorporation / disestablishment.
- The building of other phases of the ORWRDP 2 and the affect thereof on the Association.

The incorporation process is in the hands of the DWS. The lack of progress creates 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 were 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 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 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. Annexures-**

Annexure A1:	Area of operation (Existing area)
Annexure A2:	Schematic Layout (Original Scheme)
Annexure A3:	Schematic Layout (Southern Extension)
Annexure B:	Organogram
Annexure C1:	Operational budget (Main Scheme)
Annexure C2:	Operational budget (Southern Extension)
Annexure C3:	Operational budget (Booyssendal)

### **14.1 Section: 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 of 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**

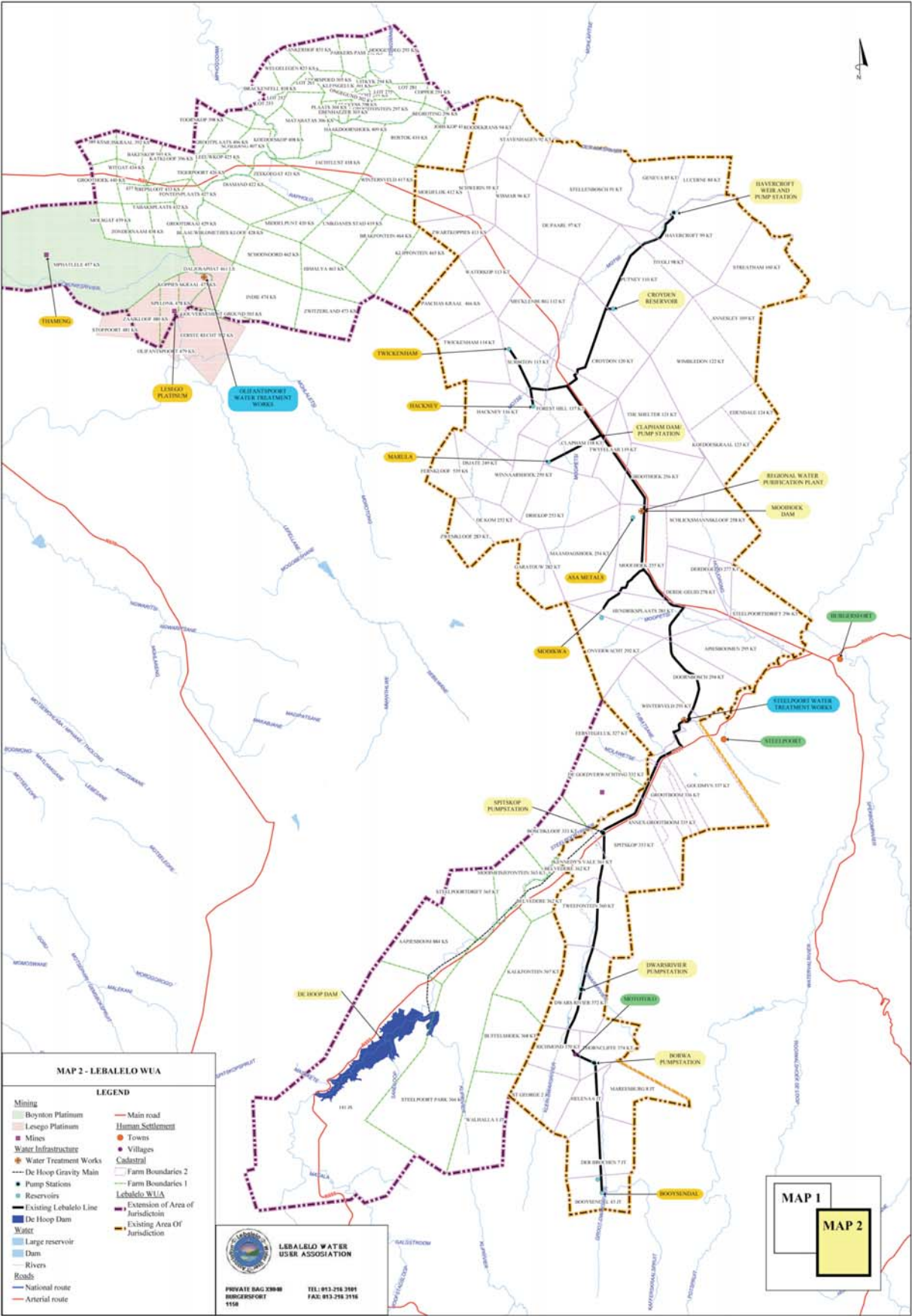
- a) Generic financial indicators / ratios.
- b) Definition of ratios.

