ANNUAL REPORT 2016/2017 AND BUSINESS PLAN



LEBALELO WATER USER ASSOCIATION

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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)].



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ANNUAL REPORT OF THE LEBALELO WATER USER ASSOCIATION for the year ending 30 June 2017

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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1. The Association's Integrated Annual Report

1.1 Introduction and scope of the report

We are pleased to present our 2017 Integrated Annual Report. The report covers the performance of Lebalelo Water User Association (Lebalelo or the Association) for the year ended 30 June 2017.

The Integrated Annual Report contains the audited 2017 Annual Financial Statements for the year ended 30 June 2017 and the 2018 Business Plan. The King Code of Corporate Governance for South Africa, 2009 (King III) checklist is available on the Association's website at www.lebalelo.co.za.

1.1.1 Materiality

The Integrated Annual Report focuses on information material to the Association's business. It provides a concise overview of Lebalelo's performance, prospects and ability to create value for our key stakeholders on a sustainable basis. The legitimate interests of all our key stakeholders were taken into account in determining information that is considered to be material for inclusion in this report.

1.1.2 Assurance

The Members of the Management Committee, assisted by the Finance Committee, are responsible for ensuring the integrity of the Integrated Annual Report. The audit opinion expressed by the external auditors on the Association's Annual Financial Statements is set out in the report.

1.1.3 Approval of the Integrated Annual Report

The following reporting frameworks were applied and complied with in preparing this report:

- The National Water Act;
- · The Companies Act;
- King III;
- International Financial Reporting Standards (IFRS), in particular IAS 34 Interim Financial Reporting; and
- International Integrated Reporting Council (IIRC) Integrated Reporting Framework.

The Management Committee acknowledges its responsibility to ensure the integrity of this report, and has applied its collective mind in the preparation thereof. The Management Committee believes that the report has, in all material respects, been presented in accordance with appropriate standards.

1.2 The Association

The Association was established on 1 February 2002 in terms of Chapter 8 of the National Water Act of 1998 (Act No. 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 of Water User Association, Section 79(2) and 84(1).

1.3 The Association's mission and objectives

The mission of the Association is that it shall, within the legal framework of the National Water Act, 1998 (Act No. 36 of 1998) ("the Act"), and taking cognisance of the prescribed health standards; strive towards making bulk raw water available to all members and other stakeholders in a cost effective, efficient, sustainable and responsible manner.

The Association's objectives are four-fold namely:

 To operate and maintain a pipeline scheme to supply bulk raw water from the Olifants River to satisfy the water requirements of its Members on the Eastern Limb of the Bushveld Igneous Complex within its licensed conditions.

- To supply bulk raw water from the pipeline and any extension thereof from the Olifants River to satisfy the water requirements of other users within its licence conditions.
- As a CSR undertaking to continue with its support to the Department of Water and Sanitation (DWS)
 and the Sekhukhune District Municipality (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.
- To protect the LWUA infrastructure.

1.4 Our business philosophy

The Association's philosophy is underpinned by our Mission and Objectives and compliance to the Association's Business Integrity Policy and is cognisant of a number of value levers pertinent to the Association's business philosophy. These include the alignment of the Association's ambition of being a good corporate citizen; of the Association's business model and markets; the brand and value proposition; core business processes, operational technology and infrastructure; organisational structure, governance, measurement of risk, people and incentives, thereby providing legitimacy of operation and having the social licence to operate.

1.5 Our business model

The Association's business model is to provide bulk raw water to its commercial / industrial and social Members, in terms of the water use license issued to the Association, based on the recovery of fixed and variable costs for raw water from Members and Non-Members. In this regard the Association acknowledges the importance of making provision for the delivery of raw water to statutory service provider/s for onward delivery to communities within the footprint of the Association, and thereby improving people's lives through water.

1.6 Our brand

The Association's brand has been in existence since establishment and is linked to its unique logo and words which identify the Association. Over the years, this image has become associated with a level of credibility, quality and satisfaction in the consumer's mind.

1.7 Operational network

The Association's water supply scheme consists mainly of the original scheme of which the main components are; a weir in the Olifants River on the farms Havercroft 99 KT and Lucerne 84 KT, an abstraction pump station at the weir on the same farms, main storage reservoirs, a main pump station, a rising main with branch pipelines and booster pump stations for the supply of water to the participating mining companies, and for offtakes to supply bulk raw water for purification by others to domestic users, the southern extension with booster pump stations supplying water to the Mototolo mine and which was further extended to supply the Booysendal mine, and the initial raising of the Flag Boshielo Dam that was funded by the Association.

2. Performance Overview

2.1 Chairman's statement

2.1.1 Overview

In the context of local socio-political uncertainty and the current economic downturn, in particular with a large number of mines in the area having either closed or being placed on care and maintenance this has contributed to the hardship placed on many residents and communities within the footprint of the Association. Notwithstanding this I am pleased to report that the Association reported a strong set of results for the year under review. The Association's resilience in the face of adverse operating conditions is attributable to a strategic and integrated business model, dedicated leadership, a committed workforce focussed on delivering raw water in a cost-effective, sustainable and responsible manner.

2.1.2 Management.

I am delighted to report that over the period under review, the leadership team under the CEO, Mr Bertus Bierman has operated seamlessly, and Bertus and his management team are to be congratulated on delivering commendable results in very challenging conditions.

2.1.3 Strategy

The Association's mission and objectives, as referred to in the previous Annual Report, is to operate "within the legal framework of the National Water Act, 1998 (Act No. 36 of 1998) ("the Act"), and taking cognisance of the prescribed health standards; to strive towards making bulk raw water available to all Members in a cost effective, efficient, sustainable and responsible manner."

2.1.4 Results

Income for the period declined by 1% to R88.0 million (2016: R89.0 million). The Association's results for the year under review have been impacted by, inter alia the ongoing incidents of social unrest by community members in respect of damage to the Association's pipeline and hindering free access to public roads.

Skills development and employment equity remain key aspects of the Association's sustainable business model wherein training and development remain a priority. In this regard health and safety is very important. Notwithstanding the numerous challenges the Association has faced, I am pleased to report that in terms of health and safety the Association's staff achieved 80 000 accident free shifts in May 2017.

2.1.5 Business Sustainability

In October 2016 the Department of Water and Sanitation (DWS) gazetted its intention to disestablish the Association and transfer its operations into Lepelle Northern Water (LNW). Whilst regular engagements continue with DWS on the disestablishment, the Association's operations continue in a sustainable manner.

2.1.6 Corporate governance

The Association's Management Committee subscribes to sound corporate governance in all areas of the business, and ongoing development and implementation of best practices. The Management Committee is empowered through the Association's Constitution and Members' Agreement to appoint sub committees to assist the Management Committee with its work. In this regard two subcommittees have been set up. These include the Finance, Risk and Audit Committee that assists the Management Committee in meeting its obligations relating to the Association's risk management and internal control principles, financial reporting, and auditing processes and activities, and the Remuneration Committee that assists the Management Committee in overseeing conditions of engagement of employees.

In terms of the King IV Report, the Association will address compliance during the forthcoming financial period, and where appropriate, the recommended practices outlined in the Report.

2.1.7 Stakeholder engagement and material issues

During the course of the period under review management has expended a great deal of time and energy on stakeholder engagement. Our stakeholders' interests and concerns are important to us. The narrative on page 10 of this report details how we engage with stakeholders on key issues, while the report on page 11 details the material risks which might impact stakeholders and outlines the actions we have identified to mitigate such risks.

2.1.8 Information technology

Information technology is used as an enabler to our business. The pervasiveness of information technology in business today mandates the governance of information technology as a corporate imperative. Information technology is an integral part of the business and is fundamental to support, sustain and grow the business. In terms of King III principles of good governance and the forthcoming King IV principles, the Association will review its information technology capability during the course of 2017/2018.

2.1.9 Corporate social investment

The Association's corporate social investment initiatives are designed to make a meaningful impact in the communities in which the Association operates, these programmes recorded a number of highlights in the review period, including inter-alia the repairs to borehole engines and pumps, repairs to electrical supply for community and school boreholes and establishing water tanks for communities and schools.

2.1.10Outlook

The Association celebrates its fifteenth year in existence and has a strong track record over this time of ensuring that the business has the experience, ability and determination to continue to thrive in an environment which is becoming increasingly challenging.

In last year's report, I reported on the damage to the Association's Pipeline. The final cost of addressing the damage was R24 Million. This damage is most regrettable, but it has triggered the Association to have a closer look at itself with regard to its relationships with the communities. Notwithstanding these interventions, during the period under review certain appurtenances to the pipeline were further damaged by unknown persons.

During the period under review the construction work on the Phase 2C pipeline from the De Hoop Dam to the Steelpoort Pump Station progressed towards the "tie-in" of the pipeline with the Association's pipeline. The institutional, governance, risk and legal issues regarding this tie-in still need to be finalised with the Department of Water and Sanitation and the Sekhukhune District Municipality represented by its appointed service provider Lepelle Northern Water.



ORWRDP Phase 2C "Tie-in" pipeline into the LWUA infrastructure at the Spitskop pump station.

2.1.11 Appreciation

On behalf of the Management Committee, I would like to conclude by paying tribute to the CEO Mr Bertus Bierman, his leadership team and all the people of the Lebalelo Water User Association who contributed to the delivery of bulk raw water in a very demanding environment and this is testament to the Association's unrelenting high-performance culture. I would also like to thank my fellow Management Committee members for their constructive counsel and keen interest, support and endorsement of the Association's goals and strategies.

J. M. Brasler Chairman

2.2 Chief Executive Officer's report

2.2.1 Macro and Micro-economic environment

The total quantity of raw water delivered to customers declined during the period under review against a backdrop of sustained low economic growth, depressed mineral prices, closure of mines or mines being placed on care and maintenance, currency volatility, severe drought, and record low levels of business and consumer confidence.

The abovementioned macro-economic environment has had a direct impact upon the micro-economic environment of the Local and District municipalities and communities within the footprint of the Association, exacerbating hardship in an area documented as having the highest levels of poverty and unemployment in South Africa.

2.2.2 Water Industry overview

Keeping in mind that the Association is created in terms of the National Water Act with an obligation to report to the Minister of Water and Sanitation, the Association's operation and future plans are inextricably linked to the legislative requirements and policy directives issued from time to time by the Minister.

In terms of legislative issues the Association is aware that the Department is currently involved in a law reform process wherein the National Water Act and the Water Services Act are being merged into one National Water Act. The Association is not certain when this draft will be made public but the Association will be keeping a watching brief on this process. Linked to the law reform process is a revision of the institutional arrangements applicable to the management of water in South Africa involving institutions such as:

- · one National Infrastructure Agency;
- · three regional utilities;
- one National Catchment Management Agency and 9 Catchment Management Regional Offices;
- the rationalisation of the number of Water Institutions and disestablishment of some 249
 Water User Associations and Irrigation Boards; and
- an appropriate number of Local Water Management Institutions.

From a policy development perspective and consultation process there have been a number of documents which have been published during the course of the year under review. These include

- · National Pricing Strategy;
- National Raw Water Use Charges;
- Integrated Water Quality Management Policy and Strategy;
- Mine Water Management Policy;
- National Ground Water Strategy;
- Olifants Catchment Management Agency; and
- Catchment Management Forums for five sub areas in the Olifants Catchment.

The Association will continue to work with the Department of Water and Sanitation in the coming year in respect of issues pertaining to the Association and especially with regard to the above-mentioned legislative and policy changes.

2.2.3 Overview of the Association's performance

Notwithstanding the difficult economic climate and the fluid legislative and regulatory environment, I am pleased to report that through the dedication and resilience of the Association's staff, the Association continued to measure positively against its mission and objectives.

