

ANNUAL REPORT 2017/2018 AND BUSINESS PLAN

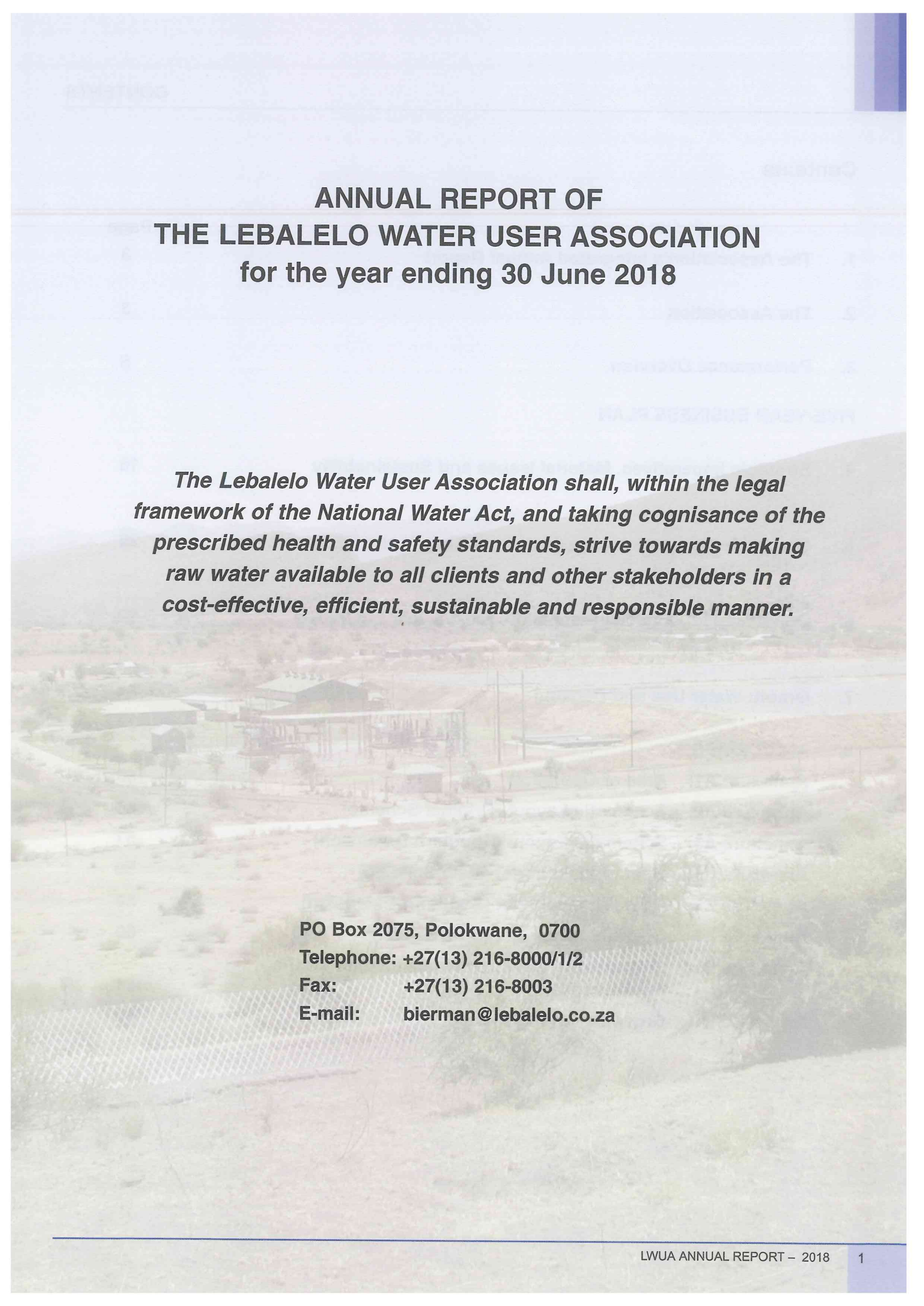


LEBALELO WATER USER ASSOCIATION



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)].

Legal Framework



ANNUAL REPORT OF THE LEBALELO WATER USER ASSOCIATION for the year ending 30 June 2018

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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Contents

	Page
1. The Association's Integrated Annual Report	3
2. The Association	3
3. Performance Overview	6
FIVE-YEAR BUSINESS PLAN	
4. Strategic Imperatives, Material Issues and Sustainability	16
5. Corporate Governance, Application of King IV and Remuneration	26
6. Consolidated Financial Statements for the year 2017/2018	30
7. Graph: Water Use and Demand	54
8. ANNEXURES	
Annexure A1: Area of Operation	55
Annexure A2: Schematic Layout (Original Scheme)	56
Annexure A3: Schematic Layout (Southern Extension)	57
Annexure B1: Operational budget (Main Scheme)	58
Annexure B2: Operational budget (Southern Extension)	59
Annexure B3: Operational budget (Booysendal)	60
Annexure C: Statement of Comprehensive Income for the Business Plan	61
Annexure D: Organisational Structure	63

1. The Association's Integrated Annual Report

1.1 Introduction and scope of the report

We are pleased to present our 2018 Integrated Annual Report. This report covers the performance of Lebalelo Water User Association ("Lebalelo" or "the Association") for the year ended 30 June 2018.