## **15. Financial Statements 2014/2015**

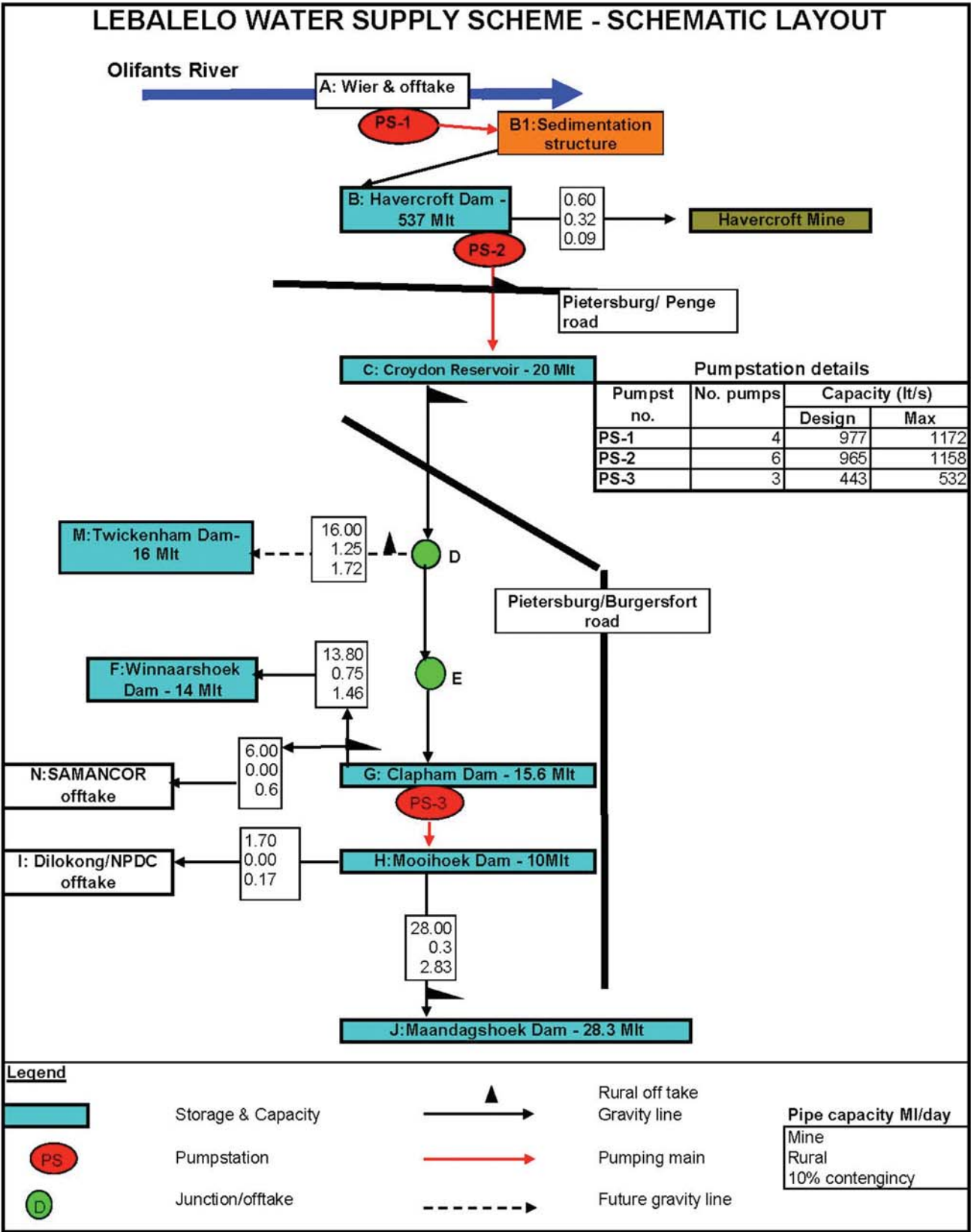
See pages 3-21 of the Annual Report.



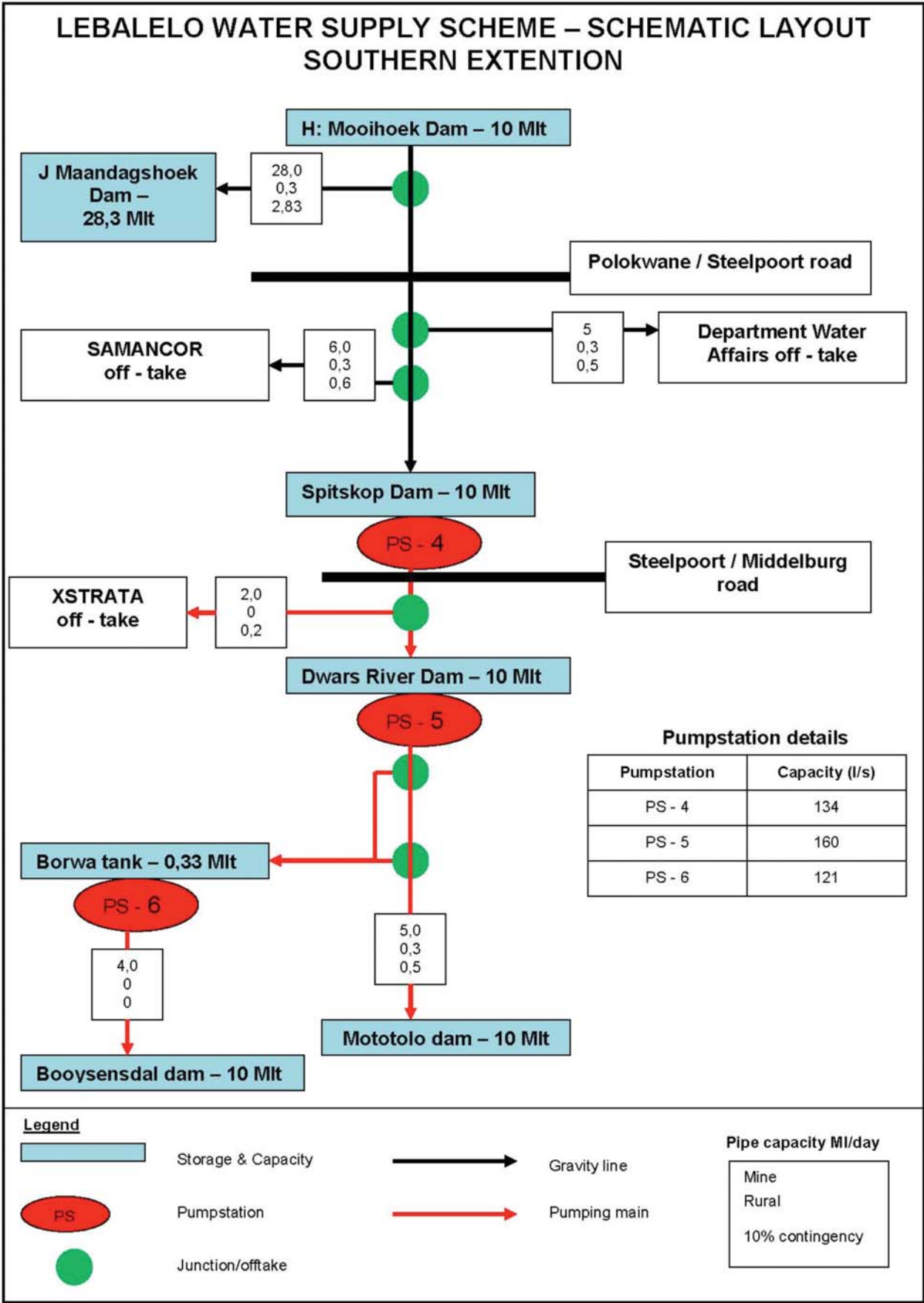
ANNEXURE A1: AREA OF OPERATION (EXISTING AREA)