2.2.4 Financial Results

Notwithstanding the decline in water delivered, the Association returned strong financial results, to ensure its financial sustainability and viability. The Association reported total expenditure of R78.0 million (2016: R92.0 million) and income of R88.0 million (2016: R89.0 million). 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 R 8.88/kl (2016: R10.76/Kl) for the year under review. The main cost drivers have been the electricity, depreciation, raw water and direct labour cost. Electricity increased by 12.5% (2016:15%) to R 17.4 million (2016: R15.0 million) and depreciation and amortisation of assets decreased by 31 % from R28 million to R19.26 million for this financial year.

2.2.5 Corporate governance

The issue of Corporate Governance is dealt with in more detail at Pages 21 to 23 in this report. During the course of the forthcoming financial year it is management's intention to have a close review of the Association's governance sub-committees as it pertains to compliance of the King IV principles of good governance.

2.2.6 Stakeholder engagement

Our stakeholders' interests and concerns are important to us. The various stakeholders are set out in the report on page 13. 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 highlight some of the activities and discussions in the year under review, such as ongoing meetings with community leaders at various villages and ongoing interaction with local and district municipality officials and Ward councillors. The undermentioned table details with whom and how the Association has been engaging with stakeholders during the past financial year.



Phala Traditional Council in a planning meeting.



Meeting between Lebalelo, the Sehuyane Traditional Leadership, Thubatse Local Municipality and the Limpopo Department of Agriculture.

Stakeholder interaction	Issues
Community leaders	Relationship building following damage to the Association's pipelines;
Municipality and Ward Councillors	Development of communities / Service delivery
Lepelle Water and Sekhukhune District Municipality	Service delivery to communities.
DWS	Gazetted disestablishment of the Association.
Mines	Sustained operations.

2.2.7 Information technology

As referred to in the chairman's statement information technology has become an integral part of the business and is fundamental to support, sustain and grow the business. The Association will be reviewing its information technology capability during the course of 2017 / 2018.

2.2.8 Corporate social investment

The Association's corporate social investment initiatives are designed to make a meaningful impact in the communities in which the Association operates, these programmes recorded a few highlights in the review period, such as:

- repairs to borehole pumps and water supply infrastructure;
- repairs to electricity supply for community and school boreholes; and
- water tanks for communities and schools

Stakeholder engagement & CSR initiatives

List of HDI targeted for assistance:

• Our communities within in area of operation of Association. Total visits to communities = 80

Brief description of assistance required:

Sustainable potable water supply infrastructure within area of operation of Association

Brief description of assistance rendered:

 Assistance to the DWS and Sekhukhune District Municipality to maintain borehole schemes of communities within area of operation of the Association

Target amount to be spent on assistance rendered to communities:

R0.04/m³ of water forecast per annum = R247 678

Actual total amount spent on potable water in our communities within areas of operation as percentage of total amount budgeted:

• 96%

2.2.9 Material Issues during the period under review

Reference has been made of the announced intention by the Minister of Water and Sanitation, to disestablish the Association. A government notice was published in October 2016 calling for comments on her intention to disestablish the Association, to which the Association responded in February 2017. The Association has received written confirmation from the Minister post this period under review acknowledging receipt of the Association's correspondence. In essence, the disestablishment process has been very slow for various reasons.

Aligned to the disestablishment process has been an ongoing engagement between the Department of Water and Sanitation, Lepelle Northern Water and the Association in respect of the tie-in of the ORWRDP Phase 2C pipeline which runs from the De Hoop Dam to the Steelpoort pump station. Whilst the construction of the pipeline is nearing completion there are a wide range of technical risks which require attention and the applicable legal agreements still need to be finalised.

2.2.10 Outlook

The Association celebrates its fifteenth year in existence, however the environment within which the Association exists is becoming more challenging as depressed economic growth, declining mineral prices and rising inflation continue to impact upon the business. These impacts are also affecting local communities especially as it is recorded that the area in which the Association operates has the highest unemployment and poverty rates in South Africa.

In the year ahead, whilst the Association's mission was to focus on its delivery of bulk raw water to its members, it is time that the Association consider taking a far more outward look approach by "improving lives through water", and to be the water supplier of choice by providing a valuable service that is timely, at the agreed quality, consistent, politically acceptable to communities, reliable, efficient, supported by interested and effected parties, and environmentally responsible.

I must admit that the Association couldn't grow and adapt to address the new challenges without a progressive management committee and a dedicated management team.

To conclude I thank the Lebalelo Water User Association team for achieving 80 000 accident free shifts over the past 15 years.

J.A. Bierman Chief Executive Officer

FIVE-YEAR BUSINESS PLAN

In terms of the Association's Constitution and Members' Agreement and in terms of applicable legislation a five-year business plan is required to be included in the Annual Report.

3. Strategic Imperatives, Material Issues and Sustainability

3.1 Strategic Imperatives, Material Issues

3.1.1 Mission

The mission of the Association is that it shall within the legal framework of the National Water Act, 1998 (Act 36 of 1998) and taking cognizance of the prescribed health standards, strive towards making bulk raw water available to all Members, consumers and other stakeholders within its licensed conditions in a cost effective, efficient, sustainable and responsible manner.

3.1.2 Objectives

The objectives of the Association 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 Member mines on the eastern limb of the Bushveld Igneous Complex within its licence 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 and other industrial users) that can receive water from the Association's pipeline within its licence conditions;
- (c) to continue with its support to the Department of Water and Sanitation and Sekhukhune District Municipality in the operation and maintenance of their potable water schemes, provided that the schemes are situated within the area of operation of the Association. The support is based on the repair of borehole pumps and associated infrastructure as requested by the Department of Water and Sanitation or Sekhukhune District Municipality from time to time. In order to finance the support maintenance work of the community schemes, the mining members of the Association contribute a cost per cubic metre of raw water towards a maintenance fund established for this purpose. Details of the involvement of the Association are available on request;
- (d) to protect the Association's infrastructure. The scheme route was secured by servitudes obtained over land that is mostly owned by the State and held in trust for the various communities along the pipeline route.

3.1.3 Strategies/methodology

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

- (a) the Association 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 / Members.
- (b) A licence was issued to the Association to abstract water from the Olifants River. Licence B191/2/250/1 for a total volume of 16,000,000 m³ per annum was issued on 6 January 2004. In addition to this aforementioned quantity the Association is also authorised to supply 3,88 million m³ per annum via its scheme on behalf of the Department of Water and Sanitation to local communities for domestic use. Because the Association financed the raising of the Flag Boshielo dam, an additional licence numbered B191/2/250/1 for a total volume of 1,015 million m³ per annum was issued to the Association which represents the lawful water use entitlements for properties inundated through the raising of the dam.

- (c) The Association appoints sufficient, competent staff to undertake its functions. Particulars of the Association's employees are set out at page 15 of this report. 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 Association makes raw water available to the Sekhukhune District Municipality to supply communities in accordance with its constitution and Member's Agreement and the National Water Act 36 of 1998.
- (e) Tariffs for water are determined annually, based on the actual cost of water supply.
- (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 the position along the scheme's pipeline. The schematic layout of the scheme is indicated in the diagram set out in pages 50 and 51 of this report.
- (g) Strict financial controls have been implemented and budgeting techniques and control has at all times been adhered to.
- (h) There is continual interaction with all water users and affected parties in order to ensure effective service.
- (i) The Association concludes water supply agreements with all users regarding the supply of water.

3.1.4 Our key Stakeholders are:

- The Minister of Water and Sanitation through the government of the Republic of South Africa in the Ministry of Water and Sanitation;
- the Director-General and the staff of the Department of Water and Sanitation in Pretoria;
- the regional offices of the Department of Water and Sanitation in Polokwane and Mbombela;
- the Chairperson designate and members of the proto-Olifants River Catchment Management Agency;
- the Chairperson designate of the Limpopo Catchment Management Agency;
- the Executive Mayor, Municipal Manager and staff of the Sekhukhune District Municipality;
- The Executive Mayor, Municipal Manager, staff and ward councillors representing some 103 villages situated adjacent to the Association's pipeline in the Fetakgomo Greater Tubatse Local Municipal area;
- the various Traditional Leaders and their respective councils within the identified communities namely but not limited to Shakung, Ga-Phala, Modubeng, Sehunyane, Masete, Pataneng and Motloulela.
- the Chairman, CEO and staff of the TCTA;
- the Chairman, CEO and staff of the Lepelle Northern Water;
- the Association's non-mining Members; and various Member mining companies within the footprint of the scheme and their operations management and staff.
- the Association's management and staff.

3.2 Financing

3.2.1 Scheme funding

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 the Flag Boshielo Dam at a cost of R225 million. The scheme was

subsequently extended (the Southern Extension) at a cost of R165 million that was funded by the members involved in that extension. Therefore, the final cost of the scheme amounts to R621 million. This will increase due to the inclusion of the Booysendal and Twickenham infrastructure that was funded by the applicable members.

3.2.2 Financing infrastructure of the Association

The infrastructure belongs to and is financed by the members of the Association. The DWS has indicated that the Association'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 Association into the ORWRDP is to disestablish the Association and then transfer the staff and infrastructure to appropriate entities. The major issues that require to be addressed during disestablishment include, the compensation of members for the established infrastructure, and the building of other phases of the ORWRDP phase 2 and the effect thereof on the Association.

The disestablishment of the Association has progressed in that the Minister of the Department of Water and Sanitation has issued a letter of intention to start the process. This was confirmed in a letter dated 10 October 2016, reference number 7/18/96/10 indicating that the disestablishment will be undertaken in accordance with section 96 (1) (b) of the National Water Act, 1998. The aforementioned correspondence called for comment by interested and affected parties regarding the Minister's stated intention to disestablish the Association. The Association submitted its comments in February 2017 and in August 2017 the Minister acknowledged receipt of the Association's comments.

3.2.3 Costing criteria

The following costing criteria was used;

- the capital cost was contributed by each member and is therefore not part of the water tariff, provided that provision is made for the future refurbishment of the scheme;
- the water tariff includes a raw water cost from the Flag Boshielo and tariffs for catchment management charges and levies for the purposes of the water research commission as determined from time to time.

3.2.4 Operational expenditure

The operation and maintenance budget is divided into a fixed and variable cost components. The fixed cost component is paid monthly or three monthly in advance to ensure the cash flow to keep the organisation in a credit balance. The variable operational cost is invoiced each month and payable within 30 days.

The Association's operational budget is attached to this report at pages 52 to 54.

A map setting out the Association's area of operation is set out at page 49, whilst a schematic layout of the Original Scheme and of the Southern Extension are set out in pages 50 and 51 respectively.

3.2.5 Statement of comprehensive income for the business plan

At page 55 of the report a projected five year income statement is set out together with the assumptions for the projected statement of comprehensive income.

At page 55 of the report a schedule of the summary of capital expenditure is set out.

Financial indicators

At page 56 of the report generic financial indicators and ratios as well as definition of the ratios are set out.

3.3 Human Capital

3.3.1 Empowerment and talent management

Human Capital is considered a core corporate asset at Lebalelo, with the calibre of our people being a key ingredient to our success.

Key performance indicators (KPIs) are included in executive and management scorecards in support of this sustainability imperative.

Internal recruitment and promotion is a natural part of our growth culture whereby employees are positioned to align their capabilities with our business plan.

3.3.2 Legislative compliance

The Association continues to comply with legislation governing the employment relationship in line with the requirements of the Department of Labour. This includes the Basic Conditions of Employment Act, 1997 (Act 75 of 1997), Labour Relations Act, 1995 (Act 66 of 1995), Employment Equity Act, 1998 (Act 55 of 1998), the Skills Development Act, 1998 (Act 97 of 1998), Unemployment Insurance Act, 2002 (Act 4 of 2002) and Occupational Health & Safety Act, 1993 (Act 85 of 1993).

There are systems in place to monitor changes to legislation and if changes occur, the implications on our operations are assessed and communicated to relevant stakeholders. For the day-to-day operation of the Association's policies, operating rules, regulations, technical and administrative procedures, these are approved by the Management Committee, and implemented.

