



ANNUAL REPORT 2015/2016 AND BUSINESS PLAN



LEBALELO WATER USER ASSOCIATION



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 2016

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 2016

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

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 2016

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Responsibilities and Approval of the Management Committee

Report of the Management Committee

Statement of Financial Position

Statement of Comprehensive Income

Statement of Changes in Equity

Statement of Cash Flows

Accounting Policies

Notes to the Annual Financial Statements

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

Detailed Statement of Comprehensive Income



Diemont, Zimmerman & Bolink

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Chartered Accountants (S.A.) · Registered Auditors

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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 2016, 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 71 of 2008 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 2016, 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 71 of 2008 of South Africa.

Supplementary Information

Without qualifying our opinion, we draw attention to the fact that supplementary information set out on pages 18 to 21 does not form part of the annual financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereof.

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

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Lebalelo Water User Association

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Annual Financial Statements for the year ended 30 June 2016

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:

J.A. Bierman
Chief Executive Officer

J.M. Bräsler
Chairperson
Management Committee

REPORT OF THE MANAGEMENT COMMITTEE

Lebalelo Water User Association

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

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

Annual Financial Statements for the year ended 30 June 2016

Report of the Management Committee

The Management Committee submits its report for the year ended 30 June 2016.

1. Review of activities

Main business and operations

The Association is engaged in supplying raw water to surrounding mines and to purification plants which may inter alia 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	Position	Period
D.W. Pelser	Chairperson	1 July 2015 - 29 November 2015
J.A. Bierman	Chairperson	29 November 2015 - 31 March 2016
J.M. Bräsler	Chairperson	1 April 2016 - 30 June 2016
J.M. Bräsler	Vice Chairperson	1 July 2015 - 31 March 2016
D.W. Pelser	Vice Chairperson	1 April 2016 - 30 June 2016
H.B.H. Rossouw	Chief Executive Officer	1 July 2015 - 31 March 2016
J.A. Bierman	Chief Executive Officer	1 April 2016 - 30 June 2016
L.P. le Roux	Member	1 July 2015 - 30 June 2016
V.C. Townsend	Member	1 July 2015 - 30 June 2016
H.C. Masete	Community representative	1 July 2015 - 30 June 2016
Vacant	Local Government	1 July 2015 - 30 June 2016

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 71 of 2008 of South Africa.

STATEMENT OF FINANCIAL POSITION

Lebalelo Water User Association

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Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position

Amount in Rands	Note(s)	2016	2015
Assets			
Non-current Assets			
Property, plant and equipment	2	319 247 566	325 720 384
Long term pre-payments	3	140 606 760	159 182 066
Other financial assets	4	117 940 693	149 838 696
		577 795 019	634 741 146
Current Assets			
Inventories	5	1 406 033	1 108 726
Other financial assets	4	58 728 999	24 353 292
Trade and other receivables	6	29 040 725	15 111 291
Cash and cash equivalents	7	14 902	17 051
		89 190 659	40 590 360
Total Assets		666 985 678	675 331 506
Equity and Liabilities			
Equity			
Reserves		397 327 896	397 327 896
Retained income		59 377 082	62 226 745
		456 704 978	459 554 641
Liabilities			
Non-current Liabilities			
Deferred income	8	123 576 116	133 070 168
Long term payables	9	-	60 403 618
		123 576 116	193 473 786
Current Liabilities			
Trade and other payables	10	12 804 205	4 039 039
Deferred income	8	9 494 052	18 264 040
Long term payables	9	64 406 327	-
		86 704 584	22 303 079
Total Liabilities		210 280 700	215 776 865
Total Equity and Liabilities		666 985 678	675 331 506

STATEMENT OF COMPREHENSIVE INCOME

Lebalelo Water User Association

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Annual Financial Statements for the year ended 30 June 2016

Statement of Comprehensive Income

Amount in Rands	Note(s)	2016	2015
Revenue	11	61 776 482	51 395 371
Cost of sales		(19 373 936)	(16 507 843)
Gross surplus		42 402 546	34 887 528
Other income		19 171 298	9 309 800
Operating expenses		(72 723 693)	(42 153 078)
Operating surplus (deficit)		(11 149 849)	2 044 250
Investment revenue	13	8 300 186	6 911 394
Surplus for the year		(2 849 663)	8 955 644
Other comprehensive income		-	
Total comprehensive income (loss) for the year		(2 849 663)	8 955 644

STATEMENT OF CHANGES IN EQUITY

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 2016

Statement of Changes in Equity

Amount in Rands	Capital Reserve	Retained Income	Total Equity
Balance at 01 July 2014	397 327 896	53 271 101	450 598 997
Changes in equity	-	8 995 644	8 995 644
Surplus for the year	-	-	-
Total changes	-	8 955 644	8 955 644
Balance at 01 July 2015	397 327 896	62 226 745	459 554 641
Changes in equity	-	(2 849 663)	(2 849 663)
Surplus/(loss) for the year	-	-	-
Total changes	-	(2 849 663)	(2 849 663)
Balance at 30 June 2016	397 327 896	59 377 082	456 704 978

STATEMENT OF CASH FLOWS

Lebalelo Water User Association

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

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

Annual Financial Statements for the year ended 30 June 2016

Statement of Cash Flows

Amount in Rands	Note(s)	2016	2015
Cash flows from operating activities			
Cash receipts from customers		47 847 048	52 605 870
Cash paid to suppliers and employees		(53 432 217)	(39 086 811)
Cash (used in) generated from operations	15	(5 585 169)	13 519 059
Interest income		8 300 186	6 911 394
Net cash from operating activities		2 715 017	20 430 453
Cash flows from investing activities			
Additions to property, plant and equipment	2	(3 947 612)	(3 744 910)
Disposals and profit of property, plant and equipment	2 + 15	92 105	134 963
Movement in investments		(2 477 704)	(17 436 700)
Net cash from investing activities		(6 333 211)	(21 046 647)
Cash flows from financing activities			
Capital contributed		-	-
Movement in other liability		4 002 711	617 795
Impairment of loan account		(386 666)	-
Net cash from financing activities		3 616 045	617 795
Total cash movement for the year		(2 149)	1 601
Cash at the beginning of the year		17 051	15 450
Total cash at end of the year	7	14 902	17 051

Lebalelo Water User Association

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Annual Financial Statements for the year ended 30 June 2016

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 71 of 2008 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 2016

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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Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.3 Financial instruments (continued)

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of a debtor, probability that a debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

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

1.4 Inventories

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

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

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

1.5 Revenue

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

- The Association has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The Association retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Association.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Lebalelo Water User Association

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Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Amount in Rands

2. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Plant and equipment - Existing scheme	222 449 806	(49 178 973)	173 270 833	222 239 729	(46 694 263)	175 545 466
Furniture and fixtures	481 383	(393 830)	87 553	482 450	(373 769)	108 681
Motor vehicles	5 306 470	(4 085 705)	1 220 765	5 125 008	(3 082 532)	2 042 476
IT equipment	1 789 235	(1 472 637)	316 598	1 716 412	(1 301 301)	415 111
Tools and equipment	3 638 678	(2 812 456)	826 222	3 539 579	(2 570 254)	969 325
Plant and equipment - Southern Extension	170 163 912	(26 947 829)	143 216 083	169 547 671	(23 243 151)	146 304 520
Plant and equipment - Booyesendal Platinum	343 512	(34 000)	309 512	343 512	(8 707)	334 805
Total	404 172 996	(84 925 430)	319 247 566	402 994 361	(77 273 977)	325 720 384

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Plant and equipment - Existing scheme	175 545 466	2 588 683	(672 224)	(4 191 092)	173 270 833
Furniture and fixtures	108 681	-	(534)	(20 594)	87 553
Motor vehicles	2 042 476	328 113	(114 401)	(1 035 423)	1 220 765
IT equipment	415 111	181 321	(4 752)	(275 082)	316 598
Tools and equipment	969 325	227 420	(23 526)	(346 997)	826 222
Plant and equipment - Southern Extension	146 304 520	622 075	(2 917)	(3 707 595)	143 216 083
Plant and equipment - Booyesendal Platinum	334 805	-	-	(25 293)	309 512
	325 720 384	3 947 612	(818 354)	(9 602 076)	319 247 566

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 - Booyesendal Platinum	250 756	92 755	-	(8 706)	334 805
	332 062 227	3 744 910	(420 588)	(9 666 165)	325 720 384

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

Lebalele 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 2016

Notes to the Annual Financial Statements

Amount in Rands

3. Long term pre-payments

	2016			2015		
	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	(5 292 039)	5 810 303	11 102 342	(4 763 830)	6 338 512
ESKOM POD Cost	3 168 837	(1 781 726)	1 387 111	3 168 837	(1 655 625)	1 513 212
Exemption from Water Resource Development Charge as per clause 7.2 (refer to note 8)	224 730 097	(92 180 751)	132 549 346	224 730 097	(74 259 755)	150 470 342
Total	246 861 276	(106 254 516)	140 606 760	246 861 276	(87 679 210)	159 182 066

Reconciliation of long term pre-payments - 2016

	Opening balance	Amortisation	Total
Servitudes	860 000	-	860 000
Capital Costs - ESKOM Powerline	6 338 512	(528 209)	5 810 303
ESKOM POD Cost	1 513 212	(126 101)	1 387 111
Exemption from Water Resource Development Charge as per clause 7.2 (refer to note 8)	150 470 342	(17 920 996)	132 549 346
	159 182 066	(18 575 306)	140 606 760

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
	169 390 048	(10 207 982)	159 182 066

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Lebalelo Water User Association

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Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Amount in Rands	2016	2015
4. Other financial assets		
At amortised cost		
Longterm investment (Fixed deposits) - ABSA Interest rates ranging from 6.63% to 7.84% (2015: 5.06% to 6.63%) per annum	150 841 449	130 332 351
Replacement fund - ABSA 40 6069 7124 Interest rates ranging from 5.25% to 6.50% (2015: 5.00% to 5.25%) per annum	5 743 985	5 421 252
Longterm investment (Fixed deposits) - ABSA - ESKOM Guarantees Interest rates ranging from 7.35% to 8.50% (2015: 5.64% to 7.35%) per annum	2 357 228	2 357 228
Call / Sweeping account - ABSA 40 5578 3249 Interest rates ranging from 3.75% to 5.00% (2015: 3.50% to 3.75%) per annum	2 263 544	1 844 210
Depositor Plus - ABSA 92 8467 3157 Interest rates ranging from 4.70% to 5.60% (2015: 4.70% to 5.60%) per annum	3 896 698	22 509 082
Depositor Plus - ABSA 92 8467 3335 (Mokgalakwena Regional Raw Water Scheme) Interest rates ranging from 5.00% to 5.60% (2015: 5.00% to 5.60%) per annum	11 566 788	11 727 865
	176 669 692	174 191 988
Non-current assets		
At amortised cost	117 940 693	149 838 696
Current assets		
At amortised cost	58 728 999	24 353 292
	176 669 692	174 191 988
5. Inventories		
Consumable stock	1 406 033	1 108 726
6. Trade and other receivables		
Trade receivables	17 334 406	5 475 668
Deposits	29 980	29 980
VAT	2 218 424	221 950
Insurance claim	279 822	
Sundry debtors	9 178 093	9 383 693
	29 040 725	15 111 291
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	4 902	7 051
Bank balances	10 000	10 000
	14 902	17 051

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 2016

Notes to the Annual Financial Statements

Amount in Rands	2016	2015
8. Deferred income		
Non-current liabilities	123 576 116	133 070 168
Current liabilities	9 494 052	18 264 040
	133 070 168	151 334 208
Pre-payment by members in terms of the Raising of Flag Boshielo Dam Implementation Agreement signed on 19 March 2004. In terms of clause 7.2 thereof, the members shall after completion of the construction, in respect of the first 17 million cubic metres per annum, be exempted for a period of 25 years from the payment of the water resource development charge as determined in terms of the Pricing Strategy.		
9. Long term payables		
Other long-term payables due to members - Southern Extension	28 463 381	26 621 614
Other long-term payables due to members - Mogalakwena Regional Raw Water Scheme	35 942 946	33 782 002
	64 406 327	60 403 616
10. Trade and other payables		
Trade payables	2 728 019	1 246 327
Other payables	10 076 186	2 792 712
	12 804 205	4 039 039
11. Revenue		
Variable operating costs	26 520 724	23 582 810
Fixed operating costs	35 255 758	27 812 561
	61 776 482	51 395 371
12. Operating surplus (deficit)		
Operating surplus (deficit) for the year is stated after accounting for the following:		
(Loss) / profit on sale of property, plant and equipment	(726 249)	(285 685)
Amortisation on intangible assets	18 575 305	10 207 983
Depreciation on property, plant and equipment	9 602 146	9 666 167
Employee costs	13 241 560	12 293 114
	40 692 762	31 881 579
13. Investment revenue		
Interest revenue		
Bank	184 482	191 790
Interest charged on trade and other receivables	562 084	411 133
Other interest	7 553 620	6 308 471
	8 300 186	6 911 394

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 2016

Notes to the Annual Financial Statements

Amount in Rands	2016	2015
14. Auditors' remuneration		
Fees	137 400	112 428
15. Cash (used in) generated from operations		
Surplus	(2 849 663)	8 955 641
Adjustments for:		
Depreciation and amortisation	28 564 117	19 874 150
Loss / (profit) on sale of assets	726 249	285 625
Interest received	(8 300 186)	(6 911 394)
Impairment loss	-	-
Changes in working capital:		
Inventories	(297 307)	78 021
Trade and other receivables	(13 929 508)	1 153 113
Trade and other payables	8 765 166	(864 828)
Deferred income	(18 264 040)	(9 051 269)
	(5 585 169)	13 519 059

16. Contingencies and guarantees

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 2016

Notes to the Annual Financial Statements

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 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	13 089 178	-	-	-
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	-	-	-

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.