The Integrated Annual Report contains the audited 2018 Annual Financial Statements for the year ended 30 June 2018 and the 2019 Business Plan. The King Code of Corporate Governance for South Africa, ("King IV") principles are available on the Association's website at www.lebalelo.co.za.

1.2 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 considered in determining the material information for inclusion in this report.

1.3 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.

1.4 Approval of the Integrated Annual Report

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

- The Companies Act of South Africa;
- King IV;
- 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.

2. The Association

2.1 Introduction

The Association was established on 1 February 2002 in terms of Chapter 8 of the National Water Act ("NWA") 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 (model Constitution of Water User Association).

2.2 Our mission, objectives, purpose, vision and values

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 the mines on the Eastern Limb of the Bushveld Igneous Complex within its license conditions.

- To supply bulk raw water from the pipeline and any extension thereof from the Olifants River to satisfy the water requirements of its users within its licence conditions.
- As a Corporate Social Responsibility (“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 Association.
- To protect the Association’s infrastructure.

The Association’s purpose is;

- To positively impact lives through water in the areas where the Association operates.

The Association’s vision is to;

- To be the strategic partner of choice for water management.

The Association’s values are;

- We act safely with integrity and are open and honest in our communication.
- We care, respect, value and work with our stakeholders.
- We lead by example and aspire to empower people.
- We manage resources under our control sustainably and efficiently.

Our values will drive the behaviour of management and staff of the Association and will form the backbone of the culture of the organisation.

2.3 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 delivery to communities within the footprint of the Association, and thereby improving people’s lives through water.

2.4 Our business value drivers and strategic levers

The Association’s philosophy is underpinned by our Mission, Objectives, Purpose, Vision and Values and compliance to the Association’s Business Integrity Policy and is cognisant of the Association’s Value Drivers and the five key Strategic Levers. The Association’s Value Drivers include; the achievement of the Association’s Strategy; Safe Operating Conditions; Healthy Workforce; Environmentally Responsible Operations; Social Mandate to Operate; Sound Brand, Reputation and Ethics; Effective Social Stakeholder Relations; Motivated Workforce; Achieve Operational and Liquidity Objectives; Effective Commercial and Other Stakeholder Relations; Comply with Legislation and Governance Requirements and Accurate and Timely Reporting. The Association’s five key Strategic Levers are:

- Lever 1: Good Corporate Governance;
- Lever 2: the Lebalelo Brand;
- Lever 3: Community Trust;
- Lever 4: Operational Excellence;
- Lever 5: Transformation of our organisation and people.

2.5 Good Corporate Governance

The Association embarked on a process to strengthen its corporate governance and compliance with King IV requirements. The Association evaluated itself against the King IV compliance principles and set up a programme to further its compliance over the next 2 years whilst it also updates all its policies on a regular basis.

2.6 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 was focussed with consumers in mind. By design, this resulted in local government and DWS having expectations outside of the Association's mandate resulting in misrepresentation and brand damage, but the brand is more than just consumers. The Association is also focusing on a more wholistic and inclusive approach towards all stakeholders, not the least being the communities around the footprint of the Association's pipeline as well as DWS as a member and regulator in terms of the National Water Act, 1998 (Act No. 36 of 1998) ("the Act").

2.7 Our commitment to building community trust

The Association's pipeline covers areas which are remote from where formal municipal infrastructure and services are provided. This includes roads, potable water provision, sanitation services, reliable electricity and education and health services to name but a few. Together with the Association's brand, the Association acknowledges the importance of building and nurturing community trust through engagement and contribution to the wellbeing of the communities.

2.8 Our achievement of operational excellence

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 four offtakes to supply bulk raw water for purification by Sekhukhune District Municipality as the Water Services Authority to domestic users. The southern extension with booster pump stations supplying water to the Mototolo mine which was further extended to supply the Booyendal mine. The Association also funded the raising of the Flag Boshielo Dam. The management of this infrastructure is premised on the strategic lever of achieving operational excellence with a high level of surety and efficient supply to its users.

2.9 Our transformation of the organisation and people

The Association has been in existence for almost two decades and during that period the socio-political and economic environment - locally, provincially and nationally has changed. Through the Strategic Review carried out during the period under review, it became clear that the Association also needed to move with the times. The transformation will focus on, among other aspects, organizational alignment, risk assessment, teams, communication, staff training and development, continual improvement and sustainability.