3.3.3 Organizational Structure

Set out at page 57 of the report is the Association's organisational structure. This organogram comprises 31 posts as set out below:

Post Description	Number of Posts
Management Committee	Five (Member representatives)*
Chief Executive Officer	One
Administration	Two
Technical/Operations Manager	One
Instrument technician	One
Planning coordinator	One
Electricians	Two
Mechanical Fitters	Four
Artisan Assistants	Six
Control Room operators	Four
Chief financial officer	One
Financial/accountant/bookkeeper	One
Financial / bookkeeper / assistant	One
Store Clerk	One
General labourers	Four
Safety Coordinator	One
Student	One*
Total	31 posts + One Student

*Note: Not included in the 31 posts

3.3.4 Manpower requirements in terms of the five-year plan

	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Staff per functional area					
Executive officer	1	1	1	1	1
Finance section	3	3	3	3	3
Operations section	22	22	22	22	22
Administration section	2	2	2	2	2
Other functional sections	3	3	3	3	3
atgree and the shower made	31	31	31	31	31

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		
	Α	С	1	W	Α	С	1	W	Male	Female	
Top management	0	0	0	0	0	0	0	0	0	0	0
Senior management	0	0	0	1	0	0	0	0	0	0	1
Professionally qualified and experienced specialists and mid-management	0	0	0	2	0	0	0	1	0	0	3
Skilled technical and academically qualified workers, Jr management, supervisors, foreman and superintendents	5	1	0	2	1	0	0	0	0	0	9
Semi skilled and discretionary decision makers	10	0	0	0	4	0	0	1 poor	0	0	15
Unskilled and defined decision-making	1	0	0	0	2	0	0	0	0	0	3
Total permanent	16	1	0	5	7	0	0	2	0	0	31
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
Grand total	16	1	0	5	7	0	0	2	0	0	31

^{*} There are no employees with disabilities.

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Skills development by percentage of payroll cost spent.

Renta mant ud a	Total payroll costs (per annum) in Rand	Target of total payroll costs (in 5%) to be spent on training (per annum)	Target costs to be spent on training (per annum) in Rand	Actual total cost spent spent on training (per) annum) in Rand	Actual total payroll cost spent (per annum) in %
Full Staff Complement	15 744 389	3.0	471 660	203 975	1.30
HDI (Africans, Coloured, Indians, White females)	10 973 430	3.0	329 203	183 655	1.67

Skills development

We are committed to creating a culture for skills development. The Association observes compliance with the Employment Equity and Skills Development Acts. Compliance is monitored via accepted procedures and guidelines.

3.4. Employment equity

In order to achieve equity in the workplace, the Association subscribes to the promotion of equal opportunities through fair treatment of its workforce, as well as applicants for employment by:

- eliminating unfair discrimination that may exist in policies, practices, procedures and the work environment;
- implementing affirmative action measures to redress the disadvantages experienced by designated groups in the past;
- promoting diversity and respect for all employees; and
- achieving equitable representation of all demographic groups at all levels and in all categories of the workforce as the ultimate tangible objective.

3.5 Safety, Health and the Environment

The Association is committed to sustainable business practices and acknowledges its responsibility for providing a healthy and safe working environment for its employees, adhering to high safety standards and conducting business in a socially and environmentally responsible manner. The Association has policies and controls in place to measure and monitor its sustainability performance. Where appropriate, material issues and risks related to employee health and safety and the environment are escalated to the Management Committee and to the Audit and Risk Committee.

3.5.1 Employee health and safety

The Association complies with the requirements prescribed by the Occupational Health and Safety Act. Safety, Health, Environment and Quality assurance (SHEQ) Committees are in place and conduct monthly meetings. Any accident and/or occupational disease associated with our operations is recorded, reported and acted on.

As at the end of the financial year of 30 June 2017 the Association recorded 80 000 accident free shifts.

There is recognition that HIV/Aids, among other challenges faced by South African businesses, is a serious concern and thus the Association is supportive of the Government in the fight against the pandemic. Assistance takes the form of on-site primary and occupational care in addition to external referrals for professional and medical support.

3.5.2 Environment

The Association is committed to responsible environmental practices and identifies key areas of focus and objectives with respect to climate change, air pollution reduction and eco-efficiency. These objectives include:

- · optimisation of transport efficiencies with regard to our fleet of vehicles;
- · ongoing review and implementation of energy saving initiatives; and
- efficient water usage and effluent management.

3.5.3 Energy

The sources of energy primarily utilised in the Association's business operations include electricity, petrol, hydrocarbons such as oils and lubricants and diesel used at our facilities and our corporate premises.

3.6 Membership

Admission as a member of the Association is achieved by any person or entity who, as a condition of a licence, issued in terms of 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 water works and all sources under control of the Association, provided that such a person or entity has been admitted as a member of the Association in terms of the constitution and Members Agreement.

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

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

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

The members/parties involved in the Association are:

Institution	Represented by
Industrial Members	
Anglo-American Platinum Ltd	Mr DW Pelser
ARM Mining Consortium / African Rainbow Minerals Ltd	Mr J M Bräsler
ASA Metals (Pty) Ltd	Mr T Steyn
Corridor Mining Resources	Mr D Maloba
Impala Platinum Ltd	Mr V Townsend
Northern Platinum Ltd	Mr Z Tsotetsi
Rustenburg Platinum Mines Ltd	Mr A Mbewe
Samancor Chrome Ltd	Ms H Booysen
Samrec (Pty) Ltd	Mr H Jones
Ordinary Member	
Department of Water and Sanitation	Mr L Thloubatla

3.6.1 Management control

The Management Committee of the Association is established through chapter 8 of the National Water Act, 1998, (Sections 91(1)(f), 93(1) and 94(2)) and in terms of the Association's Constitution and Members' Agreement and are duly elected at the Association's Annual General Meeting.

3.6.2 Details of the Management Committee

The Management Committee of the Association comprises of six members elected from amongst the members, as set out in the aforementioned paragraph in accordance with the Constitution and Members' Agreement.

Clause 13.2 of the Constitution requires a nomination of three industrial members;

Clause 13.3 of the Constitution requires the nomination of one ordinary member, and

Clause 13.4 of the Constitution requires one nomination from provincial government.

The management committee consists of the following members:

Name	Representing	Position	Period of office
Mr M Bräsler	ARM Mining Consortium / African Rainbow Minerals Ltd	Chairman	1 July 2016 - 30 June 2017
Mr D Pelser	Anglo American Platinum Ltd	Vice- Chairman	1 July 2016 - 30 June 2017
Mr V Townsend	Impala	Member	1 July 2016 - 30 June 2017
Mr Thloubatla	DWS	Member	1 July 2016 - 30 June 2017
Mr J A Bierman	LWUA	CEO	1 July 2016 - 30 June 2017
Vacant	Provincial Government	depend only	model and Committee

Management control is one of the key transformation challenges faced and this issue remains a high priority for the Management Committee and Members.

Voting powers calculated on various demands are as follows:

VOTERS LIST			
Members	Water use entitlement m³ / day	Votes %	Number of votes
Industrial Member			
Anglo American Platinum Ltd	16,000	20.85	2085
ARM Mining Consortium / African Rainbow Minerals Ltd	4,000	5.21	521
ASA Metals (Pty) Ltd	1,200	1.56	156
Corridor Mining Resources (Pty) Ltd	500	0.65	65
Impala Platinum Ltd	13,800	17.99	1799
Northern Platinum Ltd	7,000	9.12	912
Rustenburg Platinum Mines Ltd	17,000	22.16	2216
Samancor Chrome Ltd	6,000	7.82	782
Samrec (Pty) Ltd	600	0.78	78
Ordinary Member	dresh month		
Department of Water and Sanitation	10,625	13.85	1385
Total demand	76,725	100	10,000

3.6.3 Transformation

The Association is acutely aware of its obligations in respect of transformation in the sector. In this regard, the Association understands that the Department of Water and Sanitation is considering introducing a code for the water sector.

4. Governance and Remuneration

4.1 The Management Committee

The Association's executive leadership subscribes to sound corporate governance in all areas of the business and ongoing development and implementation of best practices.

4.2 Corporate Governance Report.

The Management Committee is fully committed to business integrity, fairness, transparency and accountability in all of its activities. In support of this commitment, the Association's executive leadership subscribes to sound corporate governance in all aspects of the business and to the ongoing development and implementation of best practices. In line with our guiding principles of sustainable growth and integrity, the Association has a Business Integrity Code (the code) which articulates the Association's commitment to doing ethical business. The code requires all Members and employees to act with honesty and integrity, and to maintain the highest ethical standards. It deals with compliance with laws and regulations, conflicts of interest, relationships with customers and suppliers, remuneration, outside employment and confidentiality. The code further prohibits employees from offering or accepting bribes, provides guidelines with respect to receiving gifts and informs members and employees about the Association's confidential reporting service to which unlawful or fraudulent activity can be reported. The Association does not make donations to political parties.

4.3 Governance Framework

The Management Committee takes guidance from the following regulatory and good governance frameworks in defining the Group's governance and compliance framework:

- King III;
- The National Water Act;
- The Companies Act of 2008 (Act 71 of 2008); and
- International Financial Reporting Standards for Small and Medium-sized entities.

The Management Committee has taken cognisance that King IV has been published and acknowledges that it is now regarded as best practice from a governance perspective. The Management Committee will address the principles and recommended practices as outlined in King IV. Details of our King III compliance can be found on the Association's website at www.lebalelo.co.za.

4.4 Our Governance Structure

The Management Committee and the Sub-Committees are supported by appropriate management structures and governance processes, which are reviewed continually to ensure that they remain effective in delivering against the Association's strategic objectives.

4.5 Governance Composition

As at 30 June 2017 the Management Committee of the Association comprised of five members duly elected in terms of the Association's Constitution and Members' Agreement. Given the nature of water user associations, as established in terms of the National Water Act, provision is not made for an independent non-executive chairman or non-executive members as envisaged by King III.

The composition of the Management Committee is reviewed annually and approved by members at the Annual General Meeting (AGM).

4.6 Management Committee Responsibility

The Management Committee recognises the need for and accepts final responsibility for the institution of internal control systems and will ensure that effective management objectives exist, relevant legislation and regulation are adhered to, and adequate internal control systems are developed to provide reasonable certainty in respect of the completeness and integrity of the accounting records.

The expected standards to be achieved include, effective and sustainable long-term bulk raw water supply to all users within the area of jurisdiction of the Association, to continuously strive towards the delivery of a one-stop service to all customers in each field of activity that the Association is involved in, to improve cost efficiencies by controlling the line items in terms of the budget and controlling overall expenditure, and to continuously improve the Association's relationship with key stakeholders, predominantly that being communities in around the footprint area of the Association.

In terms of measurement of performance the Association must achieve a balance between, the provision of efficient, reliable and sustainable water supplies service, the optimal use of available resources, the objective of being financially viable, the requirements of consumers, the need to apply policies and objectives of national and provincial government, the responsibility to act in an equitable and fair manner, 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 the powers of the Minister of the Department of Water and Sanitation 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 National Water Act or the provisions of the Association's Constitution and Members Agreement.

4.7 Association Sub-Committees

To enable the Management Committee to discharge its numerous responsibilities and duties, certain of these responsibilities have been delegated to sub-committees. The following Sub-Committees have been constituted, Finance, Audit and Risk Sub-Committee and Remuneration Sub-Committee.

4.7.1 The Finance, Audit and Risk Sub-Committee

The Finance, Audit and Risk Sub-Committee comprises of three members of the Management Committee, including the CEO, and Chief Financial Officer, as well as the auditors attend meetings as invitees as and when required. The committee meets at least quarterly.