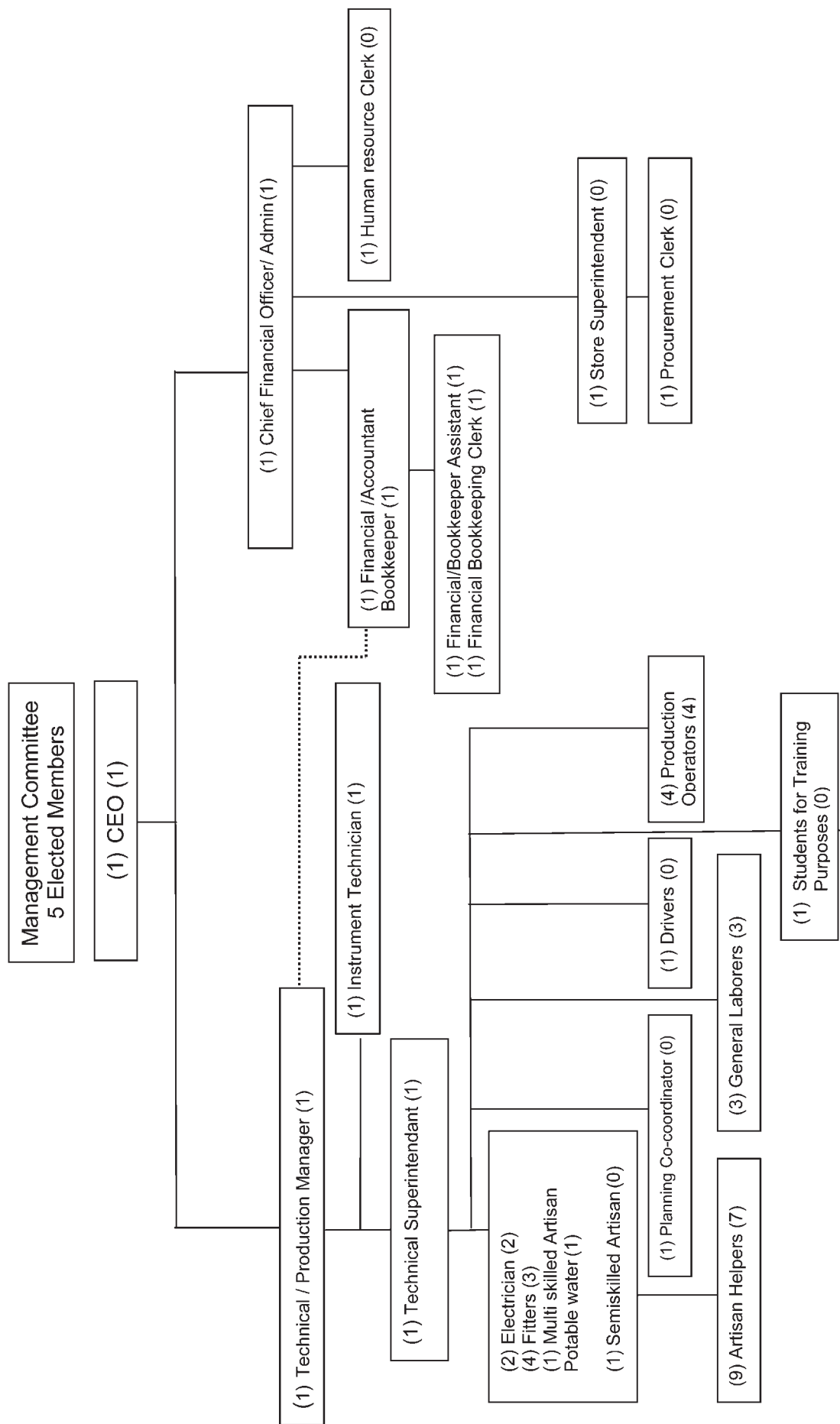
# ANNEXURE A2: SCHEMATIC LAYOUT (ORIGINAL SCHEME)



ANNEXURE A3: SCHEMATIC LAYOUT (SOUTHERN EXTENSION)