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 2016

Notes	2016 R	2016 R	2016 R	2016 R	2016 R
	Havercroft to Maandagshoek	Southern Extension	Booyensdal Platinum	Other	Total
Gross Revenue	50 724 790	7 797 451	3 254 241	-	61 776 482
Fixed operating costs	23 955 680	5 201 051	2 613 787	-	31 770 518
Fixed electricity	2 439 633	505 339	237 611	-	3 182 583
Variable electricity	7 227 883	2 091 061	402 843	-	9 721 787
Raw water	16 484 957	-	-	-	16 484 957
Water research fund	313 981	-	-	-	313 981
Potable water supply	302 656	-	-	-	302 656
Cost of revenue	16 019 637	2 644 607	709 692	-	19 373 936
Fixed electricity	2 413 394	482 160	262 346	-	3 157 900
Variable electricity	9 747 943	2 162 447	447 346	-	12 357 736
Raw water	2 624 679	-	-	-	2 624 679
Water research fund	400 606	-	-	-	400 606
Potable water supply	833 015	-	-	-	833 015
Gross surplus	34 705 153	5 152 843	2 544 549	-	42 402 546
Other income	-	-	-	27 471 485	27 471 485
Profit on disposal of fixed assets	-	-	-	1 180 953	1 180 953
Interest received	-	-	-	8 300 186	8 300 186
Discount received	-	-	-	-	-
Rent received	-	-	-	66 500	66 500
Amortisation-deferred income	-	-	-	17 923 845	17 923 845
Total income	34 705 153	5 152 843	2 544 549	27 471 485	69 874 030
Fixed operating costs (Refer to page 19)	49 142 156	5 054 508	606 034	17 920 995	72 723 693
Retained surplus/(deficit) for the year	(14 437 003)	98 335	1 938 515	9 550 489	(2 849 663)
Transfer of interest to non-distributable reserve	-	-	-	-	-
Accumulated surplus/(deficit) at the beginning of year	6 951 504	378 821	4 525 014	50 371 407	62 226 745
Accumulated surplus/(deficit) at the end of the year	(7 485 499)	477 156	6 463 529	59 921 896	59 377 082

DETAILED STATEMENT OF COMPREHENSIVE INCOME

Lebalelo Water User Association

Detailed Statement of Comprehensive Income for the year ended 30 June 2016

	Notes	2016 R	2016 R	2016 R	2016 R	2016 R
		Havercroft to Maandagshoek	Southern Extension	Booyssendal Platinum	Other	Total
Fixed operating costs		49 142 156	5 054 508	606 034	17 920 995	72 723 693
Administrative expenses		3 908 920	139 760	-	-	4 048 680
Consultant fees		4 042 421	-	-	-	4 042 421
Depreciation		5 869 257	3 707 595	25 293	-	9 602 145
Amortisation		654 310	-	-	17 920 995	18 575 305
Disestablishment - consultants		3 557 307	-	-	-	3 557 307
Personnel costs		13 241 560	-	-	-	13 241 560
Loss on disposal of assets		726 249	-	-	-	726 249
Transport		680 894	-	-	-	680 894
Security and safety		2 238 409	447 605	225 911	-	2 911 925
Software development and training		23 774	-	-	-	23 774
		-	-	-	-	-
MAINTENANCE		-	-	-	-	-
Abnormal maintenance		12 397 892	316 202	44 002	-	12 758 096
Access roads		10 209	-	-	-	10 209
Air conditioners		9 920	1 848	-	-	11 768
Civil		38 368	9 495	218	-	48 082
Cleaning		22 721	7 127	3 033	-	32 881
Dams (Silt removing)		-	-	-	-	-
Electrical		329 475	75 222	245 062	-	649 758
Environment		71 285	13 100	6 550	-	90 935
Fabrication		103 280	9 252	4 667	-	117 200
Gardens and irrigation		33 680	-	-	-	33 680
Herbicide		72 478	29 269	6 822	-	108 569
Instrumentation		262 875	119 441	9 457	-	391 773
Lubricants and workshop consumables		46 105	11 651	386	-	58 142
Mechanical		249 170	1 916	-	-	251 086
Offices and workshop		5 552	-	-	-	5 552
Pest control		297 523	40 886	11 082	-	349 491
Pipe lines		13 683	22 500	-	-	36 183
Personnel housing		20 238	-	-	-	20 238
Plant hire		-	8 821	-	-	8 821
Safety ropes		4 056	-	-	-	4 056
Telemetry		56 342	92 530	20 330	-	169 201
Tools and equipment		121 461	288	-	-	121 749
Water quality (purification)		32 742	-	3 220	-	35 962

DETAILED STATEMENT OF COMPREHENSIVE INCOME

Lebalelo Water User Association

Detailed Statement of Comprehensive Income for the year ended 30 June 2016

	Notes	2015 R	2015 R	2015 R	2015 R	2015 R
		Havercroft to Maandagshoek	Southern Extension	Booyesendal Platinum	Other	Total
Gross Revenue		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
Cost of revenue		13 854 676	2 097 481	555 686	-	16 507 843
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
Gross surplus		26 296 561	4 700 714	3 890 253	-	34 887 528
Other income		-	-	-	16 221 196	16 221 196
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
Total income		26 296 561	4 700 714	3 890 253	16 221 196	51 108 723
Fixed operating costs (Refer to page 21)		27 527 241	4 547 058	525 106	9 553 673	42 153 078
Retained surplus/(deficit) for the year		(1 230 680)	153 656	3 365 147	6 667 523	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		6 951 505	378 821	4 525 014	50 371 407	62 226 745

DETAILED STATEMENT OF COMPREHENSIVE INCOME

Lebalelo Water User Association

Detailed Statement of Comprehensive Income for the year ended 30 June 2016

Notes	2015 R	2015 R	2015 R	2015 R	2015 R
	Havercroft to Maandagshoek	Southern Extension	Booyseindal Platinum	Other	Total
Fixed operating costs	27 527 241	4 547 058	525 106	9 553 673	42 153 078
Administrative expenses	1 676 220	224 733	355 118	-	2 256 071
Consultant fees	2 512 935	-	-	-	2 512 935
Depreciation	6 090 537	3 566 923	8 707	-	9 666 167
Amortisation	654 310	-	-	9 553 673	10 207 983
Disestablishment - consultants	-	-	-	-	-
Personnel costs	12 293 115	-	-	-	12 293 115
Loss on disposal of assets	-	-	-	-	-
Software development and training	41 472	-	-	-	41 472
Transport	586 334	-	-	-	586 334
Security and safety	2 191 169	407 108	16 230	-	2 614 507
MAINTENANCE					
Abnormal maintenance	-	-	-	-	-
Access roads	4 792	-	-	-	4 792
Air conditioners	14 198	4 629	-	-	18 827
Cathodic protection	1 765	1 777	-	-	3 542
Civil	38 823	3 865	469	-	43 157
Cleaning	54 367	3 534	1 743	-	59 644
Dams (Silt removing)	-	-	-	-	-
Electrical	195 305	63 031	33 227	-	291 563
Environment	-	-	-	-	-
Fabrication	46 308	10 347	744	-	57 399
Gardens and irrigation	34 987	549	-	-	35 536
Herbicide	67 691	36 153	12 300	-	116 144
Instrumentation	198 137	18 019	23 048	-	239 204
Lubricants and workshop consumables	8 063	7 797	386	-	16 246
Mechanical	264 363	586	-	-	264 949
Offices and workshop	-	-	-	-	-
Pest control	149 868	38 124	6 084	-	194 076
Pipe lines	39 162	118 100	61 049	-	218 311
Personnel housing	23 486	-	-	-	23 486
Plant hire	-	-	-	-	-
Safety ropes	-	-	-	-	-
Telemetry	67 289	31 180	-	-	98 469
Tools and equipment	89 399	-	-	-	89 399
Water quality (purification)	183 145	10 603	5 999	-	199 747

2. Chairman's Review

2.1 Overview

I present the Association's Annual Report for the year ended 30 June 2016 to the Honourable Minister Nomvula Mokonyane MP as required by the Act and to members of the Association.

The Association has faced some real business opportunities and personnel changes this past year which I will deal with below. A number of changes have been implemented that will have a direct impact on both the strategic and operational direction of the Association. Such changes should provide appropriate resources for the Association to give stability, focus and determination for attainment of the Association's objectives in a changing environment.

Our primary mandate is to provide bulk water services to our members in the gazetted area of supply which is focussed on the middle Olifants River Catchment area of the Limpopo Province. We are proud that the Association has contributed to the efficient delivery of bulk raw water to our members notwithstanding certain challenges which will be dealt with below.

Supplying water is done as efficiently as possible within the constraints of the Association's licence, budget and Business Plan. Total water supply volumes during the past year have declined mainly due to the downturn in the economy and declines in the resources market.

Of material importance for the Association has been the publication of the Ministerial Directive to Lepelle Northern Water dated 11 April 2016 (Reference Number 7/3/6 LNW) wherein the Minister has issued a directive to Lepelle Northern Water in terms of the Water Services Act, 1997 and National Water Act, 1998 "to immediately operate and maintain the ORWRDP". The ORWRDP is the Olifants River Water Resource Development Project (Phase 2): Bulk Distribution System. Whilst not within the financial reporting period it is material to point out to members that on 10 October 2016 the Minister of Water and Sanitation, the Honourable Minister Nomvula Mokonyane MP addressed a letter to the Chairman of the Association giving written notice of intention to disestablish the Association and incorporate the Association into Lepelle Northern Water. This letter has been followed up by a Government Gazette Notice Number 1340 dated 28 October 2016, whereby the Minister has formally published her intention, as required by the National Water Act, calling for comment on her intention to disestablish the Association.

2.2 Our Business

The Association is licenced to abstract raw water from the Havercroft Weir on the Olifants River downstream of the Flag Boshielo Dam as authorised by the Department of Water and Sanitation. The Association stores and transports raw water in order to deliver bulk raw water to its members in terms of the Association's Constitution, Members Agreement and off take agreements.

As mentioned in last year's Annual Report with reference to the transfer of the Association's assets and the accompanying disestablishment of the Association due to policy changes in the Department of Water and Sanitation greater clarity is now at hand through the appointment of Lepelle Northern Water as the operator of the ORWRDP and notice by the Minister in terms of Section 96(1) (b) for the proposed disestablishment of the Association.

Of significant importance to the Association was the unwarranted and blatant disregard for the preservation of private property or the rule of law by certain unknown individuals who took it upon themselves to severely damage certain sections of the Association's pipeline.

The Association's Management team, through appropriate mandates from the Members of the Association will continue interacting with officials of the Department of Water and Sanitation and Lepelle Northern Water to ensure appropriate arrangements in the best interests of Members are negotiated.



J.M. Bräsler
Chairman

2.3 Human Resources

The Association said farewell to its Chief Executive Officer, Mr Ossie Rossouw who went on retirement on 31 March 2016. Mr Rossouw's contribution to the emergence and success of the Association cannot go unrecognised. It was through his shrewd interpretation of the National Water Act, passion and commitment that the Association came about, effectively opening up the eastern limb of the bushveld igneous complex for mining.

Faced with the retirement of Mr Rossouw (with all his institutional knowledge) and aware of the Department of Water and Sanitation's intention to disestablish the Association, it was deemed appropriate that the Association seek out an individual who had necessary skills, training, qualifications, intimate knowledge of the Association whilst being flexible enough to drive the eventual disestablishment of the Association. Fortunately Mr Bertus Bierman, a long standing member representative and past vice chair and chairman of the Association has accepted the position. I extend my thanks to Mr Bierman taking up this daunting task.