The roles and responsibilities of the finance, audit and risk sub-committee is to provide support to the Management Committee on good corporate governance and on the financial, audit and risk profile of the Association. In addition, the role of the committee is, inter alia, to review the effectiveness of the Association's systems of internal controls, including financial controls and business risk management, and to endeavour to ensure that effective internal control systems are maintained.

4.7.2 The Remuneration Sub-Committee

The Remuneration Sub-Committee comprises of three members of the Management Committee, and the CEO who meet at least twice a year. The roles and responsibilities of the Sub-Committee is to compile emolument proposals in accordance with the Associations agreed mandates, to review and recommend for approval applicable policies and procedures, approve the remuneration packages of key management, including incentives and it assists the Management Committee in fulfilling its corporate governance responsibilities with regard to remuneration.

4.8 Management Committee Meetings and Procedures

The Management Committee meets at least three times per year and its meetings are guided by formal agendas which are distributed to the Management Committee members prior to the meetings. The Office of the CEO assists the Chairman of the Management Committee and the Chairmen of the Sub-Committees with the drafting of the agendas and the taking minutes at these meetings.

4.9 Association Secretary.

There is no requirement that the Association must have a secretary, only a Chief Executive Officer. In order to assist the CEO he has appointed an appropriately qualified and experienced person to assist with the work of the Office of the Chief Executive Officer.

4.10 Management Committee Report

The Management Committee's report is included with in the annual financial statements at pages 24 to 47.

5. Annual Financial Statements for the year ended 30 June 2017.

6. Graph: Water Use Demand

7. Annexures

Annexure A1: Area of Operation

Annexure A2: Schematic Layout (Original Scheme)

Annexure A3: Schematic Layout (Southern Extension)

Annexure B1: Operational budget (Main Scheme)

Annexure B2: Operational budget (Southern Extension)

Annexure B3: Operational budget (Booysendal)

Annexure C: Statement of Comprehensive Income for the Business Plan

Annexure D: Organisational Structure

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 2017

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

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 2017

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Supplying raw water to surrounding mines and public entities
Management Committee	J.M. Bräsler D.W. Pelser J.A. Bierman V.C. Townsend
Business address	8 Charbury Road Lynnwood Manor 0081
Postal address	P.O. Box 2075 Polokwane 0700
Bankers	ABSA Bank Limited
Auditors	Diemont, Zimmerman & Bolink Chartered Accountants (S.A.) Registered Auditors
Preparer	The annual financial statements were independently compiled by: Y. Oerlemans CA(SA)

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 2017

Accounting Policies

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

Index		Page
Report of the Independent Auditors		3
Responsibilities and Approval of the Managen	nent Committee	5
Report of the Management Committee		6
Statement of Financial Position		7
Statement of Comprehensive Income		8
Statement of Changes in Equity		9
Statement of Cash Flows		10
Accounting Policies		11 - 13
Notes to the Annual Financial Statements		14 - 19
Detailed Statement of Comprehensive Income		20 - 23



Diemont, Zimmerman & Bolink

Geoktrooieerde Rekenmeesters (S.A.) Geregistreerde Ouditeure Chartered Accountants (S.A.) Registered Auditors 25 Watermelon St Platinum Park Bendor Polokwane Private Bag X7001 Bendor Park 0713 Tel: 015 297 2731 Fax: 086 605 9114 e-mail: dzb@dzb.co.za

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 2017, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the Financial Statements present fairly, in all material respects, the financial position of the Lebalelo Water User Association as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standard for Small and Medium-sized Entities, and the requirements of the National Water Act 36 of 1998 and the Companies Act 71 of 2008.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial statements of the current period. These matters were addressed in the context of our audit of the Financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have noted that the Minister of Water and Sanitation has, in terms of Government Gazette no 1340 of 28 October 2016 given a notice of intention to disestablish the Association and direct that the operations and functions of the Association be transferred to Lepelle Northern Water. At the date of this report the disestablishment date has not been set and thus the disestablishment has not impacted the going concern basis of accounting during the year under review.

Other that the afore going we have determined that there are no further key audit matters to communicate in our report.

Other information

The Management Committee is responsible for other information. The information comprises the Management Committee's Report as required by the National Water Act 36 of 1998 and the Companies Act 71 of 2008, which we obtained prior to the date of this report. Other information does not include the Financial Statements and our auditor's report thereon.

Our opinion on the Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fat. Wew have nothing to report in this regard.

Without qualifying our opinion, we draw attention to the fasoct that with the written consent of the management committee, we have performed certain accounting and secretarial duties.

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 2017

Independent Auditor's Report

Responsibilities of the Management Committee for the Financial Statement

The Management Committee is responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards for Small and Medium-sized Entities, and requirements of the National Water Act 36 of 1998 and the Companies Act 71 of 2008, and for such internal control as the Management Committee determine is necessary to enable the preparation of Financial Statements that are free from material misstatements, whether due to fraud or error.

In preparing the Financial Statements, the Management Committee is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Committee either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's' responsibility for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Fianancial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that include our opinion. Reasonable assurance is a high level of assurance, but is no guarantee that an audit conducted in accordance with International Standards of Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if,individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design
 and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one
 resulting from error, as fraud may involve collusion, forgery, intentional omissions, mis representations, or the override of
 internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate
 in the circumstances, but not the for the purpose of expressing an opinion on the effectivness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Committees.
- Conclude the approriateness of the Management Committee's use of the going concern basis of accounting ad based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We commuicate with the Management Committe regarding, amoung other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

13 October 2017 Polokwane

MANAGEMENT COMMITTEE'S RESPONSIBILITIES

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 2017

Responsibilities and Approval of the Management Committee

The Management Committee is required by the National Water Act 36 of 1998 and the Companies Act 71 of 2008, 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 2018 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 3 of the annual financial statements.

The annual financial statements, 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

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 2017

Report of the Management Committee

The Management Committee submits its report for the year ended 30 June 2017.

1. Review of activities

Main business and operations

The Association is engaged in terms of its water use license, in supplying raw water to surrounding mines and public entities, 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
J.M. Bräsler	Chairperson	1 July 2016 - 30 June 2017
D.W. Pelser	Vice Chairperson	1 July 2016 - 30 June 2017
J.A. Bierman	Chief Executive Officer	1 July 2016 - 30 June 2017
V.C. Townsend	Member	1 July 2016 - 30 June 2017
Vacant	Local Government	1 July 2016 - 30 June 2017

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 for the next financial year.

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 2017

Accounting Policies

Amount in Rands	Note(s)	2017	2016
Assets			
Non-current Assets			
Property, plant and equipment	2	325 362 951	319 247 566
Long term pre-payments	3	130 966 053	140 606 760
Other financial assets	4	138 010 472	117 940 693
		594 339 476	577 795 019
Current Assets			
Inventories	5	1 574 047	1 406 033
Other financial assets	4	41 586 043	58 728 999
Trade and other receivables	6	18 859 575	29 040 725
Cash and cash equivalents	7	13 022	14 902
		62 032 687	89 190 659
Total Assets		656 372 163	666 985 678
Equity and Liabilities			
Equity			
Reserves		397 327 896	397 327 896
Retained income		69 215 189	59 377 082
		466 543 085	456 704 978
Liabilities			
Non-current Liabilities			
Deferred income	8	114 588 762	123 576 116
Current Liabilities			
Trade and other payables	9	12 648 545	12 804 205
Deferred income	8	9 354 172	9 494 052
	10	53 237 599	64 406 327
ong term payables		75 240 316	86 704 584
Long term payables			
Long term payables Total Liabilities		189 829 078	210 280 700

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 2017

Accounting Policies

7.000041161119 1 0110100			
Amount in Rands	Note(s)	2017	2016
Revenue Cost of sales	11	67 742 176 (20 822 821)	61 776 482 (19 373 936)
Gross surplus		46 919 355	42 402 546
Other income Operating expenses		10 643 408 (57 126 896)	19 171 298 (72 723 693)
Operating surplus (deficit)		435 867	(11 149 849)
Investment revenue	13	9 402 240	8 300 186
Surplus (deficit) for the year		9 838 107	(2 849 663)
Other comprehensive income			tion sometis
Total comprehensive surplus (deficit) for the year		9 838 107	(2 849 663)
			The state of the s

STATEMENT OF CHANGES IN EQUITY

Lebalelo Water User Association

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

Annual Financial Statements for the year ended 30 June 2017

Statement of Changes in Equity

Statement of Shanges in Equity						
Amount in Rands	(2)25011	Capital Reserve	Retained Income	Total Equity		
Balance at 01 July 2015		397 327 896	62 226 745	459 554 641		
Changes in equity Surplus/(loss) for the year			(2 849 663)	(2 849 663)		
Total changes			(2 849 663)	(2 849 663)		
Balance at 01 July 2016		397 327 896	59 377 082	456 704 978		
Changes in equity Surplus for the year		maniques la	9 838 107	9 838 107		
Total changes		-	9 838 107	9 838 107		
Balance at 30 June 2017		397 327 896	69 215 189	466 543 085		
		A CONTRACTOR OF THE PARTY OF TH				

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 2017

Statement of Cash Flows

Amount in Rands	Note(s)	2017	2016
Cash flows from operating activities			
Cash receipts from customers Cash paid to suppliers and employees		77 155 942 (56 532 197)	47 847 048 (53 432 217)
Cash (used in) generated from operations nterest income	15	20 623 745 9 402 240	(5 585 169) 8 300 186
Net cash from operating activities		30 025 985	2 715 017
Cash flows from investing activities			
Additions to property, plant and equipment Disposals and profit of property, plant and equipment Movement in investments	2 2 + 15	(15 931 729) (585) (2 926 823)	(3 947 612) 92 105 (2 477 704)
Net cash from investing activities		(18 859 137)	(6 333 211)
Cash flows from financing activities			not. Of the delice
Movement in other liability mpairment of loan account		(11 168 728)	4 002 711 (386 666)
Net cash from financing activities		(11 168 728)	3 616 045
Total cash movement for the year Cash at the beginning of the year		(1 <mark>880)</mark> 14 902	(2 149) 17 051
Total cash at end of the year	7	13 022	14 902

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 2017

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.

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

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.

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 line item.

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 2017

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 lossses 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.

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 2017

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.