3. Performance Overview

3.1 Chairman's statement

3.1.1 Overview

I am pleased to acknowledge that the Association reported a strong set of results for the year under review, notwithstanding a number of the Association's Member operations being placed on care and maintenance due to difficult global market conditions.

The Association's resilience in the face of tough socio-political operating conditions is now clearly founded on a sound strategy underpinned with an integrated business model, dedicated leadership and a committed workforce who are unwavering in delivering raw bulk water in a cost-effective, sustainable and responsible manner.

3.1.2 Management

Over the period under review, I am delighted to report that the leadership team under the CEO, Mr Bertus Bierman has operated efficiently, and Bertus and his management team are to be congratulated on delivering commendable results in very challenging conditions. The management committee and the LWUA members must also be congratulated on jointly landing the new Purpose, Vision, Values and Strategy during the course of this past year.

3.1.3 Strategy

During the year under review, the Association initiated a strategic review process using the "Levers of Value Framework" approach which is aligned with the intended disestablishment referred to in paragraph 3.1.5. The Association identified its 2021 ambitions by setting goals, targets, timing, goal owners and strategic projects with project activities supported by resources in terms of the budget process. The review identified the five Strategic Levers and Strategic Considerations including the modernisation of the organisation to enhance operational excellence.

3.1.4 Results

Income for the period increased by 1% to R81 million (2017: R80 million). The Association's results for the year under review have been negatively impacted by the ongoing incidents of social unrest in the area. Various community members have unfortunately been involved in criminal activities which have resulted in some damage to the Association's pipeline as well as hindering free access on public roads within our area of operation.

Skills development and employment equity remain key aspects of the Association's sustainable business model, with training and development remaining a priority.

The health and safety of all our employees remain important as we value safety. Notwithstanding the numerous challenges the Association has faced in this past year, I am pleased to report that the Association's staff have achieved 88 016 fatality free shifts in June 2018.

3.1.5 Business sustainability

In October 2016, the then Minister of Water and Sanitation, the Honourable Ms Mokonyane gazetted her intention to disestablish the Association and transfer its operations into Lepelle Northern Water. During 2017 various task teams were set up by the Department of Water and Sanitation under the chairpersonship of the Deputy Director General Infrastructure, Ms Zandile Mathe. The Honourable DDG was tasked to deal with the myriad of issues involved in the said disestablishment process. Notwithstanding the establishment of the task teams requested to progress this matter, progress during the period under review has been painfully slow.

3.1.6 Corporate governance

In the 2016 / 2017 Annual Report, it was reported that in terms of the King IV, the Association would address compliance of the principles as outlined in the report. During the Association's strategic review process this year, governance was addressed as one of the Association's Value Drivers and one of the five key Strategic Levers. A comprehensive review of the Association's business was undertaken to ascertain the Association's readiness for King IV compliance. Various recommendations such as: strengthening the governance subcommittee structures and compiling a governance charter were made. This is now aligned to achieving a level of measuring up to the "comply and explain" requirements contained in the seventeen King IV principles. In terms of the Association's strategic review to 2021, the issue of revised governance structures will be dealt with in the forthcoming year. The Association's transformation of the management team has commenced and will be complete by 2021.

In terms of governance subcommittees, 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; which assists the Management Committee in meeting its obligations relating to the Association's risk management and internal control principles, inclusive of financial reporting, auditing processes and activities as well as the Remuneration Committee which assists the Management Committee in overseeing conditions of employment of employees.

3.1.7 Stakeholder engagement and material issues

It is common cause that our stakeholders' interests and concerns matter to us. The purpose of our stakeholder engagement is to ensure that all individuals and groups impacted by our business are identified. These stakeholders include those who have a significant influence on our operation and thus are identified, assessed and managed throughout the life of our business. We continually assess our stakeholder environment and stakeholder issues to identify the range of interests and concerns which need to be taken into consideration. As was the case in previous years, during the course of the period under review, management has expended a great deal of time and energy on stakeholder engagement, especially with regard to communities.

3.1.8 Information technology

The 2021 Strategic Review identified the necessity of revisiting the Association's technology and tools to achieve our aspiration of operational excellence. Embedded in this, the Association will strive towards providing the right information, to the right people, at the right time. During the forthcoming year, the Association will be reviewing its integrated "Enterprise Resource System" (ERS) and optimising its processes and procedures.

3.1.9 Corporate social investment

As reported in the 2015/2016 and 2016/2017 Reports, it is again regrettable to report on further damage to certain sections of the Association's infrastructure. This type of criminal behaviour is unacceptable, but it has re-enforced the Association's commitment to closer self-examination with regard to its relationships with the communities. Actions in this regard have been set out in the 2019-2021 strategic review. These cover areas such as the transformation of the organisation including resources to give closer attention to social issues. The Association will be appointing a Social Development Manager to assist the management team.