The Association remains committed to employee health and safety, training and employment equity, the results of which are reported elsewhere in this Annual Report.

2.4 Corporate Governance

The Association is committed to adhering to good corporate governance principles as set out in King III report on Corporate Governance. To this extent the Association's Management Committee meets on a quarterly basis and it has made provision for governance sub-committees such as the Finance Committee, the Tender Sub Committee and the Remuneration Committee which meet regularly to assist the Management Committee in carrying out its mandate.

2.5 Financial Commitments

The Association's external auditors, Diemont, Zimmerman and Bolink have expressed an unqualified audit opinion on the 2015/2016 annual financial statements and performance information. Notwithstanding this they have noted the materiality of the discussions with the Department of Water and Sanitation regarding the dis-establishment of the Association.

2.6 Acknowledgements

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

- The Executive Management and Staff of the Association;
- The Honourable Minister of Water and Sanitation Mrs Nomvula Mokonyane MP, the Director General and Officials of the Department of Water and Sanitation, the CEO and Officials of Lepelle Northern Water and other institutions, including the Olifants Joint Water Forum, for their guidance and courtesy;
- Our valued clients, customers, stakeholders and users, without whom we would not exist.

JM Bräsler
Chairman

3. Chief Executive Officer's Report

3.1 The Management Committee

The Management Committee* consists of the following members:

Name	Position	Period
D.W. Pelser	Chairperson	1 July 2015 - 29 November 2015**
J.A. Bierman	Chairperson	29 November 2015 - 31 March 2016
J.M. Bräsler	Chairperson	1 April 2016 - 30 June 2016
J.M. Bräsler	Vice Chairperson	1 July 2015 - 31 March 2016
D.W. Pelser	Vice Chairperson	1 April 2016 - 30 June 2016
H.B.H. Rossouw	CEO (Retired)	1 July 2015 - 31 March 2016
J.A. Bierman	CEO	1 April 2016 - 30 June 2016
L.P. le Roux	Member	1 July 2015 - 30 June 2016
V.C. Townsend	Member	1 July 2015 - 30 June 2016
H.C. Masete	Community Representative	1 July 2015 - 30 June 2016***
Vacant	Department of Water & Sanitation	1 July 2015 - 30 June 2016****
Vacant	Together Limpopo Province and Mpumalanga Province	*****



*J.A. Bierman
Chief Executive
Officer*

- * Clause 13.1 of the Constitution requires that the Management Committee comprise of 5 (five) members and the Chief Executive Officer.
- ** Clause 13.2 of the Constitution requires the nomination of 3 (three) industrial members.
- *** This position is a co-opted position arising out of structures created when the scheme was being built to facilitate co-ordinated community consultation and involvement.
- **** Clause 13.3 of the Constitution requires the nomination of 1 (one) Ordinary Member.
- ***** Clause 13.4 of the Constitution requires 1 (one) nomination from Provincial Government.

3.2 Community / Stakeholder Relations

Community Relations is a key component of the Association's existence. To this end various processes are used by the Association to strengthen relations. These processes are aimed at supporting the Association's business and mandate. The following are some of the highlight activities and discussions in the year under review such as on-going meetings with community leaders at various villages and on-going interaction with local and district municipality officials and ward councillors.

3.2.1 Corporate Social Investment

The Association is committed to working with the elected Municipal Ward Councillors and Officials towards improving the quality of life of the communities within the footprint of the Association. In 2015 the Association has undertaken the following projects;

- Borehole engines sent for repairs;
- Repairs to electricity supply for community and school boreholes;
- Water tanks for communities and schools.



One of the valve chambers damaged by persons unknown.

3.2.2 Operating Environment

Supplying water during the period under review has been done as efficiently as possible within the planned constraints of the Association's licence, budget and Business Plan. Notwithstanding these plans, total water supply volumes during the past year have declined mainly due to the down turn in the economy and declines in the resources market as well as external factors such as the malicious damage to the Association's pipeline as referred to in the Chairperson's review.

This abovementioned damage occurred during the early part of the year and was mainly focussed on the air valves and valve chambers on the pipeline from the Havercroft to Clapham pump station section. Whilst every effort has been made to identify the perpetrators of the damage, which has been calculated to be in the region of R29.0 million, has proved very difficult, due to high levels of intimidation, lack of co-operation within certain communities. The rebuild programme has also been frustrated by further difficulties placed in the way of the contractors. In certain instances private security has been engaged to support law enforcement officers in carrying out their responsibilities.

Whilst it is the role of the Association to deliver raw water to its members there is a concern that the raw water abstracted at the Havercroft Weir which is fed from the Flag Boshielo Dam the water quality performance for microbiological, physical, chemical and operational compliance levels according to the Department of Water and Sanitation has reached alert levels.



Reinforced concrete is now used for the housing of the valve chambers.

As at the time of writing the level of the Flag Boshielo Dam was at 17% and this was having a major detrimental impact upon receiving water from the Olifants River at the Havercroft Weir. In response to dropping dam water levels and drought conditions Regulations in terms of Government Notice No 1066 dated 16 September 2016 ordered a 55% restriction of water for mining usage out of the Flag Boshielo Dam.

In terms of infrastructure, as referred to in the Chairman's Review, Lepelle Northern Water on 11 April 2016 (Reference Number 7/3/6 LNW) has been issued with a directive in terms of the Water Services Act, 1997 and National Water Act, 1998 "to immediately operate and maintain the ORWRDP". The ORWRDP is the Olifants River Water Resource Development Project (Phase 2): Bulk Distribution System. Whilst not within the reporting period for this report it is material to bring to the members' attention that on 10 October 2016 the Minister of Water and Sanitation, the Honourable Minister Nomvula Mokonyane MP addressed a letter to the Chairman of the Association giving written notice of intention to disestablish the Association and incorporate the Association into Lepelle Northern Water. Government Gazette No. 40375, notice 1340 was published on 28 October 2016 whereby the Minister has given formal notice of her intention to disestablish the Association. Due process will need to be followed.

3.3 Human Resources

The Association has been involved in discussions with the Department of Water and Sanitation regarding the issue of the disestablishment of the Association and this would as a matter of course include staffing arrangements involving employees of the Association. These discussions are on-going and employees of the Association are being kept informed of the process.



The artisan Mr Nelson Mokwala and his assistant Mr Kenneth Moloto doing laser alignment on pumps.

In view of the disestablishment the Department has requested the Association to manage its vacancies and or appointments with care and keeping any engagements to essential appointments only. Detail in respect of the current employment complement of the Association is reported on in the Business Plan.

3.3.2 Health and Safety

In terms of occupational health and safety the Association reports that 73 901 accident free shifts have been achieved since inception of the LWUA.

3.3.3 Skills Development

The Association continues to develop its employees through on the job work training. This also includes an internment and job exposure initiatives.

3.3.4 Employment Equity

The employment numbers and employment equity profile of the Association is set out in the Business Plan.

3.3.5 Medical Aid and Retirement Fund Membership

Employees, in terms of their conditions of employment, are members of a medical aid and provident fund.

3.4 Financial Overview

The financial results as at the end of the financial year illustrate the Association's efforts to ensure financial sustainability and viability.

The Association reported total expenditure of R 92.0 million (2015: R 58.6 million) and income of R 89.0 million (2015: R 67.6million) for the year.

Water tariffs continue to be managed at levels where cost recovery is important whilst ensuring the sustainability of the Association. The Association's average tariff is R10.76/kℓ for the year under review moving from R8.13/kℓ in the previous financial year.

The main cost drivers have been the electricity, depreciation, raw water and direct labour cost. Electricity increased by 15% to R 15.0 million (2015: R13.0million) and depreciation and amortisation of assets increased by 42% R 28.00 million (2015: R20.0million).

3.5 Risk Management

In managing the Association, the members of the Management Committee and the Finance Committee are mindful of a risk management approach, which seeks to identify, evaluate, monitor and report all actual and potential risks at the earliest possible time.

Key risks include the disestablishment of the Association, water availability, skills shortage, legislative and policy change in respect of water.

The Chairman has briefly referred to the ORWRDP, Lepelle Northern Water as the Operator and the disestablishment of the Association in his review.

Notice of intention to disestablish has been received by the Association and the Government Gazette notice has been published calling for public comment, for not less than 60 days, on the intention to disestablish the Association. Members will need to appropriately mandate the Association's management as to the most effective way forward.

3.6 Acknowledgements

It is evident that the Association continues to make a significant contribution towards the delivery of bulk raw water for mining development in the area. Acknowledgement is given to the Association's members, Management committee and personnel for their continued support and co-operation.

JA Bierman
Chief Executive Officer

4. MEMBERS OF THE ASSOCIATION AND REPRESENTATIVES AS AT 30 JUNE 2016.

ANGLO AMERICAN PLATINUM LIMITED
Mr D.W. Pelser

RUSTENBURG PLATINUM MINES LIMITED
Mr A. Mbewe

AFRICAN RAINBOW MINERALS LIMITED
Mr J.M. Bräsler

BOOYSENDAL PLATINUM (PTY) LTD
Mr R. Rautenbach

SAMANCOR CHROME LIMITED
Ms H. Booysen

IMPALA PLATINUM LIMITED
Mr V.C. Townsend

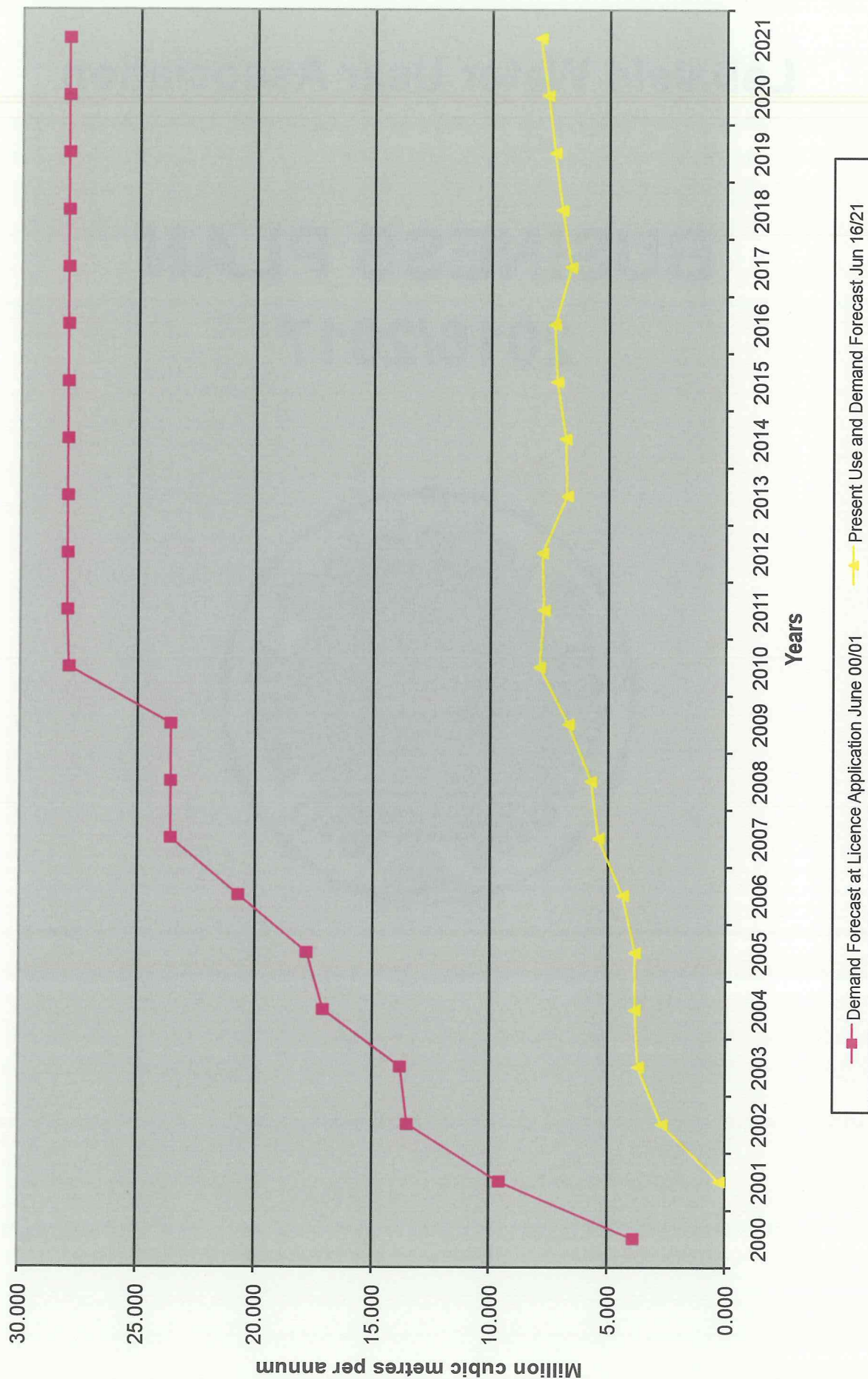
SAMREC (PTY) LTD
Mr H. Jones

ASA METALS (PTY) LTD
Mr P. Mkhonto

CORRIDOR MINING RESOURCES (PTY) LTD
Mr D. Maloba

DEPARTMENT OF WATER AND SANITATION
Vacant

5.0 Water Use and Demand



Lebalelo Water User Association

BUSINESS PLAN 2016/2017



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1. Background

Full background details regarding the Lebalelo Water User Association (LWUA) were set out in the Association's 2015 /2016 Business Plan, however on review it is deemed necessary to, for the sake of completeness, repeat the more important issues. The Department of Water and Sanitation (DWS) has confirmed that the LWUA will be disestablished, that a time frame for this process is between 18 months to 3 years from the date that the Minister publishes her intention to disestablish the Association and that the future operator of the scheme has been identified as Lepelle Northern Water (LNW). The disestablishment financial and contractual arrangements that will affect the LWUA have not been concluded. The relevant issues are therefore summarized as follows:

- The LWUA is a water management institution established in terms of section 92 of the National Water Act, 1998 (Act 36 of 1998).
- It's area of operation and it's 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 LWUA's Constitution was amended by the said Minister on 4 October 2005.
- The full extended area of operation of the LWUA is situated within 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 LWUA –
 - 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 was initially leased 13,00 million m³/a agricultural water at a cost of R7 million, which cost included the connection of the existing canal system to the raised Flag Boshielo Dam; and
 - o as a social commitment maintains potable water infrastructure, at its own expense, belonging to DWS or the Sekhukhune District Municipality serving the communities situated within its area of supply. This service entails mostly the repair of borehole pumps on the request of the DWS manager in the area.
- The establishment of the LWUA was preceded by a number of requests for water out of 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 and Sanitation was instrumental in negotiations to establish the LWUA and the accompanying water entitlements. The consent of the Limpopo Provincial Government, the Department of Agriculture and Environment, the Office of the Premier and the Department of Mineral and Energy was also obtained.
- Water allocations were recommended by all interested parties, provided that the distribution and control thereof had to be done by a statutory body, such as a water user association. Particulars of the LWUA's water allocations are set out in paragraph 3.3 hereunder.
- The establishment of the LWUA gave the then Department of Water and Sanitation time to conclude arrangements for the raising by the LWUA 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 LWUA is the supplier of raw water, the Institution is regarded as a vehicle to provide raw water to the Sekhukhune District Municipality (SDM) and its service provider LNW. It is the responsibility of SDM as the water service authority to treat the raw water to potable standard and distribute it to the communities. The 2 main areas where SDM will take raw water from the LWUA system are at Mooihoek and Steelpoort Water Treatment Plants.

2. Members/parties

Admission as a member of LWUA is achieved by any person or entity 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 LWUA, provided that such a person or entity has been admitted as a member of the LWUA in terms of its Constitution and Members' Agreement.

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

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

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

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

Institution

- Anglo American Platinum Limited
- ASA Metals (Pty) Ltd
- African Rainbow Minerals Limited
- Rustenburg Platinum Mines Limited
- Northam Platinum Limited
- Impala Platinum Limited
- Samrec (Pty) Limited
- Samancor Chrome Limited
- Corridor Mining Resources
- Department of Water and Sanitation

Presented by

Messrs: D.W. Pelser
T. Steyn
M. Brasler
A. Mbewe
Z. Tsotetsi
V. Townsend
H. Jones
Ms: H. Booysen
Messrs: D. Maloba
L. Thoubatla

Note: The DWS is the member that represents the social water users. It is the prerogative of the DWS to transfer its membership to the SDM as the water service authority in the area. Due to the fact that wall to wall municipalities have been established and that the Fetakgomo Greater Tubatse Local Municipality, with its ward councillors are the elected representatives of the communities in the area of operation of the LWUA, the role of the sub-executive committee of representing the interests of the communities on the LWUA has become unnecessary and should be disestablished.

3. Mission, objectives and strategy

3.1 Mission

The Mission of the LWUA is that it 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

The objectives of the LWUA are;

- a) to maintain and operate a pipeline scheme to supply bulk raw water from the Olifants River, to satisfy the water requirements of the mines on the Eastern Limb of the Bushveld Igneous Complex within its license conditions;
- b) to supply water from the pipeline, and any extension thereof, from the Olifants River to satisfy the water requirements of local government, including rural communities that can receive water from the LWUA's pipeline within its license conditions;
- c) to continue with its support to the DWS and SDM in the operation and maintenance of their potable water schemes, provided that the schemes are situated within the area of operation of the LWUA. The support is based on the repair of borehole pumps and associated infrastructure as requested by the DWS or SDM from time to time. In order to finance the support maintenance work of the community schemes, the mining members of the LWUA contribute 4 cents per cubic metre of water forecast towards a maintenance fund established for this purpose. Details of the involvement of the LWUA are available on request
- d) to protect the LWUA infrastructure. The scheme was built on servitudes obtained over land that are mostly owned by the state and held in trust for the various communities along the pipeline route. There is tension within some of the communities along the pipeline route about developmental expectations. These tensions are being addressed through the Municipal IDP in terms of the Municipal mandates, however LWUA, as an interested party, is willing to collaborate with all stakeholders where this is appropriate and practical.

3.3 Strategies / methodology

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

- a) The LWUA was established in terms of Chapter 8 of the National Water Act (Act 36 of 1998) to provide a vehicle to abstract raw water from the Olifants River and to supply such water to the different categories of water users.
- b) A licence was issued to the LWUA to abstract raw water from the Olifants River. Licence B191/2/250/1 for a total volume of 16 million m³/a was issued on 6 January 2004. In addition to this aforementioned quantity the LWUA is also authorised to supply 3,88 million m³/a via its scheme on behalf of the DWS to local communities for domestic use. Due to the fact that LWUA financed the raising of Flag Boshielo Dam, an additional licence numbered B191/2/250/1 for a total volume of 1,0015 million m³/a was issued to the LWUA which represents lawful water entitlements of properties inundated by the raising of the Dam.
- c) The LWUA appoints sufficient, competent staff to undertake its functions. Particulars of the LWUA's employees 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 LWUA makes raw water available to SDM to supply 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 LWUA water supply scheme consists mainly of –
 - i. the original scheme of which the main components are –
 - (aa) a weir in the Olifants River on the farms Havercroft 99KT and Lucern 84KT;
 - (bb) an abstraction pump station at the weir on the same farms mentioned in (aa) above;

- (cc) main storage reservoirs;
 - (dd) a main pump station;
 - (ee) a rising main with branch pipelines and booster pump stations for the supply of water to the participating mining companies; and
 - (ff) four off-takes to supply raw water for purification to domestic users;
 - ii. the Southern Extension with booster pump stations supplying water to the Mototolo Mine which was further extended to supply the Booyssendal Mine; and
 - iii. the raised Flag Boshielo Dam financed by the LWUA 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 and position along the scheme. The schematic lay-out of the scheme is indicated on the diagrams attached as Annexures A2 and A3.
- h) Strict financial control is being implemented and budgeting techniques and control has at all times been adhered to.
- i) There is continual interaction with all water users and affected parties in order to ensure an effective service.
- k) Conclude water supply agreements with all users regarding the supply of raw water.

4. Guidance for operations

The business plan will be the main guide to the LWUA to achieve its mission and objectives. From an employment perspective the LWUA 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);
- Unemployment Insurance Act, 2002 (Act 4 of 2002)
- Occupational Health and Safety Act, 1993 (Act 85 of 1993)

For the day to day operation of the LWUA's policies, 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 LWUA is established in terms of Chapter 8 of the National Water Act, Act 36 of 1998, (Sections 91 (1) (f); 93 (1) and 94 (2)) and its Constitution as approved by the then Minister of Water Affairs and Forestry. The reasons for the establishment of the LWUA 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 LWUA

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

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

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 LWUA

The LWUA 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 LWUA, through the Membership of the DWS, on behalf of communities represented by the Local Municipalities has accepted the responsibility to make raw water available to the Sekhukhune District Municipality, or its agents to purify and supply to its customers.

7.2 Key activities to be undertaken to deliver services

The scheme of the LWUA mainly consists out of a bulk supply pipeline which supplies licenced raw water to each of the parties who have entered into an 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 DWS, or SDM.

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 by SDM (Sekhukhune District Municipality) or its agents, such as LNW.

7.3 The expected standards to be achieved

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

8. Measurement of performance

In adopting the Business Plan, cognisance is taken by the LWUA of the powers and functions delegated to it as set out in paragraph 6 hereof. In carrying out its duties, the LWUA 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 objective of being financially viable;
- d) the requirements of consumers;
- e) the need to apply policies and objectives of National and Provincial Government;
- f) the responsibility to act in an equitable and fair manner;
- g) 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
- h) the powers of the Minister of DWS to direct the Management Committee to amend the Business Plan if it is not in the best interests of the general public within the area of its jurisdiction or is not in accordance with the National Water Act or the provisions of its Constitution and Members' Agreement.

9. Governance arrangements

9.1 Governance Policies in place

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

9.2 Catchment Management Services

The LWUA has installed the electronic equipment at two weirs for "in time" availability of flow data in the Olifants and Mholapitse Rivers to manage water releases from Flag Boshielo Dam to the abstraction points of the LWUA and the LNW 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.

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 2015/2016 attached.
- b) Financial Management Information is discussed 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; and
- vi) Water quality report.

9.5 Details of the Management Committee including a list of members

The Management Committee of LWUA comprises of 5 members elected in accordance with the Constitution and Members' Agreement.

A Sub-executive Committee which was elected by all the villages within the area of jurisdiction of LWUA, will be replaced by the Fetakgomo Greater Tubatse Local Municipality as the legislative representative of the communities who have duly elected Ward Councillors who are required to represent the views of communities within local government.

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

- Anglo American Platinum Limited;
- Impala Platinum Limited;
- ASA Metals (Pty) Limited;
- African Rainbow Minerals Limited;
- Rustenburg Platinum Mines Limited;
- Northam Platinum Limited;
- Samancor Chrome Limited;
- Corridor Mining Resources (Pty) Ltd;
- Samrec (Pty) Limited;
- Department of Water and Sanitation representing the social interests.

9.6 Voting powers calculated on various demands are as follows:

Voters list			
Members	Water Use entitlement	Votes %	Number of votes
Anglo American Platinum Limited	16 000 m ³ /day	20,85%	2085
Rustenburg Platinum Mines Limited	17 000 m ³ /day	22.16%	2216
African Rainbow Minerals Ltd	4 000 m ³ /day	5,21%	521
Northam Platinum Limited	7 000 m ³ /day	9,12%	912
Impala Platinum Ltd	13 800 m ³ /day	17,99%	1799
ASA Metals (Pty) Ltd	1 200 m ³ /day	1,56%	156
Samancor Chrome Ltd	6 000 m ³ /day	7,82%	782
Samrec (Pty) Ltd	600 m ³ /day	0,78%	78
Corridor Mining Resources (Pty)Ltd	500 m ³ /day	0,65%	65
Department of Water and Sanitation	10 625 m ³ /day	13,85%	1385
Total demand	76 725 m³/day	100%	10000

10. Management arrangements

The arrangements regarding the establishment of the Water Users Association are:

(Organogram attached as annexure B)

Management Committee	5 elected members
Chief Executive Officer	1 Post
Administration	2 Posts
Technical / Production Manager	1 Post
Instrument Technician	1 Post
Planning Co-ordinator	1 Post
Electricians	2 Posts
Fitters	4 Posts
Artisan Helpers	7 Posts
Production Operators	4 Posts
Chief Financial Officer	1 Post
Financial / Accountant /Bookkeeper	1 Post
Financial / Bookkeeper / Assistant	1 Post
Financial / Bookkeeping Clerk	1 Post
General Labourers	3 Posts
Student	1 Post
Total	30 Posts + 1 Student

The Finance /Admin Personnel will be responsible for the following tasks:

- Creditors: Maintain and update all creditors
- Debtors: Maintain and update all debtors
- General Ledger: Maintain and update all accounts
- Assets: Maintain and update asset registre
- 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
Administration	- White male, white female
Technical / Production Manager	- White male
Instrument Technician	- White male
Planning Co-ordinator	- Vacant

Electricians	- 1 Black female and 1 vacant
Fitters	- 2 Black males, 1 coloured male and 1 white male
Artisan Helpers	- 1 Black female and 6 black males
Production Operators	- 3 Black females, 1 black male
Chief Financial Officer	- 1 White female
Financial / Accountant / Bookkeeper	- 1 Black male
Financial / Bookkeeper / Assistant	- 1 Black female
Financial / Bookkeeping Clerk	- 1 Black male
General Labourers	- 2 Black females and 1 black male

Legislation regarding Human resources and development were taken into account with appointment of any personnel.