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 2017

Notes to the Annual Financial Statements

Amount in Rands

2. Property, plant and equipment

		2017		2016		ela éra desi
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Plant and equipment -						
Existing scheme	236 563 514	(53 731 860)	182 831 654	222 449 806	(49 178 973)	173 270 833
Furniture and fixtures	533 044	(433 731)	99 313	481 383	(393 830)	87 553
Motor vehicles	5 306 470	(4 701 960)	604 510	5 306 470	(4 085 705)	1 220 765
IT equipment	1 977 739	(1 576 437)	401 302	1 789 235	(1 472 637)	316 598
Tools and equipment Plant and equipment -	3 850 930	(2 885 984)	964 946	3 638 678	(2 812 456)	826 222
Southern Extension Plant and equipment -	170 761 900	(30 772 981)	139 988 919	170 163 912	(26 947 829)	143 216 083
Booysendal Platinum	530 949	(58 642)	472 307	343 512	(34 000)	309 512
Total	419 524 546	(94 161 595)	325 362 951	404 172 996	(84 925 430)	319 247 566
					· 	

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Plant and equipment - Existing scheme	173 270 833	14 119 628	(4 775)	(4 554 032)	182 831 654
Furniture and fixtures	87 553	52 406	(3)	(40 643)	99 313
Motor vehicles	1 220 765			(616 255)	604 510
IT equipment	316 598	287 365	(11)	(202 650)	401 302
Tools and equipment	826 222	677 349	(184 994)	(353 631)	964 946
Plant and equipment - Southern Extension	143 216 083	607 461	(2 181)	(3 832 444)	139 988 919
Plant and equipment - Booysendal Platinum	309 512	187 520		(24 725)	472 307
	319 247 566	15 931 729	(191 964)	(9 624 380)	325 362 951

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 - Booysendal Platinum	334 805	STATES CONTRACTOR		(25 293)	309 512
	325 720 384	3 947 612	(818 354)	(9 602 076)	319 247 566

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 2017

Notes to the Annual Financial Statements

Amount in Rands

3. Long term pre-payments

	2017		2016		
		Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
7 000 000	(7 000 000)		7 000 000	(7 000 000)	-
860 000		860 000	860 000	o heavy lossels	860 000
11 102 342	(5 820 249)	5 282 093	11 102 342	(5 292 039)	5 810 303
3 168 837	(1 907 827)	1 261 010	3 168 837	(1 781 726)	1 387 111
224 730 097	(101 167 147)	123 562 950	224 730 097	(92 180 751)	132 549 346
246 861 276	(115 895 223)	130 966 053	246 861 276	(106 254 516)	140 606 760
	7 000 000 860 000 11 102 342 3 168 837 224 730 097	Cost / Valuation Accumulated amortisation 7 000 000 (7 000 000) 860 000 - 11 102 342 (5 820 249) 3 168 837 (1 907 827) 224 730 097 (101 167 147)	Cost / Valuation Accumulated amortisation Carrying value 7 000 000 (7 000 000) 860 000 - 860 000 - 860 000 11 102 342 (5 820 249) 3 168 837 (1 907 827) 5 282 093 1 261 010 224 730 097 (101 167 147) 123 562 950	Cost / Valuation Accumulated amortisation Carrying value Cost / Valuation 7 000 000 (7 000 000) 860 000 - 860 000 7 000 000 860 000 11 102 342 (5 820 249) 5 282 093 11 102 342 3 168 837 (1 907 827) 1 261 010 3 168 837 3 168 837 (101 167 147) 123 562 950 224 730 097	Cost / Valuation Accumulated amortisation Carrying value Cost / Valuation Accumulated amortisation 7 000 000 (7 000 000) 860 000 860 000 - 860 000 860 000 7 000 000 (7 000 000) 860 000 - 11 102 342 (5 820 249) 5 282 093 11 102 342 (5 292 039) 3 168 837 (1 907 827) 1 261 010 3 168 837 (1 781 726) 224 730 097 (101 167 147) 123 562 950 224 730 097 (92 180 751)

Reconciliation of long term pre-payments - 2017

	balance		
Servitudes	860 000		860 000
Capital Costs - ESKOM Powerline	5 810 303	(528 210)	5 282 093
ESKOM POD Cost	1 387 111	(126 101)	1 261 010
Exemption from Water Resource Development Charge as per clause 7.2			
(refer to note 8)	132 549 346	(8 986 396)	123 562 950
	140 606 760	(9 640 707)	130 966 053

Reconciliation of long term pre-payments - 2016

	balance		
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

Opening Amortisation

Opening Amortisation

Total

Total

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 2017

Notes to the Annual Financial Statements

Amount in Rands	2017	2016
4. Other financial assets	Will control	ne pried pared
At amortised cost		
Longterm investment (Fixed deposits) - ABSA Interest rates ranging from 7.24% to 7.85% (2016: 6.63% to 7.84%) per annum	154 506 415	150 841 449
Replacement fund - ABSA 40 6069 7124 Interest rates ranging from 5.25% to 6.50% (2016: 5.25% to 6.50%) per annum		5 743 985
Longterm investment (Fixed deposits) - ABSA - ESKOM Guarantees nterest rates ranging from 7.81% to 8.50% (2016: 7.35% to 8.50%) per annum	2 431 529	2 357 228
Call / Sweeping account - ABSA 40 5578 3249 nterest rates ranging from 5.00% to 6.85% (2016: 3.75% to 5.00%) per annum	6 372 528	2 263 544
Depositor Plus - ABSA 92 8467 3157 nterest rates ranging from 5.60% to 7.13% (2016: 4.17% to 5.60%) per annum	16 286 043	3 896 698
Depositor Plus - ABSA 92 8467 3335 (Mokgalakwena Regional Raw Water Scheme) nterest rates ranging from 5.60% to 7.13% (2016: 5.00% to 5.60%) per annum		11 566 788
	179 596 515	176 669 692
Non-current assets At amortised cost	138 010 472	117 940 693
Current assets At amortised cost	41 586 043	58 728 999
Refer to note 10	179 596 515	176 669 692
5. Inventories		
Consumable stock	1 574 047	1 406 033
6. Trade and other receivables		
Frade receivables Deposits //AT nsurance claim Sundry debtors	8 411 144 29 980 1 240 358 - 9 178 093	17 334 406 29 980 2 218 424 279 822 9 178 093
	18 859 575	29 040 725
7. Cash and cash equivalents		PRO TOTAL
Cash and cash equivalents consist of:		
Cash on hand Bank balances	3 022 10 000	4 902 10 000
	13 022	14 902

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 2017

Notes to the Annual Financial Statements

Amount in Rands	2017	2016
8. Deferred income	restleten.	in entire in
Non-current liabilities Current liabilities	114 588 762 9 354 172	123 576 116 9 494 052
	123 942 934	133 070 168

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. Trade and other payables

9. Trade and other payables		
Trade payables Other payables	1 846 511 10 802 034	2 728 019 10 076 186
	12 648 545	12 804 205
10. Long term payables		
Other long-term payables due to members - Southern Extension Other long-term payables due to members -	24 900 954	28 463 381
Mogalakwena Regional Raw Water Scheme	28 336 645	35 942 946
	53 237 599	64 406 327
11. Revenue		
Variable operating costs	25 615 539	26 520 724
Fixed operating costs	42 126 637	35 255 758
	67 742 176	61 776 482
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 Amortisation on intangible assets Depreciation on property, plant and equipment	(192 549) 9 640 706 9 624 378	(726 249) 18 575 305 9 602 146
Employee costs	15 756 445	13 241 560
	34 828 980	40 692 762
13. Investment revenue		
Interest revenue		
Bank	312 689	184 482
Interest charged on trade and other receivables Other interest	707 225 8 382 326	562 084 7 553 620
Suld morse.	9 402 240	8 300 186

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 2017

Notes to the Annual Financial Statements

Amount in Rands	2017	2016
14. Auditors' remuneration		m reinkati
Fees	144 720	137 400
15. Cash (used in) generated from operations		
Surplus	9 838 107	(2 849 663)
Adjustments for:		
Depreciation and amortisation Loss / (profit) on sale of assets Interest received	19 265 087 192 549 (9 402 240)	28 564 117 726 249 (8 300 186)
Changes in working capital:		
Inventories Trade and other receivables Trade and other payables Deferred income	(168 014) 10 181 150 (155 660) (9 127 234)	(297 307) (13 929 508) 8 765 166 (18 264 040)
	20 623 745	(5 585 169)

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.

The Department of Water and Sanitation issued the Association with an account statement showing an amount of R152 274 251 due by the Association. The basis of the calculation, assumptions used and invoices issued is currently the subject of a joint review process by the Department and the Association. The Association is confident that the amount claimed will be reversed by the Department of Water and Sanitation.

17. 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).

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 2017

Notes to the Annual Financial Statements

18. 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 undisclosed cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	12 662 580			and the first of
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	12 804 205		-	- Incomply the

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.

During the period under review the Association registered a claim in term of money owing through a business rescue process. This amount has been settled after close of the Association's financial year.

Detailed Statement of Comprehensive Income for the year ended 30 June 2017

No	tes 2017 R	2017 R	2017 R	2017 R	2017 R
	Havercroft to Maandagshoek	Southern Extension	Booysendal Platinum	Other	Total
Gross Revenue	53 981 239	8 716 656	5 044 279	a delta	67 742 176
Fixed operating costs Fixed electricity Variable electricity Raw water Water research fund Potable water supply	28 933 596 2 652 315 6 940 552 14 924 795 282 303 247 678	5 500 929 500 942 2 714 785	4 004 544 286 632 753 103	-	38 439 069 3 439 889 10 408 442 14 924 795 282 303 247 678
Cost of sales	16 067 109	3 636 570	1 119 141		20 822 821
Fixed electricity Variable electricity Raw water Water research fund Potable water supply	2 575 296 10 132 755 2 750 278 373 259 235 521	518 191 3 118 379 - -	279 936 839 205 - -	-	3 373 423 14 090 339 2 750 278 373 259 235 521
Gross surplus Other income	37 914 130	5 080 086	3 925 138	20 045 648	46 919 355 20 045 648
Profit on disposal of fixed assets Interest received Discount received Rent received Amortisation-deferred income				1 538 554 9 402 240 500 117 000 8 987 354	1 538 554 9 402 240 500 117 000 8 987 354
Total income	37 914 130	5 080 086	3 925 138	20 045 648	66 965 002
Fixed operating expenses (Refer to next page)	42 766 928	4 927 831	445 741	8 986 396	57 126 896
Retained surplus/(deficit) for the year Transfer of interest to non-distributable reserve	(4 852 799)	152 255	3 479 397	11 059 252	9 838 107
Accumulated surplus/(deficit) at the beginning of year	(7 485 500)	477 156	6 463 529	59 921 897	59 377 082
Accumulated surplus/(deficit) at the end of the year	(12 338 299)	629 411	9 942 926	70 981 148	69 215 189

Detailed Statement of Comprehensive Income

for the year ended 30 June 2017

	Notes	2017 R	2017 R	2017 R	2017 R	2017 R
		Havercroft to Maandagshoek	Southern Extension	Booysendal Platinum	Other	Total
Fixed operating costs		42 766 928	4 927 831	445 741	8 986 396	57 126 896
Administrative expenses		3 801 363	185 253	48 061		4 034 677
Consultant fees		3 707 604		47 333-		3 707 604
Depreciation		5 767 210	3 832 444	24 725	-	9 624 379
Amortisation		654 310		0 T T T	8 986 396	9 640 707
Disestablishment - consultants		4 199 024				4 199 024
Personnel costs		15 744 389	distant of		-	15 744 389
Loss on disposal of assets		192 549			-	192 549
Transport		473 745	- describer			473 745
Security and safety		3 290 556	440 956	221 696	1	3 953 208
Software development and training		20 500	Linear branch	-		20 500
Social Development		267 310				267 310
MAINTENANCE						
Abnormal maintenance		2 908 550	98 498	5 661		3 012 710
Access roads		1 017			-	1 017
Air conditioners		3 355		-	-	3 355
Civil		43 255	4 819	370	*	48 444
Cleaning		21 411	6 052	3 061	News book and	30 523
Cranes		66 981	18 104		-	85 085
Dams (Silt removing)		-	260			260
Electrical		362 139	62 752	15 486	*	440 376
Environment		99 090	6 653	3 000	threat name	108 743
Fabrication		46 086	12 481	397		58 965
Gardens and irrigation		44 432	2 000	-	-	46 432
Herbicide		75 210	39 472	12 145		126 827
Instrumentation		160 455	36 212	16 274	-	212 940
Lubricants and workshop consumal	oles	37 509	20 099	479		58 087
Mechanical		131 134	4 465	14 247		149 847
Offices and workshop			-		picture le	
Pest control		365 520	47 302	9 194		422 016
Pipe lines		139 670	40 818	13 425		193 913
Personnel housing		11 550	282			11 832
Plant hire				7 975		7 975
Safety ropes		910	476, 775			910
Telemetry		32 987	59 419	48 951		141 356
Tools and equipment		60 818	5 820		I delay to the	66 637
Water quality (purification)		36 290	3 671	593		40 554