The Association's corporate social investment initiatives are designed to make a meaningful impact within the communities in which we operate. These programmes recorded a number of highlights in the review period, including inter alia the repairs to borehole motors and pumps and repairs to electricity supply for community and school boreholes with water tanks for communities and schools.

3.1.10 Outlook

The Association celebrates its sixteenth year of existence. We believe it has a strong track record over this period of ensuring adequate volumes of water on time to our members. The business has demonstrated the experience, ability and determination to continue to thrive in a macro environment which is becoming increasingly challenging.

Whilst the discussions on the disestablishment of the Association have been slow, in terms of interim arrangements, the phase 2C pipeline from the De Hoop Dam to the Steelpoort Pump Station (of the Olifants River Development Project - "ORWRDP") has been completed. The technical arrangements for the "tie-in" into LWUA infrastructure are progressing. The institutional, governance, risk and legal issues regarding this tie-in still need to be finalised with the Department of Water and Sanitation so as not to compromise the structural integrity of the LWUA assets.

An agreement between Lepelle Northern Water and the Association has been signed, whereby the Association provides an off-take point at the Mooihoek Reservoir for Lepelle Northern Water to draw off bulk raw water to their infrastructure for treatment and provision of potable water to communities.

3.1.11 Appreciation

The Association remains committed to its functions and existence in terms of the National Water Act as well as its obligations to the Minister of Water and Sanitation.

I tender my appreciation and thanks to the then Minister of Water and Sanitation, the Honourable, Ms Nomvula Mokonyane, the Director General and staff at DWS Head Office, as well as at the relevant Regional Offices and Catchment Management Agency Office.

On behalf of the Management Committee, I would like to pay 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 water in a very demanding environment. You all are living testament to the Association's unrelenting high-performance culture to both deliver and serve.

In closing, I would like to thank my fellow Management Committee members for their constructive counsel and their keen interest, support and endorsement of the Association's goals and strategies.

Dean Pelsler
Chairperson

3.2 Chief Executive Officer's report

3.2.1 Macro and Micro-economic environment

The trend as identified in the previous Annual Report has continued in that 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 and 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 showing the highest levels of poverty and unemployment in South Africa.

3.2.2 Water Industry overview

The Association is created in terms of the National Water Act with an obligation to report to the Minister of Water and Sanitation, and therefore 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.

The Association's Constitution sets out its objectives and principal functions, and through Schedule 4 of the National Water Act, Members are required to take reasonable steps to inform himself or herself about the Association, its business and activities and the circumstances in which it operates. In this regard the Association keeps a watch on legislative and other regulatory developments as published or gazetted by the Department of Water and Sanitation.

During the period under review the following documents were published and meetings attended which impact upon the Olifants Catchment.

- Regulations for taking water for irrigation purposes be measured, recorded and reported in GG40621, N131 on 17 February 2017;
- Regulations for procedural requirements for water use licence applications and appeals, in GG40713 N267 on 24 March 2017;
- Draft Mine Water Management: Policy Position, invitation to submit comments within 60 days after publication of the Notice, in GG40966 N658 on 7 July 2017;
- Raw Water Tariffs Consultation meeting for the Olifants Catchment on 11 July 2017;
- Development of an Integrated Water Quality Management Plan on 27 July 2017;
- DWS facilitated a Steering Committee Meeting on the Malmani Dolomites Study on 20 September 2017;
- Reserve Determination of Water Resources GG41132 N1038 on 22 September 2017;
- Wetland Imbizo on Prioritisation Methods on 10 October 2017;
- Extension for comments on Mine Water Management Policy Position, in GG41168 N1088 on 6 October, closing date 6 November 2017;
- Business case for the Establishment of a Single Catchment Management Agency, 20 November 2017;
- DWS Development of National Water and Sanitation Master Plan, 24 January 2018;
- Invitation to comment on establishment of single Catchment Management Agency GG41321 N1415 on 15 December 2017, closing date 14 February 2018;
- Instruction to install small measuring devices for water taken for irrigation purposes and monitor compliance to regulations, in GG41456 N141 on 23 February 2018.

In carrying out its advocacy role the Association submitted written comments on the following documents:

- Mine Water Management Policy;
- Reserve Determination of Water Resources;
- National Water and Sanitation Master Plan;
- Catchment Management Agency.

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.

3.2.3 Proto - Olifants Catchment Management Agency (“OCMA”) and Catchment Management Forums (“CMF”)

During the period under review the Association met with representatives of the Proto-Olifants Catchment Management Agency which included meeting with the Acting CEO Ms Wendy Ralekoa.