11. Relationships

The Regional Office of the DWS is the member representing the requirements of the social users.

In terms of Government Gazette Number 38492, dated 27 February 2015 the Minister of Water and Sanitation has promulgated the establishment of The Olifants River Catchment Management Agency (OCMA) in terms of Section 78 (3) of the National Water Act. A Proto OCMA has been set up in Bronkhorstspuit to oversee its establishment.

Lepelle Northern Water operates in the area as a water services provider for the Sekhukhune District Municipality. In terms of a letter dated 11 April 2016, Reference Number 7/3/6LNW, the Minister Water and Sanitation has issued a directive to LNW, to inter alia, immediately operate and maintain the ORWRDP.

12. Public participation consultation

12.1 Consultation with Municipalities

There are 103 villages situated adjacent to the LWUA's pipeline in the Fetakgomo Greater Tubatse Local Municipal area. The LWUA management reaffirmed with the Executive Municipal Mayor that the municipality is representing the communities through the ward councillors and municipal structures. All the consultations with the communities will be managed by the municipality.

12.2 Major stakeholders

The major stakeholders of the LWUA 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
 - o DWS
- Fetakgomo Greater Tubatse Local Municipality.
- Sekhukhune District Municipality as the Water Services Authority.

13. Financial aspects of the Business Plan

13.1 Scheme funding

13.1.1 Introduction

The original scheme was funded by the members. The total cost of the original scheme amounted to R231 million and to increase the assurance of supply from the Olifants River the members also financed the raising of Flag Boshielo Dam at a cost of R225 million. The scheme was also extended (the Southern Extension) at a cost of R165 million, contributed by the members involved in that extension. Therefore, the final cost of the scheme amounted to R621 million, which will increase due to the further extension to the Booyseendal mine. The Twickenham mine pipeline will also be included.

13.1.2 Financing infrastructure of the LWUA

The infrastructure belongs to and has been financed by the LWUA on behalf of its members. The DWS has indicated that the LWUA's Scheme should eventually be incorporated into the Olifants River Water Resource Development Project (ORWRDP phase 2) which was announced in 2004. The process to incorporate the LWUA into the ORWRDP is to disestablish LWUA and then transfer the staff and infrastructure to the appropriate entity. The major issues that must be addressed during disestablishment are:

- The repayment of the infrastructure of the LWUA;
- The building of other phases of the ORWRDP phase 2 and the affect thereof on the LWUA.

The disestablishment of LWUA is imminent as the Minister of DWS has already issued a letter to LWUA indicating her intention to start the process. This was confirmed in a letter dated 10 October 2016, Reference Number 7/18/93/10 indicating that the disestablishment will be undertaken in accordance with Section 96(1)(b) of the National Water Act, 1998. The process of disestablishment will take place in accordance with the NWA and will take between 18 months and 3 years to complete.

13.2 Costing criteria

The following costing criteria were used:

- Capital cost was contributed by each member and is therefore not part of the water tariff, provided that provision is made for future refurbishment of the scheme
- 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 monthly or 3 monthly 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.

13.4 Operational Budget

Annexures C1-C3.

14.0 Annexures -

Annexure A1:	Area of operation
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 (Booysendal)

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 on procurement.