Detailed Statement of Comprehensive Income

for the year ended 30 June 2017

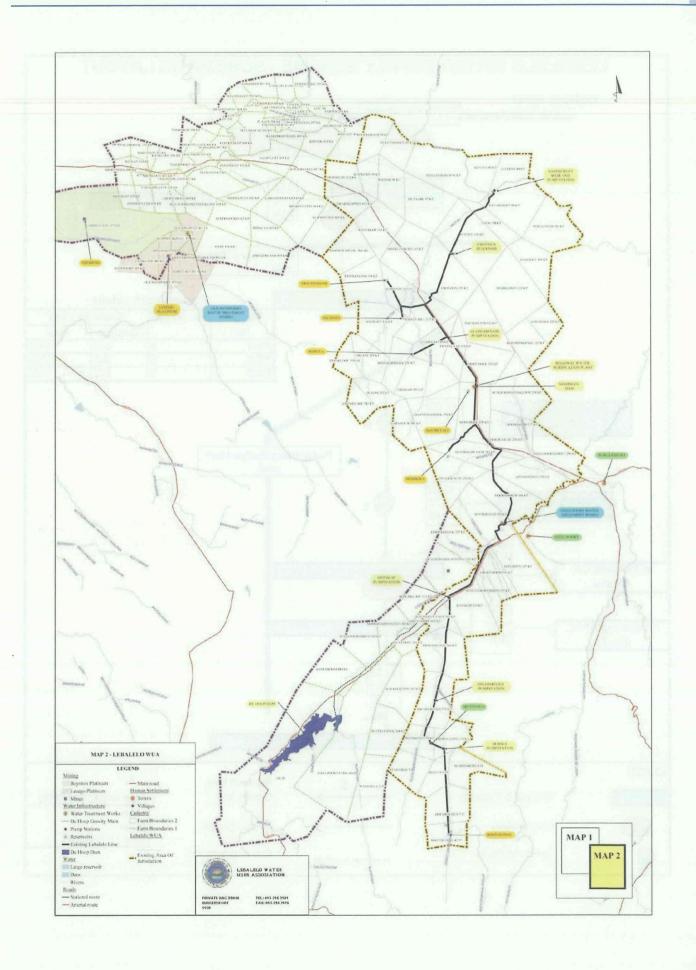
	Notes	2016 R	2016 R	2016 R	2016 R	2016 R
		Havercroft to Maandagshoek	Southern Extension	Booysendal Platinum	Other	Total
Gross Revenue		50 724 790	7 797 451	3 254 241	alau-p	61 776 482
Fixed operating costs		23 955 680	5 201 051	2 613 787	B. 55	31 770 518
Fixed electricity		2 439 633	505 339	237 611	-	3 182 584
Variable electricity		7 227 883	2 091 061	402 843	-	9 721 786
Raw water		16 484 957		-	-	16 484 957
Water research fund		313 981	-	-		313 981
Maintenance					-	- 41: 100 - 50 C
Potable water supply		302 656		-		302 656
Cost of sales		16 019 637	2 644 607	709 692		19 373 936
Fixed electricity		2 413 394	482 160	262 346	States and	3 157 900
Variable electricity		9 747 943	2 162 447	447 346	2-4	12 357 736
Raw water		2 624 679	-	-	-	2 624 679
Water research fund		400 606	-	- 1	-	400 606
Potable water supply		833 015	200	-	C105-78	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		- C-3 -	16325 -3	-	1 180 953	1 180 953
Interest received		101 B	1-12-21	-	8 300 186	8 300 186
Discount received				-	-	
Rent received			della disso.	-	66 500	66 500
Amortisation-deferred income			10.16	-	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 next page)		49 142 156	5 054 508	606 034	17 920 995	72 723 693
Retained surplus/(deficit)						
for the year Transfer of interest to		(14 437 003)	98 335	1 938 515	9 550 490	(2 849 663)
non-distributable reserve Accumulated surplus/(deficit)			SAR IV		i i	A COLUMN TO S
at the beginning of year		6 951 504	378 821	4 525 014	50 371 407	62 226 745
Accumulated surplus/(deficit)			41.5 St		Hank	
at the end of the year		(7 485 499)	477 156	6 463 529	59 921 897	59 377 082

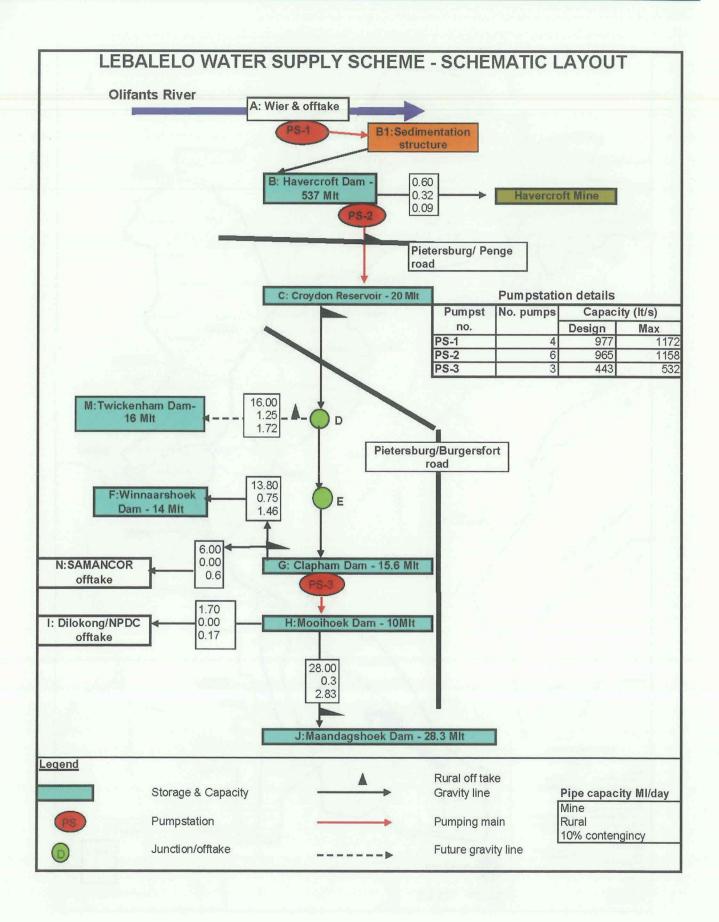
Detailed Statement of Comprehensive Income

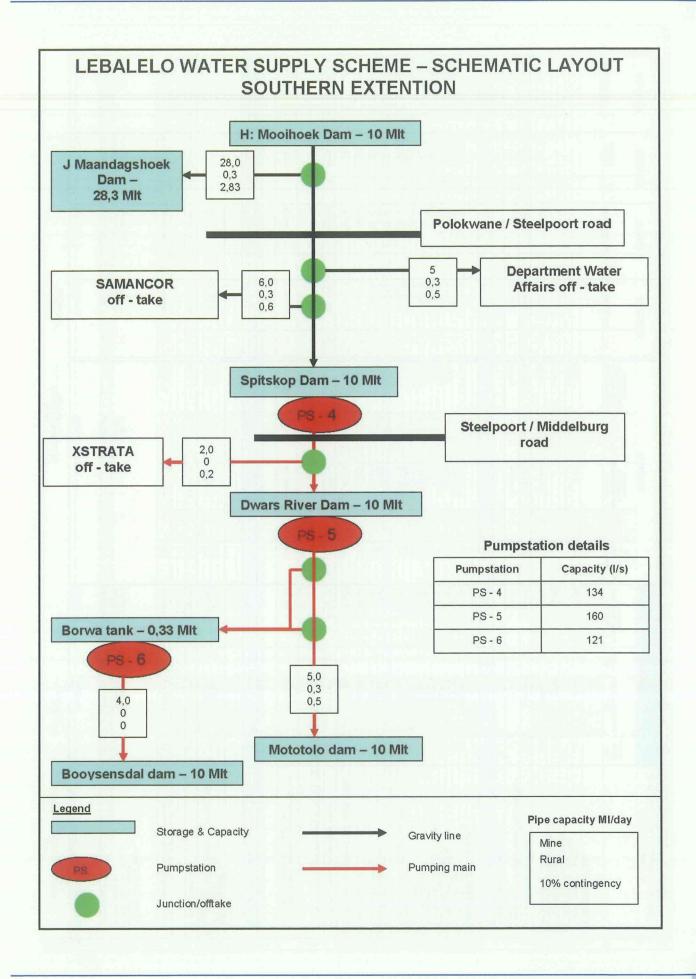
for the year ended 30 June 2017

Notes	2016 R	2016 R	2016 R	2016 R	2016 R
	Havercroft to Maandagshoek	Southern Extension	Booysendal 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	11.	-	17 920 995	18 575 305
Disestablishment - consultants	3 557 307		-	-	3 557 307
Personnel costs	13 241 559	7.5	Fall Hall		13 241 559
Loss on disposal of assets	726 249				726 249
Software development and training	23 774				23 774
Transport	680 894			Total Control	680 894
Security and safety	2 238 409	447 605	225 911		2 911 925
MAINTENANCE					
Abnormal maintenance	12 397 892	316 202	44 002		12 758 096
Access roads	10 209	THUS TO SE		Billion in a l	10 209
Air conditioners	9 920	1 848		- 1	11 768
Cathodic protection					
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	245 061	-	649 758
Environment	71 285	13 100	6 550	1317/12/2	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	-1	391 773
Lubricants and workshop consumables	46 105	11 651	386		58 142
Mechanical	249 170	1 916		are most of	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	1			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