# LEBALELO WATER USER ASSOCIATION ORGANOGRAM



## ANNEXURE C1: OPERATIONAL BUDGET (MAIN SCHEME)

LEBALELO WATER USER ASSOCIATION - REVISED SUMMARY BUDGET : 01/07/2015 TO 30/06/2020 (SCHEME: FROM HAVERCROFT WEIR TO MAANDAGSHOEK DAM)																					
SUMMARY BUDGET : HAVERCROFT - MAANDAGSHOEK																					
2014/2015																					
Approv Budget Rm <sup>3</sup>	APPROVED BUDGET 14/15	Actual Rm <sup>3</sup>	FORECAST EXPENDITURE AS AT 30.06.15	Approved Budget 15/16 Rm <sup>3</sup>	Revised Budget 15/16 Rm <sup>3</sup>	Approved Budget 15/16 (with prior budget approval)	REVISED BUDGET 15/16	INCREASE (DECREASE) on year (June 2015)	2015/2016				2016/2017		2017/2018		2018/2019		2019/2020		
														Budget Rm <sup>3</sup>	REVISED BUDGET	Budget Rm <sup>3</sup>	REVISED BUDGET	Budget Rm <sup>3</sup>	REVISED BUDGET	Budget Rm <sup>3</sup>	REVISED BUDGET
WORKING CAPITAL																					
1	1	25 000	0.00	25 000	-	-	-	-25 000						-	-	-	-	-	-	-	-
2	2	276 000	0.04	276 000	-	-	953 000	677 000						-	-	-	-	-	-	-	-
3	3	60 000	0.01	60 000	-	-	-	-						-	-	-	-	-	-	-	-
4	4	224 500	0.03	224 500	-	-	176 000	-48 500						0.00	25 000	-	-	-	-	-	-
5	5	3 300 000	0.05	3 300 000	-	-	-	-						-	-	-	-	-	-	-	-
6	6	1 307 200	-	1 307 200	0.05	0.19	538 390	141 000						0.10	846 000	0.16	1 360 800	0.17	1 491 480	0.1	1 108 152
SUB TOTAL - WORKING CAPITAL																					
7	7	1 892 700	0.26	1 892 700	0.05	0.41	528 390	744 500						0.17	1 371 000	0.16	1 360 800	0.17	1 491 480	0.13	1 108 152
FINANCED OUT OF REPLACEMENT & REFURBISHMENT																					
8	8	-1 892 700	-0.26	-1 892 700	-0.05	-0.41	-528 390	-744 500						-0.17	-1 371 000	-0.16	-1 360 800	-0.17	-1 491 480	-0.13	-1 108 152
A SUB TOTAL - WORKING CAPITAL																					
9	9	7 261 502		7 261 502			10 097 050	-2 530 851						-	8 252 783	-	8 659 454	-	8 659 454	-	8 659 454
Water Requirements in m <sup>3</sup> (Forecast/monthly) through Havercroft & Water Pump Station																					
FIXED OPERATIONAL COSTS																					
10	10	223	16 200 387	2.07	14 880 161	1.78	17 950 356	1 126 089						2.07	17 052 580	2.12	18 340 913	2.31	19 982 561	2.46	21 294 095
11	11	20	PERSONNEL COSTS											0.03	257 600	0.04	361 360	0.03	287 406	0.05	426 246
12	12	19	CONSULTANT FEES	0.03	200 000	0.02	150 000	151 000						0.04	302 656	0.04	346 378	0.04	346 378	0.04	346 378
13	13	21	COMMUNITY WATER SUPPLY	0.04	290 460	0.04	433 578	12 196						0.04	346 378	0.26	2 236 458	0.26	2 236 458	0.28	2 447 500
14	14	22	ADMINISTRATIVE EXPENSES	0.24	1 738 560	0.23	1 914 560	202 911						0.22	1 842 827	0.23	2 025 508	0.26	2 236 458	0.28	2 447 500
15	15	23	SOFTWARE DEVELOPMENT & TRAINING	0.01	50 000	0.01	60 615	8 885						0.01	76 450	0.01	84 095	0.01	92 505	0.01	101 755
16	16	24	TRANSPORT	0.11	784 200	0.08	548 150	115 557						0.09	730 077	0.09	803 085	0.10	883 393	0.11	971 733
17	17	25	SECURITY & SAFETY	0.31	2 235 098	0.31	2 209 994	145 617						0.31	2 591 172	0.33	2 850 289	0.36	3 135 318	0.40	3 448 850
18	18	26	MAINTENANCE	0.29	2 072 865	0.23	1 656 126	66 214						0.23	1 880 439	0.24	2 035 967	0.26	2 236 458	0.28	2 457 274
19	19	27	DEPRECIATION (GAAP)	0.60	4 364 889	0.61	4 364 889	135 848						0.56	4 587 368	0.54	4 678 330	0.55	4 773 840	0.56	4 874 125
20	20	28	FIXED ELECTRICITY COSTS per Pump Station	0.30	2 143 889	0.30	2 315 400	238 501						0.34	2 792 571	0.37	3 200 266	0.40	3 671 961	0.49	4 218 599
Water losses in m <sup>3</sup>																					
21	21	29	Raw Water Cost of Water losses	0.01	53 548	0.01	56 762	3 214						0.01	74 998	0.01	79 498	0.01	84 231	0.01	89 324
22	22	30	Electricity costs of water	0.03	252 748	0.04	265 795	22 358						0.04	342 430	0.04	385 246	0.05	432 431	0.06	485 213
23	23	31	FIXED WATER COSTS	0.06	441 031	0.06	492 234	50 871						0.07	569 715	0.07	626 687	0.08	689 356	0.09	758 291
24	24	32	WATER USER ASSOCIATIONS (Lokop, Ollants, Blands)	0.02	109 324	0.01	70 546	8 778						0.02	197 358	0.03	217 094	0.03	238 803	0.03	262 683
B SUB TOTAL: FIXED OPERATIONAL COSTS																					
25	25	30 946 190	4.00	28 824 853	3.36	4.12	33 929 572	2 373 150						4.04	33 305 996	4.16	36 034 715	4.52	39 098 145	4.87	42 182 066
Increase % year on year (Forecast 2014/2015) - Fixed operational costs																					
26	26																				
27	27																				
28	28																				
29	29																				
30	30																				
31	31																				
32	32																				
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51	51																				