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

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

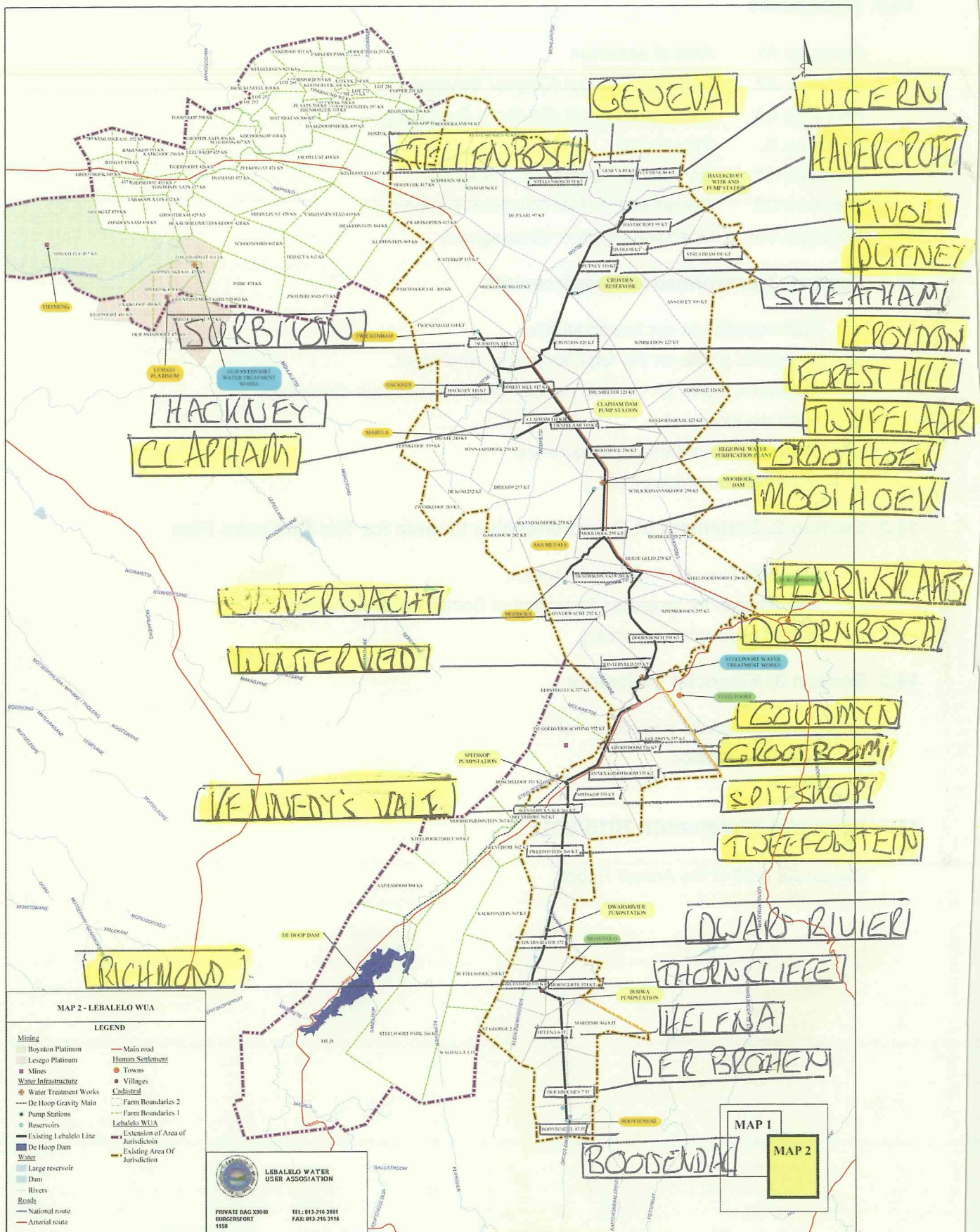
14.3 Section 3: Financial Indicators

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

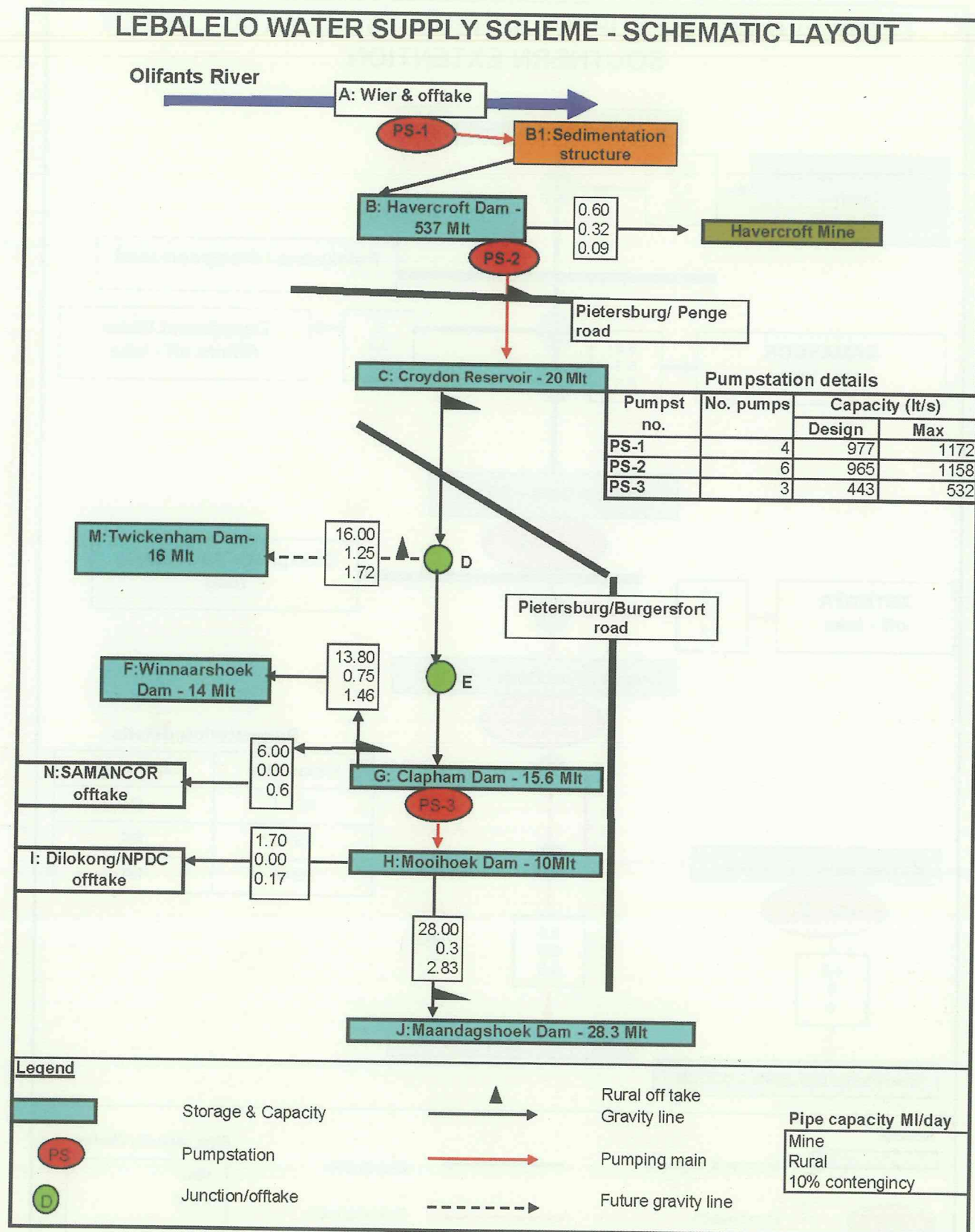
15. Financial Statements 2015/2016

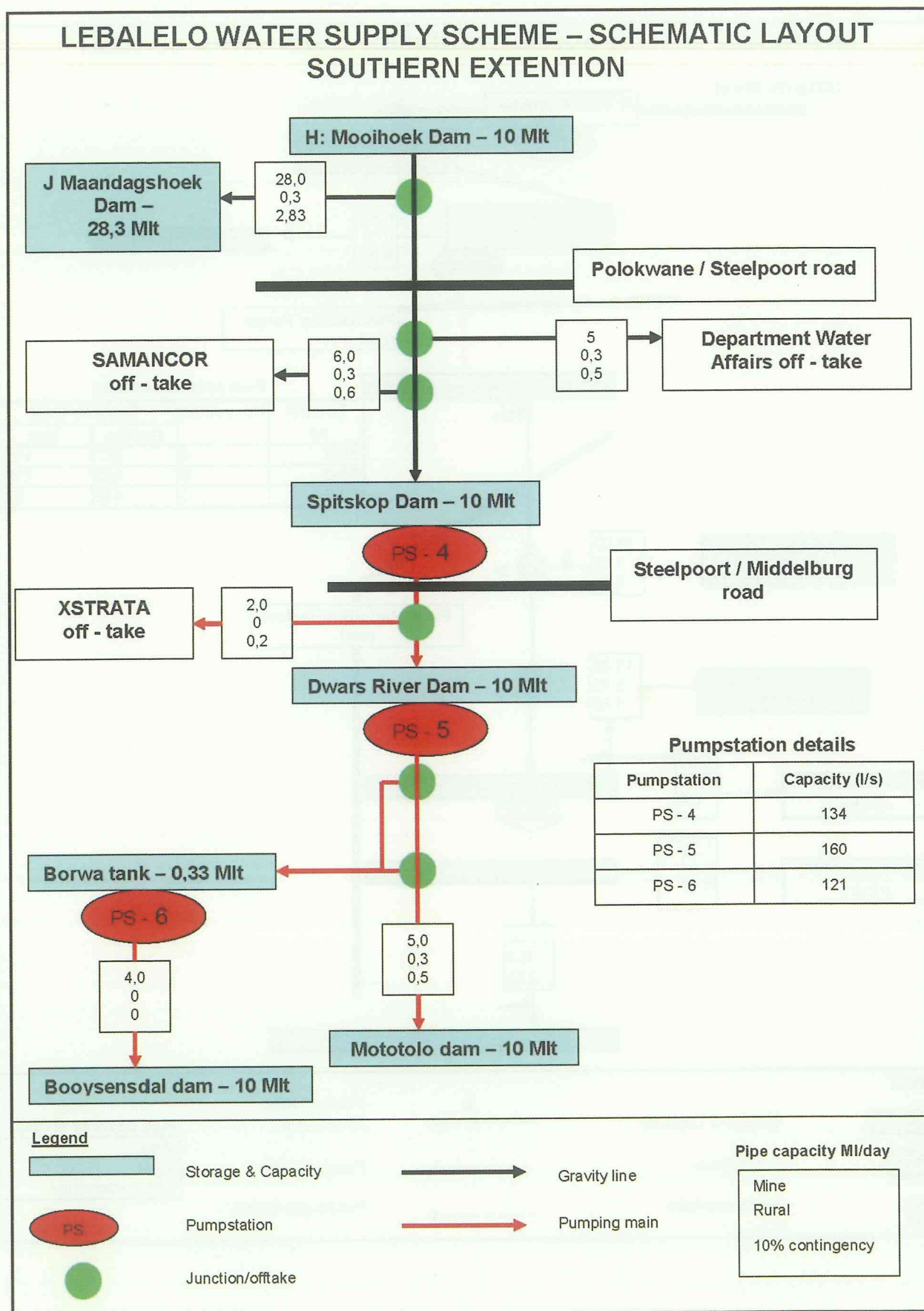
See pages 3-20 of the Annual Report

ANNEXURE A1: AREA OF OPERATION



ANNEXURE A2: SCHEMATIC LAYOUT (ORIGINAL SCHEME)

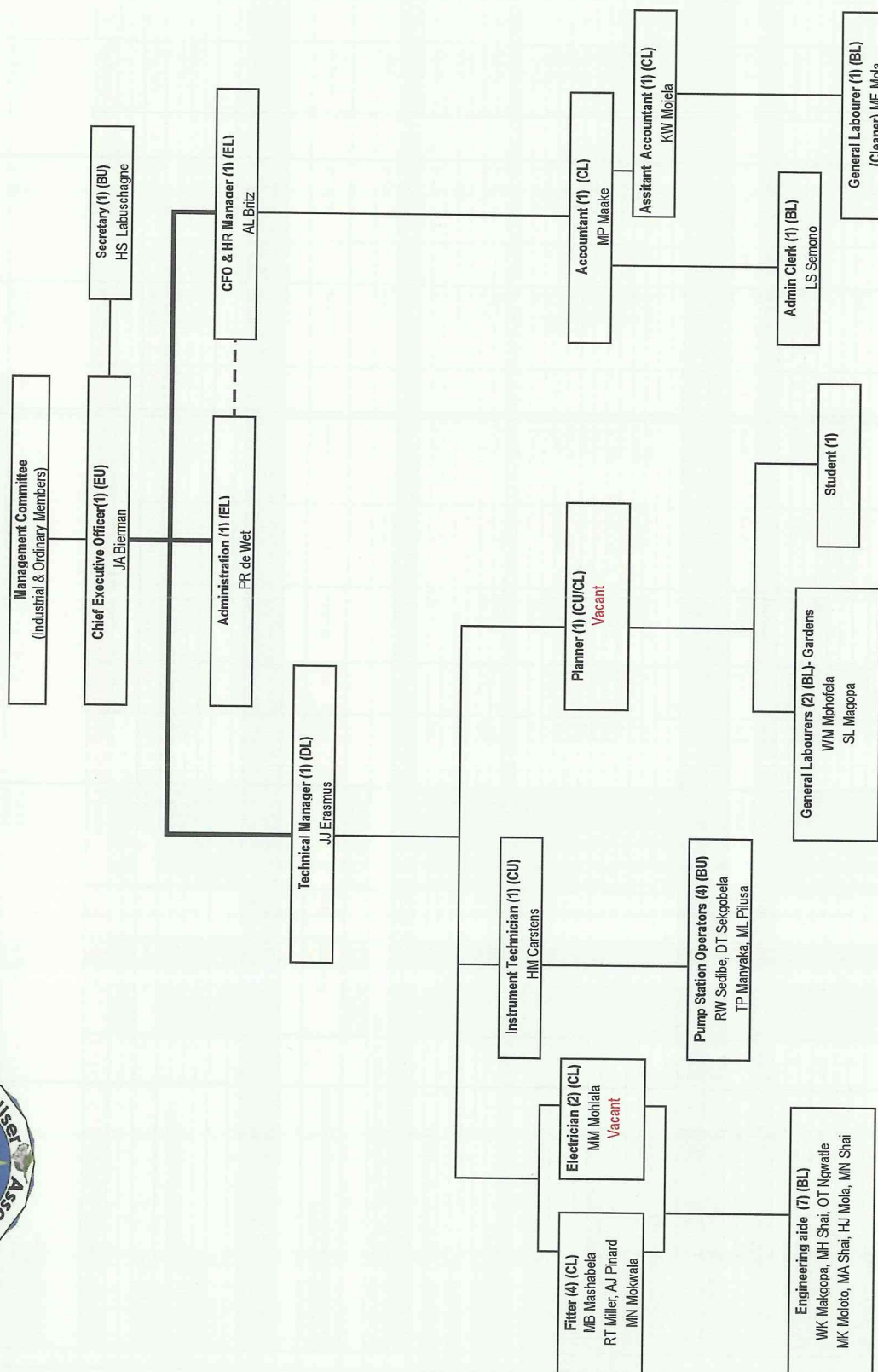






LEBALELO WATER USER ASSOCIATION

ORGANIZATIONAL STRUCTURE



Total number of posts = 30 + 1 student

ANNEXURE C1: OPERATIONAL BUDGET (MAIN SCHEME)

LEBALILO WATER USER ASSOCIATION - REVISED SUMMARY BUDGET : 01/07/2015 TO 30/06/2020 (SCHEME: FROM HAVERCROFT WEIR TO MAANDAGSHOEK DAM)										2015/2016		2016/2017		2017/2018		2018/2019		2019/2020		2020/2021								
SUMMARY BUDGET : HAVERCROFT - MAANDAGSHOEK										2015/2016		2016/2017		2017/2018		2018/2019		2019/2020		2020/2021								
										Approved Budget R/m²	Actual R/m²	Forecast Expenditure as at 30.06.16	Unit Cost approved Budget 16/17 R/m²	Unit Cost Revised Budget 16/17 R/m²	Approved Budget 16/17 (with prior budget approved)	Revised Budget 16/17	INCREASE (or DECREASE) on year (June 16 Actual vs June 17)	Budget R/m²	REVISED BUDGET	Budget R/m²	REVISED BUDGET	Budget R/m²	REVISED BUDGET					
WORKING CAPITAL																												
1 STORES (Emergency Spares)										-	-	-	-	-	18,000	38,000	0.01	41,800	0.01	45,890	0.01	50,578	0.01	55,635				
2 UPGRADING INFRASTRUCTURE										0.13	950,000	814,000	-	-	-	-314,000	-	-	-	-	-	-	-	-	-	-		
3 OFFICE & COMPUTER EQUIPMENT										-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
4 TOOLS & EQUIPMENT										0.02	176,000	170,388	0.00	25,000	35,000	-135,388	-	-	-	-	-	-	-	-	-	-	-	
5 VEHICLES & MOBILE EQUIPMENT										-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6 REFURBISHMENT ASSETS										0.19	1,438,200	1,438,200	0.17	0.37	1,438,090	2,103,700	855,000	0.21	1,856,860	0.21	1,491,480	0.16	1,109,152	0.0	54,000	-	-	-
SUB TOTAL: WORKING CAPITAL										0.34	2,577,200	2,432,588	0.18	0.38	1,463,090	2,276,200	56,388	0.21	1,406,600	0.22	1,537,460	0.16	1,158,730	0.02	109,636	-	-	-
FINANCED OUT OF REPLACEMENT & REFURBISHMENT FUND										-0.34	-2,577,200	-2,432,588	-0.18	-0.38	-1,463,090	-2,276,200	-56,388	-0.21	-1,406,600	-0.22	-1,537,460	-0.16	-1,158,730	-0.02	-109,636	-	-	-
A SUB TOTAL: WORKING CAPITAL															8,252,763	8,191,842	-2,000,841	-	7,102,491	-	7,102,491	-	7,102,491	-	7,102,491	-	7,102,491	
Water Requirements in m³ (one month) through Mccoll & New Pump Station																												
FIXED OPERATIONAL COSTS																												
1 PERSONNEL COSTS										2.12	16,006,351	15,699,574	2.07	3.00	17,057,880	18,601,464	2,603,290	2.97	19,573,651	3.04	21,660,375	3.21	26,209,081	3.47	24,655,305			
2 CONSULTANT FEES										0.04	301,000	1,076,876	0.03	0.02	337,600	150,000	-958,876	0.04	263,303	0.03	181,500	0.04	314,650	0.03	319,613			
3 COMMUNITY WATER SUPPLY										0.04	309,656	3,395,136	0.04	0.04	330,111	347,678	-54,978	0.04	348,300	0.04	4,394,932	0.04	5,809,300	0.04	5,809,300			
4 ADMINISTRATIVE EXPENSES										0.24	1,839,254	0.46	0.23	0.48	1,843,340	186,575	-186,575	0.50	3,050,120	0.60	4,742,562	0.65	5,155,622	0.65	5,155,622			
23 SOFTWARE DEVELOPMENT & TRAINING										0.01	49,500	61,710	0.01	0.02	76,450	56,807	-56,807	0.01	79,828	0.01	871,709	0.14	961,168	0.15	1,087,265			
34 TRANSPORT										0.08	653,307	645,351	0.09	0.12	730,077	768,605	38,528	0.09	769,528	0.09	871,709	0.14	961,168	0.15	1,087,265			
35 SECURITY & SAFETY										0.31	3,355,611	3,247,103	0.30	0.31	2,910,777	2,970,858	440,255	0.47	3,068,819	0.49	3,515,401	0.53	3,737,405	0.58	3,580,609			
36 MAINTENANCE										0.23	1,728,349	1,728,349	0.21	0.21	1,860,439	1,971,166	35,900	0.35	2,129,782	0.32	2,560,027	0.36	2,451,237	0.38	2,734,471			
37 DEPRECIATION (CGAD)										0.09	4,500,789	4,500,789	0.06	0.06	4,887,368	4,725,726	-225,972	0.75	4,865,065	0.73	5,210,166	0.71	5,470,676	0.81	5,743,210			
27 FIXED FLEET/VEHICLE COSTS per Pump Station										0.32	3,139,633	0.22	0.34	0.43	2,792,571	2,653,135	-235,456	0.44	2,917,547	0.45	3,209,301	0.50	3,530,231	0.55	3,883,754			
Water losses in m³																												
30 Raw Water Cost of Water losses										0.01	70,723	79,861	0.01	0.01	74,998	55,911	-28,950	0.01	56,209	0.01	59,581	0.01	63,136	0.01	66,946			
30 Electricity costs of water										0.04	316,329	0.05	0.05	0.04	343,430	353,330	-109,637	0.04	276,691	0.04	310,647	0.05	341,712	0.05	378,883			
31 FIXED WATER COSTS										0.07	530,871	0.07	0.06	0.09	569,715	537,395	-6,524	0.09	569,715	0.09	636,687	0.10	689,356	0.11	758,291			
32 WATER USER ASSOCIATION (Lefallo, Orlams, Elangde)										0.01	79,324	185,729	0.02	0.05	197,358	284,479	98,721	0.03	197,358	0.03	217,094	0.03	238,403	0.04	265,663			
B SUB TOTAL FIXED OPERATIONAL COSTS										4.12	31,198,007	33,472,440	4.04	5.90	33,300,509	36,559,365	2,758,214	5.94	39,096,082	6.02	42,768,118	6.45	45,810,602	6.89	48,951,187			
Increase % year on year (Forecast 2016/2016) - Fixed operational costs																												
Less Depreciation (not recouped from members)										-4,500,729	-0.58		-0.56	-0.76	-4,587,368	-4,725,776	-138,408	-1	-4,952,065	-1	-5,210,166	-1	-5,470,676	-1	-5,743,210			
TOTAL OPERATIONAL BUDGET (Fixed Cost(A+B) less surplus brought forward from previous year										3.53	26,697,268	28,971,701	3.48	5.14	28,719,141	31,833,589	2,619,806	6.19	34,134,018	6.28	37,557,950	6.68	40,339,926	6.88	43,206,976			
Water Requirements in m³ (one month) through Mccoll & New Pump Station																												
Increase % year on year: Water Forecast 16/17 vs Actual water usage 16/16																												
Water Requirements in m³ (one month) through Glimham Pump Station																												
C VARIABLE COSTS																												
40 TOTAL RAW WATER COST										0.32	2,284,705	2,283,780	0.32	0.33	2,651,718	2,977,875	-255,863	0.44	2,331,159	0.46	2,558,232	0.48	2,711,735	0.40	2,874,418			
51 ELECTRICITY COST ACCORDING TO DEMAND (Empty Cost)										1.35	9,630,408	9,301,282	1.42	1.50	11,687,984	9,393,017	-1,105,508	1.64	10,812,265	1.84	13,106,587	2.06	14,666,338	2.31	16,243,452			
52 SOCIAL PLAN																												
C Total Variable Cost										1.68	12,025,843	11,585,072	1.74	1.83	14,339,722	10,420,838	-1,272,871	1.98	13,043,394	2.20	15,664,809	2.45	17,377,974	2.71	19,287,870			
A+B+C Total O & M Budget (Fixed & Variable)										5.19	38,723,111	40,556,773	5.22	6.97	43,058,863	42,354,427	-1,346,934	7.17	47,177,411	7.49	53,222,760	8.12	57,717,900	8.79	62,494,846			
COST PER CUBIC METRE:																												
Havercroft to Moddiba																												
Fixed Operating Cost per m³										3.53	26,697,268	28,971,701	3.48	5.14	31,833,589	31,633,589	-200,000	6.84	34,134,018	6.82	37,557,950	6.45	40,339,926	6.89	43,206,976			
Variable Cost per m³										1.65	12,025,843	11,585,072	1.74	1.83	14,339,722	10,420,838	-1,272,871	1.98	13,043,394	2.20	15,664,809	2.45	17,377,974	2.71	19,287,870			
Total costs per m³										5.19	38,723,111	40,556,773	5.22	6.97	43,058,863	42,354,427	-1,346,934	7.17	47,177,411	7.49	53,222,760	8.12	57,717,900	8.79	62,494,846			
SCHEME CAPACITY m³																												
Fixed Costs cost per m³ based on scheme capacity																												
APPROVED: JM BRASLER																												
CHAIRPERSON: MANAGEMENT COMMITTEE																												
LEBALILO WATER USER ASSOCIATION																												
Thursday, June 30, 2016																												
DATE																												