The CMFs are governed by Chapter 2 Part 2 of the National Water Act 36 of 1998 through the establishment of the Catchment Management Agency (“CMA”) in terms of Government Gazette Notice 38492. There are six water management areas (“WMA”) Sub Areas within the catchment, namely Upper Olifants, Middle Olifants, Lower Olifants, Steelpoort, Letaba and Shingwedzi. During the period under review the Association was involved in three CMFs namely Upper Olifants catchment, constituting the catchment of the Olifants River down to the Loskop Dam; the Middle Olifants catchment, comprising the catchment of the Olifants River downstream from the Loskop Dam to the confluence with the Steelpoort River; and the Steelpoort catchment; constituting the drainage region of the Steelpoort River. Members of the Association mostly form part of the Middle and Steelpoort Olifants CMFs.

Middle Olifants CMF

A Charter for the Middle Olifants CMF was drafted by members of the Middle Olifants CMF. As at the end of the period under review the Charter for the Middle Olifants CMF had not yet been finalised or signed off. The Middle Olifants CMF facilitated quarterly meetings during 2017, namely on 26 January 2017 hosted at the Ephraim Mogale Local Municipality Tompie Seleka Agricultural School, 28 March 2017 hosted at the Lepelle Northern offices near to Flag Boshielo Dam, 7 September 2017 and 8 November 2017 hosted at the Elias Motsoaledi Municipal Chamber.

Steelpoort CMF

A Charter for the Steelpoort CMF was drafted by the members of the Steelpoort CMF. As at the end of the period under review the Charter for the Steelpoort CMF had not yet been finalised or signed off. The Steelpoort CMF facilitated three meetings during 2017, namely on 22 February 2017, 26 May 2017 and on 17 November 2017 all hosted at the Farmers Union Hall in Ohrigstad.

3.2.4 Overview of the Association’s performance

Notwithstanding the difficult economic climate, I am pleased to report that through the dedication and resilience of the Association’s staff, the Association continued to deliver against agreed plans and budgets.

3.2.5 Financial Results

Notwithstanding the decline in water delivered, the Association returned strong financial results, to ensure financial sustainability and viability. The Association reported total expenditure of R 71.3 million (2017: Rand 78.0 million) and income of R81.0 million (2017: R80.0 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 9.82/kl (2017: R8.88/Kl) for

the year under review. The main cost drivers have been the cost of electricity, depreciation, raw water and direct labour cost. Electricity increased by 4.69% (2017:12.5%) to R 18.3 million (2017: R17.4 million) and depreciation and amortisation of assets decreased by 5.2 % from R19.26 million to R18.26 million for this financial year.

3.2.6 Corporate governance

The issue of Corporate Governance is dealt with in more detail at Pages 26 to 29 in this report. During the course of the financial year management has reviewed its compliance of the 17 principles of the King IV Code and various recommendations have been made for implementation during the course of the forthcoming period.

3.2.7 Stakeholder engagement

Engagement is not an end in itself, but a means to help us build better relationships with the societies in which we operate, ultimately resulting in improved business planning, operation and performance. The success of our stakeholder process is based on a commitment to actively engage with our stakeholders, listen to them, build a relationship with them and then respond to their concerns in a mutually beneficial way. We are dedicated to improving the quality, quantity and consistency of stakeholder engagement across all our stakeholders.

Stakeholder engagement in communities where the Association operates are particularly difficult as community members are losing hope due to a number of issues, one of them being low economic prospects in their area. Management has put in a concerted effort to manage these expectations of the communities which has often spilled over into violence and damaging of the Associations infrastructure. The schedule on page 11 of this report details how we engage with stakeholders on key issues.

The following are some of the highlight 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 municipal officials and Ward councillors. The undermentioned table details with whom and how the Association has been engaging with stakeholders during the past financial year.

Stakeholder interaction	Issues
Community leaders	Relationship building and development of communities
Community Members	Technical training was offered to members of some communities
Municipality and Ward Councillors	Development of communities / Service delivery
Lepelle Northern Water and Sekhukhune District Municipality	Service delivery to communities.
DWS	Gazetted disestablishment of the Association.
Mines	Sustained operations.

3.2.8 Information technology

During the year under review the Association initiated a strategic review of the organisation using the levers of value process. This process identified the need for the modernisation of the organisation by upgrading the existing IT system architecture and investing in technology, systems, processes and skill levels across the organisation. For example, the Association's FARMS financial system may not be supported for too much longer with the system having reporting and other limitations. Furthermore, the management of the security of supply of water through appropriate telemetry is important for the modernisation programme. In this regard one of the goals of the Association is to ensure that "the right information is provided to the right people at the right time". The targets are to seek optimised processes, procedures and systems comprising a Computerised Maintenance Management System ("CMMS"), Enterprise Resource Planning ("ERP") and Internet of Things ("IoT") integration and reporting platform, as well as Wi-Fi infrastructure to support the operation and neighbouring communities. Key functional requirements include Metering, Billing, Customer Care, Asset Management and Supply Chain Management.