ANNEXURE C2: OPERATIONAL BUDGET (SOUTHERN EXTENSION)

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S		
	LEBALELO WATER USER ASSOCIATION - REVISED BUDGET : 01/07/2015 TO 30/06/2020 (SOUTHERN EXTENSION)																				
	2015/2016																				
Page No	2014/2015					2016/2017					2017/2018					2017/2018				2019/2020	
	Approve Budget Rm²	Actual Rm²	FORECAST EXPENDITURE AS AT 30.06.15	Approved Budget 15/16 Rm²	Revised Budget 15/16 Rm²	Approved Budget 15/16 (with prior budget approval)	REVISED BUDGET 14/15	INCREASE (DECREASE) year on year (June 2015)	Budget Rm²	REVISED BUDGET	Budget Rm²	REVISED BUDGET	Budget Rm²	REVISED BUDGET	Budget Rm²	REVISED BUDGET	Budget Rm²	REVISED BUDGET	Budget Rm²	REVISED BUDGET	
<b>SOUTHERN EXTENSION - SUMMARY</b>																					
<b>SE/A WORKING CAPITAL</b>																					
1	STORES	0.02	62 500	0.02	62 500	0.02	77 500	15 000	0.00	11 000	0.00	12 100	0.00	13 310	0.00	14 641					
2	UPGRADING INFRASTRUCTURE	0.01	30 000	0.01	30 000	-	250 000	220 000	-	-	-	-	-	-	-	-					
3	TOOLS AND EQUIPMENT	0.00	2 000	0.00	2 000	0.00	10 000	8 000	-	-	-	-	-	-	-	-					
4	REPLACEMENTS OUT OF REFURBISHMENT FUND	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
5	SUB TOTAL - WORKING CAPITAL	0.03	94 500	0.03	94 500	0.02	337 500	243 000	0.00	11 000	0.00	12 100	0.00	13 310	0.00	14 641					
6	FINANCED OUT OF REPLACEMENT AND REFURBISHMENT FUND	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
7	A SUB TOTAL - WORKING CAPITAL	-	-	-	-	-	-	-	0.00	11 000	0.00	12 100	0.00	13 310	0.00	14 641					
<b>SE/B FIXED OPERATIONAL COSTS</b>																					
8	ADMINISTRATIVE EXPENSES	0.04	137 144	0.04	122 220	0.05	150 857	12 071	0.04	147 720	0.05	162 492	0.05	178 742	0.06	196 616					
9	SECURITY & SAFETY	0.13	428 500	0.13	421 430	0.15	461 940	43 428	0.15	511 344	0.17	562 478	0.18	618 726	0.20	680 598					
10	MAINTENANCE	0.21	707 115	0.14	438 440	0.25	786 177	82 468	0.17	588 149	0.19	628 879	0.21	696 314	0.23	760 943					
11	DEPRECIATION (GAAP)	1.18	3 886 356	1.24	3 886 356	1.37	4 274 991	194 318	1.33	4 488 741	1.47	4 957 615	1.62	5 431 377	1.78	5 974 515					
12	FIXED ELECTRICITY COSTS-Cathode Protection	0.01	25 557	0.01	26 746	0.01	27 857	3 394	0.01	33 965	0.01	38 275	0.01	43 152	0.01	48 606					
13	SUB TOTAL - FIXED OPERATIONAL COSTS excl Electrical costs	1.57	5 184 672	1.56	4 895 192	1.83	5 701 822	335 679	1.70	5 769 919	1.89	6 329 739	2.08	6 968 290	2.28	7 661 277					
14	FIXED ELECTRICITY COSTS (Motoblo & Booyensdal)	0.13	383 288	0.14	407 609	0.16	417 785	67 590	0.18	535 501	0.20	603 456	0.22	680 035	0.25	766 331					
15	B SUB TOTAL - FIXED OPERATIONAL COSTS	1.70	5 567 960	1.70	5 302 801	1.99	6 119 607	403 269	1.88	6 305 420	2.08	6 933 196	2.30	7 648 325	2.53	8 427 609					
Increase % year on year on total costs for Motoblo and Booyensdal																					
10.31%																					
9.96%																					
10.19%																					
TOTAL OPERATIONAL BUDGET (Fixed Cost)(A+B)																					
6 945 296																					
2.30																					
7 661 635																					
2.54																					
8 442 250																					
3 357 461																					
3 357 461																					
3 071 247																					
3 071 247																					
1 284 013																					
1 284 013																					
SE/C VARIABLE COSTS																					
ELECTRICITY COSTS According to Demand (Energy Cost)																					
1 658 751																					
3 219 275																					
0.58																					
1 724 615																					
0.74																					
2 554 437																					
0.94																					
2 878 595																					
1.06																					
3 243 889																					
C Total Variable Cost																					
3 219 275																					
0.58																					
1 658 751																					
0.65																					
3 448 570																					
1.06																					
8 787 235																					
2.28																					
6 961 552																					
3.31																					
9 568 177																					
2.62																					
8 574 988																					
2.92																					
9 499 733																					
3.24																					
10 540 230																					
3.59																					
11 686 139																					
A+B+C Total O & M Budget (Fixed & Variable)																					
8 574 988																					
2.62																					
8 574 988																					
2.92																					
9 499 733																					
3.24																					
10 540 230																					
3.59																					
11 686 139																					
COST PER CUBIC METER :																					
Southern Extension Costs																					
Fixed Operating Cost per m³																					
6 945 296																					
2.30																					
7 661 635																					
2.54																					
8 442 250																					
3 243 889																					
1.06																					
3 243 889																					
1.06																					
3 243 889																					
Havercroft to Modilwa Costs																					
Fixed Operating Cost per m³																					
36 034 715																					
4.52																					
39 038 145																					
4.87																					
42 182 066																					
Variable Cost per m³																					
16 818 556																					
2.29																					
18 464 321																					
2.54																					
20 517 320																					
Total costs per m³																					
52 853 270																					
6.80																					
57 502 466																					
7.41																					
62 699 386																					
TOTAL COST PER M³																					
56 220 305																					
9.13																					
62 153 003																					
10.04																					
68 102 686																					
11.01																					
74 385 525																					
APPROVED: DW FELSER																					
25 June 2015																					
DATE																					
CHAIRPERSON: MANAGEMENT COMMITTEE																					
LEBALELO WATER USER ASSOCIATION																					