ANNEXURE C2: OPERATIONAL BUDGET (SOUTHERN EXTENSION)

LEBALELO WATER USER ASSOCIATION - REVISED BUDGET : 01/07/2016 TO 30/06/2021 (SOUTHERN EXTENSION)																			
	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S
Page No	LEBALELO WATER USER ASSOCIATION - REVISED BUDGET : 01/07/2016 TO 30/06/2021 (SOUTHERN EXTENSION)																		
	2015/2016										2016/2017								
	Approve Budget Rm	APPROVED BUDGET	Actual Rm	FORECAST EXPENDITURE AS AT 30.06.16	Unit Cost approved Budget 16/17 Rm	Unit Cost revised Budget 16/17 Rm	Approved Budget 16/17 (with prior budget approval)	REMOVED BUDGET 16/17	INCREASE (DECREASE) year on year (June 16 Actual vs June 17)	REMOVED BUDGET	Budget Rm	REMOVED BUDGET	Budget Rm	REMOVED BUDGET	Budget Rm	REMOVED BUDGET	Budget Rm	REMOVED BUDGET	Budget Rm
SOUTHERN EXTENSION - SUMMARY																			
SE/A WORKING CAPITAL																			
1 STORES	0.03	77,500	0.03	77,500	0.00	0.02	11,000	77,500	-	11,000	0.00	11,000	0.00	11,000	0.00	11,000	0.00	11,000	0.00
2 UPGRADING INFRASTRUCTURE	0.09	250,000	0.09	250,000	-	-	-	-	-250,000	-	-	-	-	-	-	-	-	-	-
4 TOOLS AND EQUIPMENT	0.07	10,000	-	-	-	0.00	-	10,000	10,000	-	-	-	-	-	-	-	-	-	-
5 REPLACEMENTS OUT OF REFRESHMENT FUND	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SUB TOTAL WORKING CAPITAL	0.12	337,500	0.11	327,500	0.00	0.02	11,000	327,500	-240,000	11,000	0.00	11,000	0.00	11,000	0.00	11,000	0.00	11,000	0.00
FINANCED OUT OF REPLACEMENT AND REFRESHMENT FUND	-0.12	-327,500	-0.11	-327,500	-0.00	-0.02	-11,000	-327,500	240,000	-11,000	-0.00	-11,000	-0.00	-11,000	-0.00	-11,000	-0.00	-11,000	-0.00
A SUB TOTAL WORKING CAPITAL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SE/B FIXED OPERATIONAL COSTS																			
21 ADMINISTRATIVE EXPENSES	0.05	134,222	0.05	134,222	0.04	0.03	147,720	147,720	8,992	0.03	147,720	0.04	147,720	0.04	147,720	0.04	147,720	0.04	147,720
22 SECURITY & SAFETY	0.16	452,838	0.15	431,130	0.15	0.11	511,344	509,879	71,729	0.11	509,879	0.13	509,879	0.13	509,879	0.13	509,879	0.13	509,879
23 MAINTENANCE	0.18	520,908	0.14	425,000	0.17	0.12	588,150	531,000	95,900	0.12	590,950	0.13	590,950	0.13	590,950	0.13	590,950	0.13	590,950
24 DEPRECIATION - GAFFI	1.40	4,089,674	1.35	4,089,674	1.33	0.95	4,488,240	4,331,708	204,034	0.97	4,713,178	1.07	4,713,178	1.07	4,713,178	1.07	4,713,178	1.07	4,713,178
25 FIXED ELECTRICITY COSTS - Cathodic Protection	0.01	30,140	0.01	28,940	0.01	0.01	33,965	31,667	2,721	0.01	35,685	0.01	35,685	0.01	35,685	0.01	35,685	0.01	35,685
SUB TOTAL FIXED OPERATIONAL COSTS and Electrical costs	1.79	5,220,872	1.70	5,111,442	1.70	1.23	5,709,919	5,494,928	388,486	1.25	6,063,123	1.37	6,063,123	1.37	6,063,123	1.37	6,063,123	1.37	6,063,123
25 FIXED ELECTRICITY COSTS - Mvabada & Bonyesendal	0.18	475,138	0.17	457,952	0.18	0.13	535,591	506,942	48,989	0.14	571,373	0.16	571,373	0.16	571,373	0.16	571,373	0.16	571,373
B SUB TOTAL FIXED OPERATIONAL COSTS	1.97	5,706,010	1.88	5,569,395	1.88	1.36	6,245,420	6,001,871	432,478	1.39	6,634,396	1.53	6,634,396	1.53	6,634,396	1.53	6,634,396	1.53	6,634,396
Increase % year on year on total costs for Mvabada and Bonyesendal								7.77%					10.54%	9.92%		6.30%			
TOTAL OPERATIONAL BUDGET (Fixed Cost)(MAB)	1.97	5,706,010	1.88	5,569,395	1.88	1.36	6,245,420	6,001,871	432,478	1.39	6,634,396	1.53	6,634,396	1.53	6,634,396	1.53	6,634,396	1.53	6,634,396
Water Demand in m³ - Forecast (Monthly)		2,562,400		2,562,400			3,181,131	1,428,090	1,095,730		4,583,130		4,583,130		4,583,130		4,583,130		4,583,130
Water Demand in m³ - Mvabada Bonyesendal & Glesore		2,562,400		2,562,400			3,181,131	3,181,131	321,451		4,063,130		4,063,130		4,063,130		4,063,130		4,063,130
Water Demand in m³ - Bonyesendal Mine only		2,562,400		2,562,400			3,181,131	966,490	471,352		800,000		800,000		800,000		800,000		800,000
SE/C VARIABLE COSTS																			
50 ELECTRICITY COSTS (According to Demand (Energy Cost))	0.65	1,724,615	0.75	2,088,382	0.74	0.82	2,253,169	3,201,737	1,113,555	0.93	3,775,886	1.05	4,254,370	1.18	4,794,249	1.33	5,402,440		
C Total Variable Cost	0.65	1,724,615	0.75	2,088,382	0.74	0.82	2,253,169	3,201,737	1,113,555	0.93	3,775,886	1.05	4,254,370	1.18	4,794,249	1.33	5,402,440		
A49-C Total O & M Budget (Fixed & Variable)	2.63	7,430,625	2.63	7,657,777	2.62	2.18	8,503,589	9,203,608	1,545,821	2.32	10,408,282	2.57	11,548,743	2.81	12,582,621	3.07	13,709,895		
COST PER CUBIC METER:																			
Southern Extension Costs:																			
Fixed Operating Cost per m³	1.97	5,706,010	1.86	5,569,395		1.36	6,245,420	6,001,871		1.39	6,634,396	1.53	7,292,373	1.63	7,788,572	1.74	8,307,255		
Variable Cost per m³	0.65	1,724,615	0.75	2,088,382		0.82	2,253,169	3,201,737		0.93	3,775,886	1.05	4,254,370	1.18	4,794,249	1.33	5,402,440		
Total cost per m³	2.63	7,430,625	2.61	7,657,777		2.18	8,503,589	9,203,608		2.32	10,408,282	2.57	11,548,743	2.81	12,582,621	3.07	13,709,895		
Watercost to Mvabada Costs:																			
Fixed Operating Cost per m³	1.97	5,706,010	1.86	5,569,395		1.36	6,245,420	6,001,871		1.39	6,634,396	1.53	7,292,373	1.63	7,788,572	1.74	8,307,255		
Variable Cost per m³	0.65	1,724,615	0.75	2,088,382		0.82	2,253,169	3,201,737		0.93	3,775,886	1.05	4,254,370	1.18	4,794,249	1.33	5,402,440		
Total costs per m³	2.63	7,430,625	2.61	7,657,777		2.18	8,503,589	9,203,608		2.32	10,408,282	2.57	11,548,743	2.81	12,582,621	3.07	13,709,895		
TOTAL COST PER M³	2.63	7,430,625	2.61	7,657,777	2.62	2.18	8,503,589	9,203,608	1,545,821	2.32	10,408,282	2.57	11,548,743	2.81	12,582,621	3.07	13,709,895		
APPROVED: JIM BRASLER																			
CHAIRPERSON: MANAGEMENT COMMITTEE																			
LEBALELO WATER USER ASSOCIATION																			
Thursday, June 30, 2016																			

ANNEXURE C3: OPERATIONAL BUDGET (BOOYSENDAL)