3.2.9 Corporate Social Investment ("CSI")

The Association has since inception focused on serving its Members which has resulted in some stakeholders not understanding the Association's mandate resulting in brand damage. Allied to this is that it caused inconsistent social engagement and development of communities across the Association's infrastructure footprint which has resulted in damage to infrastructure and a safety risk to employees and communities. Through the strategic process the Association has identified two of the five levers of value namely to "repair the Lebalelo brand" and "restore community trust" as drivers for the CSI. Pivotal to this process is the planned appointment of a Social Development Manager to drive the Association's corporate social investment process.

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;

- borehole motor and pump repairs;
- repairs to electricity supply for community and school boreholes;
- supply of water tanks for communities and schools; and
- skills development.

Individuals and communities deprived of the opportunity to be educated and gain skills are usually unable to take advantage of future opportunities and risk becoming locked in a cycle of joblessness and poverty.

The purpose of the Association's Corporate Social Responsibility ("CSR") programme is to improve human lives in its area of operation by contributing to the expansion of the range of things that a person can be and do, such as to be healthy and well nourished, to be knowledgeable and to participate in the social and economic life of their community.

Education and skills development are areas of development that the Association contributes to. By contributing to the development of skills of the youth in its area of operation, the Association supports the promotion of skilled workforce.

Businesses require a skilled workforce to take advantage of new technologies and production techniques. In turn, individuals with skills have a better chance of being in work and earning a higher income.

In 2017, the Association sponsored eight learners to undergo a Skills Programme: Generic Engineering, at Glencore/Xstrata Eastern Limb Training Centre, Steelpoort. Specific disciplines they were trained in included Electrical, Fitting incl. Machining/Turning, Boilermaker/Plater and Diesel Mechanic.

PERFORMANCE OVERVIEW



The eight learners that participate in a skills programme – engineering at Glencore Training Centre, Steelpoort.



Diesel mechanic trainee.



Electrical engineering trainee.

3.2.10 Material Issues during the period under review

In the 2016/2017 Annual Report reference was 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.

During the period under review the Association responded to the Minister on 28 February 2017 regarding her intention to disestablish the Association. The Association received written confirmation from the Minister on 15 August 2017 acknowledging receipt of the Association's correspondence, stating that "it will be appreciated if you can start engaging your members on

the disestablishment of the LWUA as per section 20 of your constitution. This process will contribute in achieving institutional reform through rationalisation of water resources management institutions.”

In order to achieve disestablishment, the Department of Water and Sanitation under the leadership of the Deputy Director General – Infrastructure Ms Zandile Mathe established seven workstreams to consider the myriad of issues involved in the disestablishment and to report back to a steering committee chaired by Ms Mathe.

The seven workstreams were:

WORK STREAM NUMBER	NAME OF WORK STREAM	OBJECTIVE
1	Interim agreement	To reach an interim transitional agreement that outlines roles and responsibilities and interim operating procedures
2	Interim Operations	To develop operating philosophy until disestablishment happens
3	Valuation of Assets	To ensure that members are compensated for the infrastructure capital investments made.
4	Cost recovery, and Tariff Determination	To ensure that members agree with the process of cost recovery and tariff determination
5	Water Use Licenses	The objective is for DWS to fast track the unbundling of LWUA water use license and apportion it to all the members on the date of disestablishment
6	Transfer Assets and Liabilities and staff etc. from LUWA to New Entity	To ensure the successful transfer of Lebelelo staff to Lepelle Northern Water after approval by the Minister and the assets to the DWS
7	Servitudes, land and rights of using land	To ensure that land usage and land rights are part of the discussions and included in the interim arrangements.

During the period under review the two most active workstreams were Workstream 3 dealing with the Association’s assets and valuation thereof and Workstream 5 dealing with Water Use Licences. During this time, after a tender process, Gobela Consulting was contracted by the Department through Lepelle Northern Water to provide administrative support to the Workstreams and prepare a due diligence report on the Association. In terms of the debundeling of the Association’s licence to its members, a number of principles were agreed between the Department and the Association. These principles were:

- (1) Industrial authorised licensed allocation = $17,001 \times 10^6 \text{m}^3/\text{a}$;
- (2) Social authorised licensed allocation = $3.8 \times 10^6 \text{m}^3/\text{a}$;
- (3) The authorised volume to be debundled;
- (4) Members to apply for volume;
- (5) Debundled licences within authorised total;
- (6) Any excess on total to be “new” applications;
- (7) Non-members require new license process;
- (8) Debundeling linked to disestablishment;
- (9) Process to be discussed and agreed in Workstream;
- (10) Member sign off to get consents;
- (11) Transparent process.