ANNEXURE C3: OPERATIONAL BUDGET  
BOOYSENDAL

LEBALELO WATER USER ASSOCIATION - REVISED BUDGET : 01/07/2015 TO 30/06/2020 - BOOYSENDAL																						
A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S				
LEBALELO WATER USER ASSOCIATION - REVISED BUDGET : 01/07/2015 TO 30/06/2020 - BOOYSENDAL																						
Page No	2014/2015			2015/2016							2016/2017			2017/2018			2018/2019			2019/2020		
	Approve Budget R/m²	Actual R/m²	APPROVED BUDGET	FORECAST EXPENDITURE AS AT 30.06.14	Approved Budget 15/16 R/m²	Revised Budget 15/16 R/m²	Approved Budget 15/16 (with prior budget approval)	REVISED BUDGET 14/15	INCREASE (DECREASE) year on year (June 2015)	Budget R/m²	REVISED BUDGET	Budget R/m²	REVISED BUDGET	Budget R/m²	REVISED BUDGET	Budget R/m²	REVISED BUDGET	Budget R/m²	REVISED BUDGET	Budget R/m²	REVISED BUDGET	
NP/A WORKING CAPITAL																						
1	STORES	0.17	110 000	0.12	70 000	0.09	0.02	115 000	16 500	-53 500	0.08	98 150	0.02	19 965	0.02	21 962	0.02	21 962	0.02	21 962	0.02	24 158
2	UPGRADING INFRASTRUCTURE	2.05	1 301 500	0.09	51 500	0.58	-	750 000	-51 500	-	-	-	-	-	-	-	-	-	-	-	-	
3	TOOLS AND EQUIPMENT	0.07	43 500	0.07	40 500	0.01	-	15 000	-40 500	-	-	-	-	-	-	-	-	-	-	-	-	
4	REPLACEMENTS OUT OF REFURBISHMENT FUND	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
5	SUB TOTAL WORKING CAPITAL	2.29	1 455 000	0.27	162 000	0.68	0.02	880 000	16 500	-145 500	0.08	98 150	0.02	19 965	0.02	21 962	0.02	21 962	0.02	21 962	0.02	24 158
FINANCED OUT OF REPLACEMENT AND REFURBISHMENT FUND																						
6	A SUB TOTAL WORKING CAPITAL	2.29	1 455 000	0.27	162 000	0.68	0.02	880 000.00	16 500	-145 500	0.08	98 150	0.02	19 965	0.02	21 962	0.02	21 962	0.02	21 962	0.02	24 158
NP/B FIXED OPERATIONAL COSTS																						
7	ADMINISTRATIVE EXPENSES	0.14	88 000	1.03	166 903	0.08	0.17	101 815	144 000	-22 993	0.12	158 400	0.14	174 240	0.15	191 664	0.16	191 664	0.16	191 664	0.16	210 830
8	SECURITY & SAFETY	0.33	211 345	0.36	211 345	0.18	0.28	239 215	235 511	24 166	0.20	259 062	0.22	284 968	0.24	313 465	0.27	313 465	0.27	313 465	0.27	344 812
9	MAINTENANCE	0.49	309 849	0.34	202 230	0.35	0.32	430 988	274 598	71 368	0.28	350 675	0.30	382 372	0.30	380 185	0.33	380 185	0.33	380 185	0.33	426 073
10	DEPRECIATION (GAAP)	3.06	1 943 178	3.28	1 943 178	1.49	2.30	1 943 178	-	136	1 982 042	1.62	2 081 144	1.70	2 185 201	1.79	2 294 461	1.79	2 294 461	1.79	2 294 461	
11	FIXED ELECTRICITY COSTS	0.31	197 340	0.40	233 973	0.16	0.28	213 753	237 611	3 638	0.22	285 134	0.27	342 160	0.32	410 592	0.38	410 592	0.38	410 592	0.38	492 711
12	B SUB TOTAL FIXED OPERATIONAL COSTS	4.33	2 749 712	4.66	2 758 629	2.27	3.35	2 948 849	2 834 888	76 289	2.39	3 035 312	2.54	3 264 884	2.71	3 481 107	2.84	3 481 107	2.84	3 481 107	2.84	3 768 887
13	Increase % year on year								2.76%			7.07%		7.56%		6.62%		6.62%		8.27%		
14	TOTAL OPERATIONAL BUDGET (Fixed Cost)(A+B)	6.61	4 204 712	4.93	2 920 629	2.95	3.37	3 828 949	2 851 398	-69 231	2.46	3 133 462	2.56	3 284 849	2.73	3 503 068	2.85	3 503 068	2.85	3 503 068	2.85	3 793 044
15	Water requirements in m³ (Forecast/month)		635 888		592 332			1 300 000	845 958	454 042		1 272 342		1 284 013		1 284 013		1 284 013		1 284 013		1 284 013
NP/C VARIABLE COSTS																						
16	ELECTRICITY COSTS According to Demand (Energy Cost)	1.06	671 403	0.54	319 419	0.85	1.07	1 101 100	901 910	582 491	1.23	1 559 969	1.41	1 810 420	1.62	2 081 983	1.86	2 081 983	1.86	2 081 983	1.86	2 394 280
17	C Total Variable Cost	1.06	671 403	0.54	319 419	0.85	1.07	1 101 100	901 910	582 491	1.23	1 559 969	1.41	1 810 420	1.62	2 081 983	1.86	2 081 983	1.86	2 081 983	1.86	2 394 280
18	A+B+C Total O & M Budget (Fixed & Variable)	7.67	4 876 115	5.47	3 240 048	3.79	4.44	4 930 049	3 753 308	513 260	3.69	4 693 431	3.97	5 095 269	4.35	5 585 051	4.82	5 585 051	4.82	5 585 051	4.82	6 187 324
COST PER CUBIC METRE - NORTHAM PLATINUM																						
19	Northam Platinum																					
20	Fixed Operating Cost per m³	6.61	4 204 712	4.93	2 920 629		3.37	2 851 398	2 851 398		2.46	3 133 462	2.56	3 284 849	2.73	3 503 068	2.85	3 503 068	2.85	3 503 068	2.85	3 793 044
21	Variable Cost per m³	1.06	671 403	0.54	319 419		1.07	901 910	901 910		1.23	1 559 969	1.41	1 810 420	1.62	2 081 983	1.86	2 081 983	1.86	2 081 983	1.86	2 394 280
22	Total costs per m³	7.67	4 876 115	5.47	3 240 048		4.44	3 753 308	3 753 308		3.69	4 693 431	3.97	5 095 269	4.35	5 585 051	4.82	5 585 051	4.82	5 585 051	4.82	6 187 324
Southern Extension Costs																						
23	Fixed Operating Cost per m³	1.70	5 567 960	1.70	5 302 801		1.97	5 706 070	5 706 070		1.88	6 316 420	2.09	6 945 296	2.30	7 661 635	2.54	7 661 635	2.54	7 661 635	2.54	8 442 250
24	Variable Cost per m³	1.06	3 219 275	0.58	1 658 751		0.65	1 724 615	1 724 615		0.74	2 258 688	0.83	2 554 437	0.94	2 878 595	1.06	2 878 595	1.06	2 878 595	1.06	3 243 889
25	Total costs per m³	2.76	8 787 235	2.28	6 961 552		2.63	7 430 685	7 430 685		2.62	8 574 588	2.92	9 499 733	3.24	10 540 230	3.59	10 540 230	3.59	10 540 230	3.59	11 686 139
Harvestcroft to Modilwa Costs																						
26	Fixed Operating Cost per m³	4.26	39 946 190	4.00	28 824 853		3.92	29 688 003	29 688 003		4.04	33 305 986	4.16	36 034 715	4.52	38 098 145	4.87	38 098 145	4.87	38 098 145	4.87	42 182 066
27	Variable Cost per m³	1.59	10 673 367	1.53	10 143 082		1.72	14 539 731	12 025 843		1.84	14 339 721	2.05	16 618 555	2.29	18 463 321	2.54	18 463 321	2.54	18 463 321	2.54	20 517 320
28	Total costs per m³	5.85	50 619 557	5.53	38 967 935		5.65	44 227 734	41 713 847		5.88	47 845 717	6.22	52 653 270	6.80	57 562 466	7.41	57 562 466	7.41	57 562 466	7.41	62 699 386
29	TOTAL COST PER M³	16.28	55 282 897	13.28	48 169 535		12.71	52 907 840	52 907 840		12.19	60 913 736	13.10	67 248 272	14.39	73 687 747	15.92	73 687 747	15.92	73 687 747	15.92	80 572 849
APPROVED: DW PELSER																						
CHAIRPERSON: MANAGEMENT COMMITTEE																						
LEBALELO WATER USER ASSOCIATION																						
25 June 2015																						
DATE																						