MAANDAGSHOEK		2016	2016/2017				2017/2018	18		20	2018/2019	201	2019/2020	2020	2020/2021	202	2021/2022
	Approv Budget R/m³	APPROVED BUDGET 16/17	Actual R/m²	FORECAST EXPENDITURE AS AT 30.06.17	Unit Cost approved Budget 17/18 R/m³	Unit Cost revised Budget 17/18 R/m²	Approved Budget 17/18 (with prior budget approval)	REVISED BUDGET 17/18	INCREASE (DECREASE) year on year (June 17 Actual vs June 18)	Budget R/m²	REVISED BUDGET	Budget R/m³ R	REVISED BUDGET	Budget R/m³	REVISED	Budget R/m³ RE	REVISED BUDGET
WORKING CAPITAL									ł				ipi				
1 STORES (Emergency Spares) 2 UPGRADING INFRASTRUCTURE	0.01	38 000	0.01	38 000	10'0	0.04	41 800	272 800	-38 000						1.		
FICE & COMPUTER EQUIPMENT	0.00	35,000	000	. 36 000		. 0000		, 000 2.1	001.01								
HICLES & MOBILE EQUIPMENT				000 00		00'0		2006 61	-19 100							1	1
TORBISHMENT ASSETS	0,29	1 803 200	0.24	1 803 200	0,32	0.28	2 112 890	1 973 200	170 000	0,18	1 629 180	0.21	2 235 875	0,17	2 041 252	0.2	2 710 002
SUB TOTAL: WORKING CAPITAL	0,30	1 876 200	0,25	1 876 200	0,33	0,32	2 154 690	2.261.900	385 700	0.18	1 629 180	0,21	2 235 875	0,17	2 041 252	61'0	2 710 002
FINANCED OUT OF REPLACEMENT & REFUBISHMENT FUND	-0,30	-1 876 200	-0,25	-1 876 200	-0,33	-0,32	-2 154 690	-2 261 900	-385 700	-0.18	-1 629 180	-0,21	-2 235 875	-0.17	-2 041 252	-0.19	-2 710 002
A SUB TOTAL: WORKING CAPITAL		1				,						ŀ				+	
Water Requirements in m³ (Forecast/month) through H/croft & Weir Pump Station	Weir Pump	6 191 942		7 584 299			6 582 872	7 172 341	589 469		9 281 338		10 713 520		11 748 086		14 481 756
												ı				ı	
FIXED OPERATIONAL COSTS PERSONNEL COSTS	3,00	18 601 565	2,36	17 742 736	2,97	2.88	19 573 622	20 633 855	2 891 119	2.36	21 873 143	2,21	23 665 578	2.16	25 421 735	1,90	27 498 545
CONSULTANT FEES COMMUNITY WATER SUPPLY	0,02	150 000	0,09	650 000	-0.19	0.26	-1 235 000	1 850 146	30.216	0.02	150 000	0,02	162 000	0,01	162 000	0.01	162 00
MINISTRATIVE EXPENSES	0,58	3 581 705	0.45	3 359 084	0.59	0.53	3 906 121	3 803 788	444 704	0.44	4 107 014	0,41	4 434 552	0.41	4 788 354	0.36	5 170 52
TRANSPORT	0,12	721 880	90'0	629 310	0,01	0.10	794 354	730 280	100 970	0.08	788 702	0.08	851 799	0.01	919 942	0.01	125 08
SECURITY & SAFETY MAINTENANCE	0,43	2 679 359	0.47	3 540 755	0.47	0.53	3 088 819	3 788 329	247 574	0,43	4 010 566	0,41	4 414 098	0.32	3 804 605	0.36	5 151 82
DEPRECIATION (GAAP) FIXED ELECTRICITY COSTS per Pump Station	0,76	4 725 778	0.63	4 725 778	0,70	0.68	4 587 368	4 867 551	141 773	0.55	5 110 929	0.50	5 366 475	0.48	5 634 799	0.41	5 916 539
er losses in m³		. 256 569		232.380			ATT 800	100 000	404 774		000 001		000 000		000 000		
Raw Water Cost of Water losses Electricity costs of water	0,01	55 911	0.01	68 551	0,01	0.01	342 430	37 898	-30 653	000	33 366	0.00	35 368	0,00	37 479	0000	39 740
FIXED WATER COSTS	00'0	537 395	0.08	575 890	0.00	0.08	569 715	603 217	27 327	90'0	\$12.695	0.06	626 687	90.0	689 356	900	196 854
MATTER ACCOUNTAGE OF THE PARTY	20.0	000		0.000													
TER USER ASSOCIATIONS(Loskop, Oirants, Elands)	0,05	284 478	90'0	370 776	0.02	0.05	197 358	385 607	14 831	0.02	197 358	0.02	217 094	0,02	238 803	0,02	262 68
B SUB TOTAL: FIXED OPERATIONAL COSTS	5,90	36 549 367	4,89	36 723 390	5,66	5,88	37 287 127	42 156 280	4 232 744	4,65	43 131 793	4,35	46 654 560	4,20	49 302 529	3,75	54 252 538
Increase % year on year(Forecast 2015/2016) - Fixed operational costs	ed operatio	nal costs						14,79%			2,31%		8,17%		5,68%		10,049
ess Depreciation (not recouped from members)		-4 725 778	-0.70	4725778	-0,70	-0.68	-4 587 368	-4 867 551	-280 183	-1-	-5 110 929	-	-5 366 475	0-	-5 634 799	0-	-5 916 539
TOTAL OPERATIONAL BUDGET (Fixed Cost)(A+B) less surplus brought forward from previous year	5,14	31 823 589	4.20	31 997 612	4,97	5,20	32 699 759	37 288 728	3 952 560	4,10	38 020 864	3,85	41 288 084	3,72	43 667 730	3,34	48 335 999
1 13																	
ter requirements in m. ("Crecasomond") mough Hidrott & Weir Fumb arease % year on year. Water Forecast 17/18 vs Actual water usage	vater usage	16/17		7 564 239			6 582 872	5.90%	589 469		9 281 338	1	10 713 520	1	11 748 066	1	14 481 75
ter Requirements in m² (Forecast/month) through Clapham Pump Statio	Pump Station	4 480 090		5 361 127			4 863 130	5 570 289	707 159		6 679 286		7 595 968		8 630 514		10 962 70
VARIABLE COSTS											-	1		1		1	
VARIABLE COSTS																	
TOTAL RAW WATER COST ELECTRICITY COST ACCORDING TO DEMAND (Energy Cos	1.50	2 027 826	0.30	2 245 138	0,34	0,38	2 231 128	2.715.951	470 813	0,40	3 708 498	0.43	22 376 874	0,46	5 458 112	0,50	7 257 889
CIAL PLAN						,				,		,					1
C Total Variable Cost	1,82	10 420 838	1,89	12 388 185	2,11	2.05	13 919 112	14 044 622	1 617 768	2,26	20 955 582	2,52	26 993 999	2,81	32 995 498	3,14	45 454 493
A+B+C Total O & M Budget (Fixed & Variable)	96'9	42 244 427	60'9	44 385 797	7,08	7,25	46 618 871	51 333 350	5 570 328	6.35	58 976 446	6.37	68 282 083	6,53	76 663 228	6,48	93 790 492
			-0,00							,		,					ľ
COST PER CUBIC METER: Havescroft to Modikwa Flade Operating Cost por m³ Variable Cost por m³	5.14	31 823 589 10 420 838	4,20	31 997 612 12 388 185		5,20		37 288 728 14 044 622		4,65	38 020 864 20 955 582	4,35	41 288 084 26 993 999	4.20	43 667 730 32 995 498	3,75	48 335 999
Total costs per m³	96'9	42 244 427	60'9	44 385 797		7,25		51 333 350		6,35	58 976 446	6,37	68 282 083		76 663 228	6,48	93 790 492
SCHEME CAPACITY in m³		28 004 802		28 004 802				28 004 802			28 004 802		28 004 802		28 004 802		28 004 802
ed Costs cost per m' based on scheme capacity		1,14		1,14	-	-	-	1,33			1.36		1.47		1,56		1.7

Page	SOUTHERN EXTENSION -SUMMARY		2016/2017	/2017				2017/2018	TINE STATE		50.	2018/2019	201	2019/2020	20	2020/2021	202	2021/2022
		Approve Budget R/m²	APPROVED BUDGET	Actual R/m²	FORECAST EXPENDITURE AS AT 30.06.17	Unit Cost approved Budget 17/18 R/m²	Unit Cost revised Budget 17/18 R/m²	Approved Budget 17/18 (with prior budget approval)	REVISED BUDGET 17/18	INCREASE (DECREASE) year on year (June 17 Actual vs June 18)	Budget R/m³	REVISED BUDGET	Budget R/m³	REVISED BUDGET	Budget R/m³	REVISED BUDGET	Budget R/m²	REVISED BUDGET
SE/A	WORKING CAPITAL																	
-	STORES	0.03	77 500	0,02	77 500	00'0		11 000	*	-77 500								
01.	UPGRADING INFRASTRUCTURE			i	,		20'0	1	259 000	259 000	,							
4 4	4 TOOLS AND EQUIPMENT	00'0	10 000	00'0	10 000		1		,	-10 000	1		1		!		ů.	
0	STREPLACEMENTS OUT OF METUNBISHMENT FUND SUB TOTAL: WORKING CAPITAL	0,03	87 500	0,03	87 500	00'0	70'0	11 000	259 000	171 500			1					
	FINANCED OUT OF REPLACEMENT AND REFURBISHMENT FUND	-0,03	-87 500	-0,03	-87 500	00'0-	70,0-	-11 000	-259 000	-171 500								
	A SUB TOTAL: WORKING CAPITAL								•									
SE/B	FIXED OPERATIONAL COSTS																	
21	ADMINISTRATIVE EXPENSES	90'0	147 674	90'0	162 078	0,04	0,05	147 720	179 673	17 595	0.05	197 641	0.05	217 405	0,04	239 145	0.04	263 060
22	SECURITY & SAFETY	0,19	509 879	0.13	448 692		0,13	511344	505 472	56 780	0,14	556 019	0,14	611 621	0.12	672 783		740 061
23	MAINTENANCE	0.20	521 000		529 873	0,17	0,20	588 150	748 568	218 695	0,20	819 183	0.20	880 955	81,0	961 024		1 033 629
25	FIXED ELECTRICITY COSTS-Cathodic Protection	0.01		100	32 580		0.01	33 965	13 297	144 980	0.01	37 522	0.00	2 000 249	100	3 880 261	0.00	53 697
	SUB TOTAL: FIXED OPERATIONAL COSTS excl Electrical costs	2,06	10		5 656 548		1,62	5 648 179	6 095 315	438 767	1,65	6 701 500	1,68	7 352 514	1,44	7 800 863		8 264 721
25	FIXED ELECTRICITY COSTS (Mototolo & Booysensdal)	0,21	500 942	71.0	498 664	0,18	0,18	535 501	520 997	22 313	0,18	591 068	0.19	966 199	0,16	737 836	0.13	807 661
	B SUB TOTAL: FIXED OPERATIONAL COSTS	2,27	6 001 871	1,81	6 155 232	1,84	1,80	6 183 680	6 616 312	461 080	1,83	7 292 568	1,86	8 014 510	1,60	8 538 700	1,28	9 072 382
	Increase % year on year on total costs for Mototolo and Booysendal	ooysendal							7,49%	JE L		10,22%		%06'6		6,54%		6,25%
	TOTAL OPERATIONAL BUDGET (Fixed Cost)(A+B)	2,27	6 001 871	1,81	6 155 232	1,84	1,80	6 183 680	6 616 312	461 079,73	1,83	7 292 568	1.86	8 014 510	1,60	8 538 700	1,28	9 072 382
-	Water Demand in m" (Forecast/month)				3 432 198			3 384 351	3 753 341	368 990		4 062 338		4 379 020		5 413 566		7.145
	Water requirements in m³ -Mototolo,Booysendal & Giencore		2 384 195		2 995 652			3 050 576	2 955 304	-104 272		3 264 303		3 573 569		4 608 115		6 340
3/33	Water requirements in m*-Booysendal Mine only		096 969		582.744			1 272 342	798 037	474 305		798 037		805 451		805 451		808
30,	ELECTRICITY COSTS According to Demand (Energy Cost)	1,34	3 201 737	1,07	3219514	0,74	1,23	2 258 169	3 632 120	412 606	1,38	4 520 991	1,56	5 577 389	1,76	8 104 710	1,98	12 566 366
	C Total Variable Cost	1,34	3 201 737	1,07	3 2 19 5 14	0,74	1,23	2 258 169	3 632 120	412 606	1.38	4 520 991	1,56	5 577 389	1,76	8 104 710	1,98	12 566 366
-	A+B+C Total O & M Budget (Fixed & Variable)	3,51	9 203 608	2,89	9 374 746	2,58	3,03	8 441 849	10 248 432	873 686	3,22	11 813 559	3,43	13 591 899	3.36	16 643 410	3.27	21 638 747
	COST PER CUBIC METER:						,	,										
	Southern Extension Costs, Fixed Operating Cost per m ¹ Variable Cost per m ²	1.34	6 001 871	1.81	6 155 232 3 219 514		1.80		6 616 312 3 632 120		1,38	7 292 568		8 014 510 5 577 389		8 538 700	198	9 072 382
	lotal costs per m*	3,61	9 203 608	2.89	9 374 746		3.03	-	10 248 432	-	3,22	11 813 559	3,43	13 591 899	3,36	16 643 410	3,27	21 638
	Interestration transmission of the properties of the properties of the my Variable Cost per m² Variable Cost per m² Total costs per m² Total costs per m²	5,14	31 823 589 10 420 838 42 244 427	4,20	31 997 612 12 388 185 44 385 797		5,16 2,05 7,21		37 291 030 14 161 369 51 452 399		4,07 2,26 6,33	38 023 166 21 089 044 59 112 210	3,83	41 290 386 27 142 410 68 432 796	3,70 2,81 6,51	43 670 032 33 160 585 76 830 617	3,32	48 338 300 45 638 185 93 976 486
	TOTAL COST PER M	10.58			53 760 543		10,24		61 700 830		9,55	70 925 769	82.6	82 024 695	9,87	93 474 026	9,73	115 615 233
•	APPROVED: JM BRASLER		28 Jt						J A BIERMAN	ERMAN		28 June 2017						
•		1		.0														