LEBALELO WATER USER ASSOCIATION - REVISED BUDGET : 01/07/2016 TO 30/06/2020 - BOOYSENDAL MINE																						
Page No	2015/2016										2016/2017		2017/2018		2018/2019		2019/2020					
	APPROVE BUDGET Rm³	APPROVED BUDGET	Actual Rm³	FORECAST EXPENDITURE AS AT 30.06.16	Unit Cost approved Budget 16/17 Rm³	Unit Cost revised Budget 16/17 Rm³	Approved Budget 16/17 (with prior budget approval)	REVENUE BUDGET 16/17	INCREASE (DECREASE) year on year (June 16 Actual vs June 17)	Budget Rm³	REVENUE BUDGET	Budget Rm³	REVENUE BUDGET	Budget Rm³	REVENUE BUDGET	Budget Rm³	REVENUE BUDGET	Budget Rm³	REVENUE BUDGET	Budget Rm³	REVENUE BUDGET	Budget Rm³
NP/A WORKING CAPITAL																						
1 STORES	0.02	16,500	0.05	16,500	0.08	0.65	98,150	391,500	375,000	0.02	18,150	0.02	19,965	0.03	21,962	0.03						
2 UPGRADE INFRASTRUCTURE	-	-	-	-	-	1.39	-	824,000	824,000	-	-	-	-	-	-	-	-	-	-	-	-	-
3 TOOLS AND EQUIPMENT	-	-	-	-	-	0.01	-	8,000	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-
4 REPLACEMENTS OUT OF RECURRING FUND	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SUB TOTAL WORKING CAPITAL	0.02	16,500	0.05	16,500	0.08	2.05	98,150	1,221,500	1,207,000	0.02	18,150	0.02	19,965	0.03	21,962	0.03						
FINANCED OUT OF REPLACEMENT AND REFURBISHMENT FUND																						
A SUB TOTAL WORKING CAPITAL	0.02	16,500	0.05	16,500	0.08	2.05	98,150	1,221,500	1,207,000	0.02	18,150	0.02	19,965	0.03	21,962	0.03						
NP/B FIXED OPERATIONAL COSTS																						
21 ADMINISTRATIVE EXPENSES	0.17	144,000	0.14	50,000	0.12	0.50	158,400	300,000	250,000	0.41	330,000	0.45	365,000	0.50	399,300	0.55						
22 SECURITY & SAFETY	0.28	235,511	0.60	220,000	0.20	0.40	259,062	241,224	211,888	0.33	265,347	0.36	291,881	0.40	321,069	0.44						
23 MAINTENANCE	0.32	274,599	0.38	137,918	0.28	0.43	350,675	357,779	119,861	0.39	311,043	0.45	338,242	0.48	380,212	0.51						
24 DEPRECIATION (G&P)	2.30	1,943,178	5.32	1,943,178	1.55	3.32	1,982,040	1,982,040	38,862	2.60	2,081,142	2.73	2,183,199	2.87	2,394,459	3.01						
25 FIXED ELECTRICITY COSTS	0.28	297,511	0.73	26,437	0.22	0.48	285,134	286,632	22,025	0.43	343,939	0.52	412,751	0.62	495,301	0.74						
B SUB TOTAL FIXED OPERATIONAL COSTS	3.25	2,544,699	7.17	2,657,229	2.39	5.14	3,052,311	3,071,978	451,957	4.17	3,332,391	4.51	3,611,073	4.89	3,990,541	5.29						
Increase % year on year								17.28%					8.63%				7.73%					
TOTAL OPERATIONAL BUDGET (Fixed Cost/Variable)	3.37	2,561,239	7.21	2,657,229	2.46	7.19	3,133,461	4,291,176	275,944	4.19	3,350,541	4.54	3,631,038	4.89	3,912,302	5.32						
NP/C VARIABLE COSTS																						
50 ELECTRICITY COSTS (According to Demand (Energy Cost))	1.07	901,910	1.17	426,094	1.23	1.28	1,559,969	760,544	336,430	1.47	1,175,189	1.60	1,351,467	1.94	1,554,187	2.23						
C Total Variable Cost	1.07	901,910	1.17	426,094	1.23	1.28	1,559,969	760,544	336,430	1.47	1,175,189	1.60	1,351,467	1.94	1,554,187	2.23						
A+B+C Total O & M Budget (Fixed & Variable)	4.44	3,753,235	8.38	3,083,333	3.69	8.47	4,693,400	5,053,720	612,395	5.66	4,525,730	6.13	4,982,545	6.83	5,466,490	7.55						
COST PER CUBIC METER: NORTHAIR PLATINUM																						
Variable Platinum	3.37	2,561,239	7.21	2,657,229		7.19		4,291,176		4.19	3,350,541	4.54	3,631,038	4.89	3,912,302	5.32						
Variable Cost per m³	1.07	901,910	1.17	426,094		1.28		760,544		1.47	1,175,189	1.60	1,351,467	1.94	1,554,187	2.23						
Total costs per m³	4.44	3,753,235	8.38	3,083,333		8.47		5,053,720		5.66	4,525,730	6.13	4,982,545	6.83	5,466,490	7.55						
Southern Extension Costs:																						
Fixed Operating Cost per m³	1.97	5,706,070	1.86	5,559,355		1.36		6,001,871		1.39	6,634,335	1.53	7,292,373	1.63	7,788,572	1.74						
Variable Cost per m³	0.65	1,724,615	0.75	2,039,332		0.82		2,301,737		0.93	3,779,285	1.05	4,252,370	1.18	4,789,245	1.33						
Total costs per m³	2.63	7,430,685	2.61	7,598,687		2.18		8,303,608		2.32	10,413,620	2.57	11,546,743	2.81	12,587,817	3.07						
Heretofo to Mithras Costs:																						
Fixed Operating Cost per m³	3.53	26,697,289	3.88	28,971,701		5.14		31,633,559		5.19	34,134,018	5.28	37,557,950	5.68	40,339,926	6.08						
Variable Cost per m³	1.66	12,025,843	1.65	11,565,072		1.83		10,420,838		1.98	13,043,384	2.20	15,664,879	2.45	17,327,974	2.71						
Total costs per m³	5.19	38,723,111	5.53	40,536,773		6.97		42,054,437		7.17	47,177,441	7.49	53,222,700	8.12	57,717,900	8.79						
TOTAL COST PER M³	12.26	44,907,104	16.52	51,272,883		17.41		58,517,785		15.14	62,112,824	16.29	68,752,008	17.76	75,787,211	19.41						
APPROVED: JIM BRASLER																						
CHAIRPERSON: MANAGEMENT COMMITTEE																						
LEBALELO WATER USER ASSOCIATION																						
DATE																						
Thursday, June 30, 2016																						

14.1 SECTION 1: TRANSFORMATION REQUIREMENTS FOR THE BUSINESS PLAN
a) Staff complement per functional area

YEAR	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Executive Officer	1	1	1	1	1	1
Finance Section	3	3	3	3	3	3
Operations Section	19	21	21	21	21	21
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	2	0	0	0	1	0	0	3
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	3	1	0	2	1	0	0	0	0	0	7
Semi-skilled and discretionary decision making	8	0	0	0	5	0	0	1	0	0	14
Unskilled and defined decision making	1	0	0	0	2	0	0	0	0	0	3
TOTAL PERMANENT	12	1	0	5	8	0	0	2	0	0	28
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
GRAND TOTAL	12	1	0	5	8	0	0	2	0	0	28

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

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

d) Skills development by % of payroll cost spent

	Total payroll costs (per annum) in Rand	Target of total payroll costs (in %) to be spent on training (p.a.)	Target costs to be spent on training (p.a.) in Rand	Actual total cost spent on training (per annum) in Rand	Actual total payroll costs spent (per annum) in %
Full staff Complement	12 293 115	2.5%	293 260	127 963	1.00%
HDI (Africans, Coloureds, Indians, White Females)	7 990 525	2.5%	199 763	111 256	1.30%

e) Statement on redressing inequalities

List of HDI targeted for assistance: All communities within area of operation of LWUA. Total visits to communities = 80.

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/m³ of water forecast per annum = R302 656

Amount spent in Rands (p.a.) on (1.) upgrading HDI internal infrastructure: R732 452

Amount spent in Rands (p.a.) on (2.) expanding water distribution to HDI communities: R102 731

Actual total amount (1. and 2. above) spent as % of target amount: 275%

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: R7.7 million pa.

Actual amount spent on assistance: R13.8 million pa.

Actual total amount spent as % of target amount: 179%

% of total procurement needs of LWUA secured by assisted HDI (p.a.): 26%

% of total procurement needs of LWUA secured by BBBEE rated companies (p.a.): 94%

% of total procurement needs of LWUA secured by others: 6%

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

a) Projected five-year income statement

YEAR	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
WATER USE IN m³	7 372 386	6 191 942	6 582 872	7 107 491	7 107 491	7 107 491
Revenue						
Fixed Electricity Costs	3 182 583	3 477 557	3 868 464	4 306 034	4 796 311	5 346 207
Fixed Operating Income	31 770 518	35 650 455	36 954 500	40 635 504	43 329 872	46 209 328
Maintenance		2 750 945	3 032 675	3 255 524	3 630 317	3 926 412
Potable water - maintenance	302 656	247 678	263 315	284 300	284 300	284 300
Variable Electricity costs	9 721 787	9 577 492	15 762 740	18 712 425	21 014 675	23 603 407
Water use charges	2 691 238	1 754 885	2 231 129	2 558 222	2 711 735	2 874 418
Other users	14 107 700	12 184 906	12 184 906	12 184 906	12 184 906	12 184 906
TOTAL REVENUE	61 776 482	65 643 918	74 297 730	81 936 914	87 952 117	94 428 977
Cost of Revenue						
Electricity Charges - Fixed Costs	3 157 900	3 477 557	3 868 464	4 306 034	4 796 311	5 346 207
Electricity Charges - Variable costs	12 357 736	12 357 294	15 762 740	18 712 425	21 014 675	23 603 407
Potable water - maintenance	833 015	247 678	263 315	284 300	284 300	284 300
Water Charges (Purchases)	3 025 285	2 027 826	2 231 129	2 558 222	2 711 735	2 874 418
COST OF REVENUE	19 373 936	18 110 354	22 125 648	25 860 980	28 807 022	32 108 331
GROSS SURPLUS	42 402 546	47 533 564	52 172 082	56 075 934	59 145 095	62 320 646
Administration Costs	11 925 055	10 632 143	10 321 559	11 481 233	12 596 298	13 322 962
Projects	-	9 125 000	8 150 000	4 840 000	5 324 000	-
Salaries	17 307 755	18 751 564	19 838 621	21 784 575	23 104 654	24 876 000
Maintenance	15 313 432	3 188 945	3 308 475	3 555 103	3 955 702	4 279 851
Depreciation	9 602 145	10 992 524	11 756 385	12 579 863	13 099 597	13 754 576
Amortisation	654 310	654 310	654 310	654 310	654 310	654 310
FIXED COSTS	54 802 697	53 344 486	54 029 350	54 895 085	58 734 560	56 887 699
Operating surplus	-12 400 151	-5 810 922	-1 857 268	1 180 849	410 535	5 432 947
Interest received	8 300 186	7 000 000	7 000 000	7 000 000	7 000 000	7 000 000
Other Income	1 247 453	-	-	-	-	-
Deferred Income	17 923 845	9 554 750	9 554 750	9 554 750	9 554 750	9 554 750
Less: Amortisation	-17 920 995	-9 553 673	-9 553 673	-9 553 673	-9 553 673	-9 553 673
NETT SURPLUS	-2 849 663	1 190 155	5 143 809	8 181 926	7 411 612	12 434 024

b) Assumptions for the projected Statement of Comprehensive income

YEAR	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Consumer Price Index (CPI or CPIX)	5.9%	6.6%	6.5%	6.5%	6.5%	6.5%
Water Use Growth (%)	8.7%	-16.0%	6.3%	8.0%	0.0%	0.0%
Water Purchases Cost Increase (%)	5.2%	5.0%	3.5%	6.2%	6.0%	6.0%
Prime Interest Rate (%)	10.5%	10.5%	10.8%	10.8%	10.8%	10.8%
Average Interest Rate on Investments (%)	5.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Other Assumptions	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%

c) Capital expenditure summary

YEAR	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Capital Works	0	824 000	0	0	0	0
Renewals	3 947 612	2 654 300	1 655 460	1 983 020	1 339 746	626 153
Movable Assets	0	560 000	70 950	78 045	85 850	94 434
Less: Refurbishment Fund Contributions	-3 947 612	-2 814 800	-1 708 260	-2 041 100	-1 403 634	-696 430
Total Capital Expenditure Requirements	-	1 223 500	18 150	19 965	21 962	24 158

14.3 SECTION 3: FINANCIAL INDICATORS FOR ANNUAL REPORT

a) Generic financial indicators/ratios

Indicators/Ratios	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Gross Revenue (R)	42 402 547	50 586 307	52 172 082	56 075 934	59 145 095	62 320 646
Average Water Use Charge (R)	0.41	0.33	0.34	0.36	0.38	0.40
Operating Surplus (% of GR)	-26.94%	-0.80%	-1.42%	4.31%	3.17%	11.29%
Total Expenditure (R)	73 200 464	69 101 226	75 036 875	79 522 090	86 077 354	87 393 346
Operating Costs (% of GR)	172.63%	136.60%	143.83%	141.81%	145.54%	140.23%
Cost of Revenue (% of GR)	45.69%	35.80%	42.41%	46.12%	48.71%	51.52%
Finance Costs (% of GR)	0%	0%	0%	0%	0%	0%
Manpower Costs (% of GR)	31.23%	37.07%	38.03%	38.85%	39.06%	39.92%
Training Costs per Employee (R/year)	7 486	14 079	9 164	9 777	8 445	10 070
Working Ratio	1.03	0.85	0.85	0.82	0.83	0.78
Rate of Return on Assets	n/a	n/a	n/a	n/a	n/a	n/a
Gross Surplus Margin (%)	68.64%	73.64%	70.22%	68.44%	67.25%	66.00%
Current Ratio	6.22	5.50	5.50	5.50	5.50	5.50
Debt Service Ratio	0%	0%	0%	0%	0%	0%
Debt – Equity Ratio	0%	0%	0%	0%	0%	0%
Average Debtors Days	102	53	49	45	41	39

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)



**THE LEBALELO WATER USER ASSOCIATION
2016**



The Lebalelo Water User Association