25 June 2015  
DATE

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





*The De Hoop Dam spilling after completion.*



## 14.1 SECTION 1: TRANSFORMATION REQUIREMENTS FOR THE BUSINESS PLAN

### a) Staff complement per functional area

YEAR	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Executive Office	1	1	1	1	1	1
Finance Section	2	2	2	2	2	2
Operations Section	20	20	20	20	20	20
Administration Section	2	2	2	2	2	2
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
<b>TOTAL PERMANENT</b>	<b>12</b>	<b>1</b>	<b>0</b>	<b>6</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>28</b>
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
<b>GRAND TOTAL</b>	<b>12</b>	<b>1</b>	<b>0</b>	<b>6</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>28</b>

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 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	14 972 952	1.4%	209 621	218 527	1.46%
HDI (Africans, Coloureds, Indians, White Females)	7 610 625	2.0%	152 213	197 662	2.60%

### e) Statement on redressing inequalities

**List of HDI targeted for assistance:** All communities within area of operation of LWUA. Total visits to communities = 75 villages.

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

**Brief description of assistance rendered:** Assistance to the 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/m<sup>3</sup> of water forecast per annum = R290.460

**Amount spent in Rands (p.a.) on (1.) upgrading HDI internal infrastructure:** R212,477

**Amount spent in Rands (p.a.) on (2.) expanding water distribution to HDI communities:** R127,793

**Actual total amount (1. and 2. above) spent as % of target amount:** 117,15%

### 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:** To provide services like garden, security, civil construction to LWUA, also training facilities to LWUA personnel to obtain drivers licenses.