Page	NORTHAM PLATINUM -SUMMARY		2016/2017	017				2017/2018	88		20	2018/2019	72	2019/2020		2020/2021		2021/2022	~
		Approve Budget R/m²	APPROVED BUDGET	Actual R/m²	FORECAST EXPENDITURE AS AT 100.08.17	F Unit Cost approved Budget 17/18 R/m²	Unit Cost revised Budget 17/18 R/m²	Approved Budget 17/18 (with prior budget approval)	REVISED BUDGET	INCREASE (DECREASE) year on year (June 17 Actual vs June 18)	Budget R/m²	REVISED BUDGET	Budget R/m³	REVISED BUDGET	Budget R/m²	REVISED BUDGET	3ET Budget R/m²	الله REVISED BUDGET	BUDGE
NP/A	WORKING CAPITAL	H																	
-	STORES	0,03	16 500	0,03	16 500	80'0	0,10	98 150	81 500	92 000	0.02	18 150	0.12	94 715	5 0,03			0.14	113 858
77	UPGRADING INFRASTRUCTURE				,		0.08		62 000	62 000				1	60'0		71 300		
2	IOOLS AND EQUIPMENT						1				,		1	,	1				
4	4 REPLACEMENTS OUT OF REFURBISHMENT FUND						•		,	•									
	SUB TOTAL: WORKING CAPITAL	0,03	16 500	0,03	16 500	80'0	0,18	98 150	143 500	127 000	0.02	18 150	0,12	94 715	5 0,12		93 262 0.	0,14	113 858
	FINANCED OUT OF REPLACEMENT AND REFURBISHMENT FUND		i					-98 150	-143 500	-127 000		-18 150,00		-94 715,00	00	-93 261,50	1,50		-113 857,65
	A SUB TOTAL: WORKING CAPITAL	0,03	16 500	0.03	16 500	80'0	0,18	•	•		0,02	•	0,12	•	0,1	0,12	.0	0,14	
P/B	NP/B FIXED OPERATIONAL COSTS																		
214	ADMINISTRATIVE EXPENSES	09'0		0.16	96 122		0,33	158 400	264 000		0,36	285 120	0.39		12 0,43			0,47	379 495
2 2	SECURITY & SAFETY	0,40	241 224	0,40	233 006		3	259 062	265 821	32.815	0,36	287 507						0,45	36
2 42	DEPRECIATION (GAAP)	3,32		0.00	24 365	2.05	0.03	2 608 995	24 366	101 090	0,03	25 584	0.03	26 864	64 0.04			0.04	29 617
25	FIXED ELECTRICITY COSTS	0,48		05.0	291 065		0,37	285 134	168 867	7 829	0.42	339 093						0,58	463 352
	B SUB TOTAL: FIXED OPERATIONAL COSTS	5,14		1,95	1 143 386		1,50	3 700 766	1 200 010	56 624	1,76	1 407 171	1,78			1,93 1 554 898		2,11	1 702 417
-	increase % year on year								4,95%			17,26%		1,709	9%	8,65	9950		9,49%
_	TOTAL OPERATIONAL BUDGET (Fixed Cost)(A+B)	5,17	3 084 175	1,98	1 159 886	2,91	1,50	3 700 766	1 200 010	56 624	1,76	1 407 171	1,78	1 431 047		1,93 1 554 898		2,11	1 702 417
-	Water requirements in m" (Forecast/month)		296 960		586 625			1 272 342	798 037	424.305		798 037		805 45	-	808	451		80
	VARIABLE COSTS			I															
99	ELECTRICITY COSTS According to Demand (Energy Cost)	1,28	762 544	1,47	862 815	1,23	1,56	1 559 969	1.241.571	378 756	1.79	1 427 806	2,06	1 657 231	11 2.	37 1 905 816	816 2,	77.	2 191 689
	C Total Variable Cost	1,28	762 544	1,47	862 815	1,23	1,56	696 655 1	1241571	378 756	1,79	1 427 806	2,06	1 657 231		2,37 1 905 816		21,2	2 191 689
	A+B+C Total O & M Budget (Fixed & Variable)	6,44	3 846 719	3,45	2 022 701	4,13	3,06	5 260 735	2.441.581	435 380	3,55	2 834 977	3,83	3 088 279		3 460 714		4.83	3 894 106
9	COST PER CUBIC METER: NORTHAM PLATINUM																		
	Northam Platinum Fixed Operating Cost per m³	5.17		1.98	1 159 886		1.50		1 200 010		1.76	1407 171						=	1 702 417
- 1	Variable Cost per m³	1,28		1,47	862 815		1,56	N. C.	1241571		1,79	1 427 806						2,72	2 191 689
n.	Total costs per m³	6,44	3 846 719	3,45	2 022 701		3,06		2 441 581		3,55	2 834 977	3,83	3 088 279	79 4,30	3 460 714		4,83	3 894 106
-	Southern Extension Costs. Fixed Operating Cost per m ¹	227	6 001 871	18.1	6 155 232		1,80		6 616 312		1.83	7 292 568	1,86			1,60 8 538 700		1.28	9 072 382
- 10-	Variable Cost per m³	13.61	3 201 737	1,07	3 219 514		1.23		3 632 120		1.38	4 520 991		13 591 899					12 566 366
	Havercroft to Modikwa Costs.	113		420			\$ 16		37 294 030		4.07	38 023 166							48 338 300
	Variable Cost per m³ Tutal costs per m³	787	10 420 838	1.89			2,05		14 161 369		226	21 089 044	25.2					3.14	45 638 185
	III nod once on the	0.00	71. 2.7 7.	n'in	1000 11		100	10100 011110000000000000000000000000000	000 404 10		200								
	TOTAL COST PER M*	17,02	55 294 754	12,43	55 783 244		13,30		64 142 411		13,10	73 760 746	13,61	85 112 974	74 14,16	16 96 934 740		14,56	119 509 339
1	APPROVED: JM BRASLER		28 June 2017						J A BIERMAN	J A BIERMAN		28 June 2017		Linitaria.					
	CONTROL OF THE BANK OF THE BANK OF THE STREET											41611							

ANNEXURE C: Statement of Comprehensive Income for the Business Plan

a) Projected Five-Year Income Statement

YEAR	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Water Use in m ³	6,598,814	7,229,886	9,338,883	10,771,065	11,805,611	14,539,301
Revenue	18 IT SIESE			51 1		
Fixed Electricity Costs	3,439,889	3,592,901	4,075,869	4,565,232	5,088,760	5,571,868
Fixed Operating Income	35,698,124	37,356,337	38,036,125	41,311,063	43,356,796	47,768,610
Maintenance	2,740,946	3,265,702	3,667,642	3,802,118	4,156,493	4,432,759
Potable Water - Maintenance	247,678	289,195	373,555	430,843	472,224	581,572
Variable Electricity Costs	10,408,440	16,297,013	23,306,143	29,734,916	37,686,079	53,109,353
Water Use Charges	15,207,098	3,341,263	4,301,413	5,268,802	6,174,387	8,045,178
TOTAL REVENUE	67,742,176	64,142,412	73,760,747	85,112,974	96,934,740	119,509,340
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Cost of Revenue		-	- 1		: : : : : : : : : : : : : : : : : : :	-
Electricity Charges - Fixed Costs	3,373,423	3,592,901	4,075,869	4,565,232	5,088,760	5,571,868
Electricity Charges - Variable Costs	14,090,339	16,297,013	23,306,143	29,734,916	37,686,079	53,109,353
Potable Water - Maintenance	235,521	289,195	373,555	430,843	472,224	581,572
Water Charges - Purchases	3,123,537	3,341,263	4,301,413	5,268,802	6,174,387	8,045,178
COST OF REVENUE	20,822,821	23,520,373	32,056,980	39,999,793	49,421,451	67,307,971
GROSS SURPLUS	46,919,355	40,622,039	41,703,766	45,113,181	47,513,289	52,201,368
Administration Costs	16,848,033	5,352,113	5,785,333	6,489,898	6,229,794	7,987,635
Salaries	15,744,388	22,484,001	22,023,143	23,827,578	25,583,735	27,660,545
Maintenance	5,269,389	3,265,702	3,667,642	3,802,118	4,156,493	4,432,759
Depreciation	9,624,379	9,520,222	10,227,648	10,993,588	11,543,267	12,120,430
Amortisation	654,310	654,310	654,310	654,310	654,310	654,310
FIXED COSTS	48,140,499	41,276,349	42,358,076	45,767,491	48,167,599	52,855,678
Operating Surplus	-1,221,144	-654,310	-654,310	-654,310	-654,310	-654,310
Interest received	9,402,240	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Other Income	1,656,054	a different			-	41.9.4
Deferred Income	8,987,354	8,987,354	8,987,354	8,987,354	8,987,354	8,987,354
Less: Amortisation	-8,986,396	-8,986,396	-8,986,396	-8,986,396	-8,986,396	-8,986,396
NETT SURPLUS	9,838,107	7,346,648	7,346,648	7,346,648	7,346,648	7,346,648

b) Assumptions for the projected Statement of Comprehensive Income

YEAR	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Consumer Price Index (CPI or CPIX)	4.8%	5.0%	5.0%	5.0%	5.0%	5.0%
Water Use Growth (%)	-3%	10%	29%	15%	10%	23%
Water Purchase Cost Increase (%)	17%	10%	10%	10%	10%	10%
Prime Interest Rate (%)	10.50%	10.25%	10.25%	10.25%	10.25%	10.25%
Average Interest Rate on investments(%)	6.00%	6.50%	6.50%	6.50%	6.50%	6.50%
Other Assumptions	10%	10%	10%	10%	10%	10%

c) Capital Expenditure Summary

YEAR	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Capital Works	1,643,354	593,800	0	0	71,300	0
Renewals	2,374,962	2,324,300	1,821,040	2,712,935	2,369,018	3,263,714
Movabale Assets	2,142,697	97,400	18,150	94,715	21,962	113,858
Less: Refurbishment Fund Contributions	-4,279,517	-2,872,000	-1,821,040	-2,712,935	-2,369,018	-3,263,714
Total Capital Expenditure Requirements	1,881,496	143,500	18,150	94,715	93,262	113,858

d) Generic Financial Indicators/Ratios

Indicators/Ratios	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Gross Revenue (R)	67,742,176	64,142,412	73,760,747	85,112,974	96,934,740	119,509,340
Average Water Use Charge	0.47	0.46	0.46	0.49	0.52	0.55
Operating Surplus (% of GR)	69.26%	63.33%	56.54%	53.00%	49.02%	43.68%
Total Expenditure	68,963,320	64,796,722	74,415,057	85,767,284	97,589,050	120,163,650
Operating Costs (% of GR)	71.06%	64.35%	57.43%	53.77%	49.69%	44.23%
Cost of Revenue (% of GR)	30.74%	36.67%	43.46%	47.00%	50.98%	56.32%
Finance Costs (% of GR)	0%	0%	0%	0%	0%	0%
Manpower Costs (% of GR)	23.24%	35.05%	29.86%	28.00%	26.39%	23.15%
Training costs per employee (R/year)	7,285	14,433	9,540	11,037	8,478	10,020
	0	0	0	0	0	0
Working Ratio	1.02	1.01	1.01	1.01	1.01	1.01
Rate on Return of Assets	n/a	n/a	n/a	n/a	n/a	n/a
Gross Surplus Margin	69.26%	63.33%	56.54%	53.00%	49.02%	43.68%
Current Ratio	0.83	1	1	1	1	1
Debt Equity Ratio	41%	40%	40%	40%	40%	40%
Average Debtors Days	70	67	59	56	56	55
	0	0	0	0	0	0

e) Definition of ratios

Working Ratio
Rate of Return on Assets
Current Ratio
Debt: Service Ratio
Debt: Equity Ratio

Operating cost divided by operating revenue

Net operating income divided by total fixed assets

Net current assets divided by net current liabilities

Net operating income divided by net finance and increst cost

Total liabilities (interest bearing) divided Total equity (capital and reserves)

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THE LEBALELO WATER USER ASSOCIATION 2017

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