Notwithstanding setting up of the Workstreams the disestablishment process has been very slow indeed.

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 risks which need attention and the applicable legal agreements still need to be finalized.

3.2.11 Outlook

The Association celebrates its sixteenth year in existence, however the environment within which the Association operates, 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, the Association needs to focus on its five levers of value in order to achieve its position in the area by emphasising the following;

The Association's purpose:

- To positively impact lives through water in the areas where the Association operates.

The Association's vision:

- To be the strategic partner of choice for water management.

The Association's values:

- We act safely with integrity and are open and honest in our communication.
- We care, respect, value and work with our stakeholders.
- We lead by example and aspire to empower people.
- We manage resources under our control sustainably and efficiently.

To conclude I thank the Association's team for achieving 88 016 fatality free shifts over past 16 years. I also want to thank the management committee for their support and guidance as well as my management team for their continuous efforts to improve the quality and effectiveness of the Association.

J.A. Bierman
CEO

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.

4. Strategic Imperatives, Material Issues and Sustainability

4.1 Strategic Imperatives, Material Issues

4.1.1 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 consumers and other stakeholders in a cost effective, efficient, sustainable and responsible manner.

4.1.2 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 mines on the eastern limb of the bushveld igneous complex in 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 that can receive water from the associations pipeline with in 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;
- (d) to protect the association's infrastructure.

4.1.3 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.
- (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 x 106 m³/a for industrial use and 3,880 x106m³/a for domestic use on 6 January 2004. 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 x106m³/a was issued in 2007 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 Associations employees are set out at page 20 of this report. The CEO and certain senior staff are appointed by the Management Committee and Employees through the CEO 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 through its designated Water Service Supplier, Lepelle Northern Water to supply communities in accordance with its constitution and members 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 position along the scheme. The schematic layout of the scheme is indicated in the diagrams set out in pages 56 to 57 of this report.

FIVE YEAR BUSINESS PLAN

- (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.

4.1.4 Strategic Review

During the course of the year the Association spent some time having a close look at its strategy. The outcome of this process involving a strategic session in March and a workshop in June, where the Association developed its 2021 goals and targets. These are set out below:

LEVERS OF VALUE	GOAL	TARGET	TIMING
Repair the Lebalelo Brand	Strategic Water Partner of Choice	Seek to increase social water allocation from 10 Ml/d up to 32 Ml/d (partner with SDM and DWS). DWS). Seek to supply up to 5 Ml/d for low intensity agricultural use for emerging farmers (partner with DWS, with DWS, Department of Agriculture and others). Refurbish and maintain boreholes in 7 communities as a pilot project and expand to other areas linked to members	Q4 2019 Q2 2019 Q1 2019
	Strong Government and Community Relationships	Regular liaison with and access to senior DWS, Sekhukhune and Tubatse Municipal officials and traditional leaders.	Govt. - Q4 2018 TL's - Q3 2018
	Eliminate damage to infrastructure (within the Associations area of control).	Zero incidents	Q2 2021
Restore Community Trust	Strong community leadership	Traditional Council Charters and Youth leadership programme.	Q1 2019
	Restoration of hope of communities	Community developed visioning plans and IDP inputs. Socio-economic baseline and progress assessment.	Q2 2019 Q2 2018/21
	Active participation and investment in communities	Participation in community forums, funding of defined social development initiatives, local recruitment and procurement.	Q4 2018/21
Achieve Operational Excellence	Reliable supply of water delivered safely and cost effectively	100% achievement of member commitments and SLA's. Market and service offering development. Zero safety incidents. Business continuity and disaster recovery plans.	Q2 2021 Q4 2018 Q2 2018/21 Q1 2019
	Minimise water inefficiency and waste	Water losses <2%. Technology enabled operations and security protection.	Q3 2019 Q3 2019
	Right information to right people at right time	Integrated ERP system. Optimised processes and procedures	Q4 2019 Q4 2019
Transform our People	Transformed organisation	Revised governance structures. Transformed Management Team.	Q4 2018 Q4 2021
	Motivated and incentivised staff	Positive personnel survey ratings. Performance Management and incentivisation scheme. Skills Development.	Q4 2018 Q1 2019 Q4 2018/21

4.2 Our key relationships

One of the Association's goals is to foster strong government and community relationships. In this regard it is important to identify our key stakeholders. These include;

- 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 and staff and ward councillors representing some 103 villages situated adjacent to the associations pipeline in the Fetakgomo Greater Tubatse Local Municipal area;
- the various Traditional leaders and councils within the identified communities namely but not limited to Shakung, Phala, Modubeng, Sehunyani, Malokela, Masete, Pataneng;
- the Chairman and CEO and staff of the TCTA;
- the Chairman and CEO and staff of the Lepelle Northern Water;
- LWUA Users;
- LWUA management & staff.