**Brief details of assistance rendered:** Training

**Target amount to be spent in line with Procurement policy of the LWUA:** R7 million pa.

**Actual amount spent on assistance:** R6,6 million pa.

**Actual total amount spent as % of target amount:** 95%

**% of total procurement needs of LWUA secured by assisted HDI (p.a.):** 21%

**% 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	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
<b>WATER USE IN m<sup>3</sup></b>	<b>7 214 882</b>	<b>7 566 399</b>	<b>8 252 783</b>	<b>8 659 454</b>	<b>8 659 454</b>	<b>8 659 454</b>
<b>Revenue</b>						
Fixed Electricity Costs	2 724 517	3 182 583	3 647 170	4 184 158	4 805 721	5 526 246
Fixed Operating Income	22 176 162	29 251 649	31 371 966	34 008 777	37 007 006	40 026 320
Maintenance	2 571 613	2 517 846	2 819 263	3 047 218	3 329 904	3 644 291
Potable water - maintenance	340 270	302 56	330 111	346 378	346 378	346 378
Variable Electricity	9 871 350	12 262 574	15 506 121	18 030 143	19 970 249	22 837 196
Water use charges	13 711 459	2 389 795	2 651 738	2 953 269	3 130 492	3 318 293
<b>TOTAL REVENUE</b>	<b>51 395 371</b>	<b>49 907 103</b>	<b>56 326 369</b>	<b>62 569 943</b>	<b>68 589 750</b>	<b>75 698 724</b>
<b>Cost of Revenue</b>						
Electricity Charges - Fixed Costs	2 829 257	3 182 583	3 647 170	4 184 158	4 805 721	5 526 246
Electricity Charges - Variable costs	10 653 366	12 262 574	15 506 121	18 030 143	19 970 249	22 837 196
Potable water - maintenance	340 270	302 656	330 111	346 378	346 378	346 378
Water Charges (Purchases)	2 684 950	2 389 795	2 651 738	2 953 269	3 130 492	3 318 293
<b>COST OF REVENUE</b>	<b>16 507 842</b>	<b>18 137 607</b>	<b>22 135 140</b>	<b>25 513 948</b>	<b>28 252 840</b>	<b>32 028 114</b>
<b>GROSS SURPLUS</b>	<b>34 887 529</b>	<b>31 769 495</b>	<b>34 191 228</b>	<b>37 055 994</b>	<b>40 336 910</b>	<b>43 670 610</b>
Administration Costs	4 809 158	6 920 547	7 610 703	8 287 745	9 120 371	10 037 004
Salaries	14 972 952	16 307 250	17 290 480	18 702 273	20 270 057	21 720 341
Maintenance	2 496 819	2 517 846	2 819 263	3 047 218	3 329 904	3 644 291
Depreciation	9 666 167	10 524 589	11 058 150	11 697 089	12 390 417	13 143 101
Amortisation	654 310	654 310	654 310	654 310	654 310	654 310
<b>FIXED COSTS</b>	<b>32 599 405</b>	<b>36 924 543</b>	<b>39 432 906</b>	<b>42 388 634</b>	<b>45 765 059</b>	<b>49 199 046</b>
Operating surplus	2 288 134	-5 155 47	-5 241 678	-5 332 640	-5 428 150	-5 528 435
Interest received	6 911 394	6 000 000	6 000 000	6 000 000	6 000 000	6 000 000
Other Income	-244 950	-	-	-	-	-
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
<b>NETT SURPLUS</b>	<b>8 955 644</b>	<b>846 030</b>	<b>759 399</b>	<b>668 437</b>	<b>572 927</b>	<b>472 642</b>

## b) Assumptions for the projected Statement of Comprehensive income

YEAR	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Consumer Price Index (CPI or CPIX)	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Water Use Growth (%)	6%	5%	9%	5%	0%	0%
Water Purchases Cost Increase (%)	6%	11%	10%	10%	10%	10%
Prime Interest Rate (%)	9.25%	9.5%	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	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Capital Works	1 643 354	1 203 000	0	0	0	0
Renewals	2 374 962	2 187 300	1 609 250	1 832 375	1 701 113	1 656 148
Movable Assets	2 142 697	280 000	134 150	32 065	35 272	38 799
Less: Refurbishment Fund Contributions	-4 279 517	-3 653 800	-1 634 250	-1 832 375	-1 701 113	-1 656 148
<b>Total Capital Expenditure Requirements</b>	<b>1 881 496</b>	<b>16 500</b>	<b>109 150</b>	<b>32 065</b>	<b>35 272</b>	<b>38 799</b>



14.3 SECTION 3: FINANCIAL INDICATORS FOR ANNUAL REPORT

a) Generic financial indicators/ratios

Indicators/Ratios	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Gross Revenue (R)	51 395 371	49 907 103	56 326 369	62 569 943	68 589 750	75 698 724
Average Water Use Charge (R)	0.37	0.32	0.32	0.34	0.36	0.38
Operating Surplus (% of GR)	4.45%	-10.33%	-9.31%	-8.52%	-7.91%	-7.30%
Total Expenditure (R)	49 107 247	55 062 150	61 568 046	67 902 582	74 017 900	81 227 159
Operating Costs (% of GR)	95.55%	110.33%	109.31%	108.52%	107.91%	107.30%
Cost of Revenue (% of GR)	32.12%	36.34%	39.30%	40.78%	41.19%	43.31%
Finance Costs (% of GR)	0%	0%	0%	0%	0%	0%
Manpower Costs (% of GR)	29.13%	32.68%	30.70%	29.89%	29.55%	28.69%
Training Costs per Employee (R/year)	7 486	8 776	4 913	5 157	4 281	5 554
Working Ratio	0.77	0.89	0.90	0.90	0.90	0.90
Rate of Return on Assets	n/a	n/a	n/a	n/a	n/a	n/a
Gross Surplus Margin (%)	67.88%	63.66%	60.70%	59.22%	58.81%	57.69%
Current Ratio	10.01	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	71	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)





*Main Pump Station and reservoirs of the Lebalelo Water User Association at Havercroft.*





**THE LEBALELO WATER USER ASSOCIATION  
2015**

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**The Labalelo Water User Association**