4.3 Financing

4.3.1 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. The final cost of the scheme amounted to R621 million. This will increase due to the inclusion of the Booyensdal and Twickenham infrastructure that was funded by the applicable members as soon as this infrastructure is transferred to the Association.

4.3.2 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 should be addressed during disestablishment include, the repayment 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 comments 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.

4.3.3 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 dam. It also includes tariffs for catchment management charges and levies for the purposes of the water research commission as determined from time to time.

4.3.4 Operational expenditure

The operation and maintenance budget is divided into a fixed and variable cost component. 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 58 to 60.

A map setting out the Association's area of operation is set out at page 55, whilst a schematic layout of the Original Scheme and of the Southern Extension are set out in pages 56 and 57 respectively.

4.3.5 Statement of comprehensive income for the business plan

At page 61 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 61 of the report a schedule of the summary of capital expenditure is set out.

Financial indicators

At pages 62 of the report generic financial indicators and ratios as well as definition of the ratios is set out.

4.4 Human Capital

Human capital is one of the basic factors that shape human progress and economic growth. Our efforts to promote the creation of human capital include among other initiatives, investment in education, skills development and at workplace trainings. Through the fifth lever of value, namely "transforming our people" it is a goal of the organisation to have a motivated and incentivised staff.

4.4.1 Empowerment and talent management

Human Capital is considered a core corporate asset of the Association, 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.

4.4.2 Organizational Structure

Set out at page 63 of the report is the Association's organisational structure. This organigram comprises 31 posts as set out below:

Post Description	Number of Posts
Management Committee	Five (Member representatives) (not include)
Chief Executive Officer	One
Administration	Two
Operations Manager	One
Superintendent	One
Planning coordinator	One
Electricians	Two
Fitters	Four
Artisan helpers	Six
Production operators	Four
Chief financial officer	One
Financial / accountant/ bookkeeper	One
Financial / bookkeeper / assistant	One
Human Resource Clerk	One
General labourers	Three
Safety Coordinator	One
Student	One
Total	31 posts + One Student

4.5 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 as amended), 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 associations policies, operating rules, regulations, technical and administrative procedures, these are approved by the management committee, and implemented.

4.6 Transformation

The Association's fourth lever of value refers to "transforming our people" through a transformed organisation by revising governance structures and transforming the management Team. The governance issue will be discussed at page 26 of the Report. It is the Association's goal to transform the Management Team over the next three years. This process includes strengthening the Team in appropriate areas such as appointing a Social Development Manager and over time identifying and employing HDSA candidates to assume senior management roles.

4.7 Ownership

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.

FIVE YEAR BUSINESS PLAN

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 nonindustrial or non-mining purposes.

The members/parties involved in the Association are

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

4.7.1 Management control

The Management Committee of the Association is established in terms of 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.

4.7.2 Details of the management committee

The Management Committee of the Association comprises of six members of which five members are 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 D Pelser	Anglo American Platinum Ltd	Chairman	1 July 2016 - 30 June 2017
Mr M Bräsler	ARM Mining Consortium / African Rainbow Minerals Ltd	Vice-Chairman	1 July 2016 - 30 June 2017
Mr V Townsend	Impala Platinum Ltd	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		

The composition of the members currently involved in the Management control of the Association is one of the key transformation challenges. This issue remains a high priority for the Management Committee and Members.

Voting powers is calculated on water entitlement in the scheme are as follows:

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

4.8 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.

4.8.1 Transformation requirements in terms of five-year plan

	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Staff per functional area					
Executive officer	1	1	1	1	1
Finance section	3	3	4	4	4
Operations section	23	24	24	24	24
Administration section	2	3	3	3	3
Other functional sections	3	3	3	3	3
	32	34	35	35	35

FIVE YEAR BUSINESS PLAN

Workforce profile on the total number of employees (including employees with disabilities) in each of the following occupational levels:

Note: A = Africans, C = Coloureds, I = Indians and W = Whites.

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top Management	0	0	0	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	1	1	0	0	0	0	0	8
Semi-skilled and discretionary decision makers	8	0	0	0	4	0	0	1	0	0	13
Unskilled and defined decision-making	2	0	0	0	2	0	0	0	0	0	4
Total Permanent	15	1	0	4	7	0	0	2	0	0	29
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
Grand total	15	1	0	4	7	0	0	2	0	0	29

Workforce profile on the total number of employees with disabilities in each of the following occupational levels:

Note: A = Africans, C = Coloureds, I = Indians and W = Whites.

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top Management	0	0	0	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	0	0	0	0	0
Professionally qualified and experienced specialists and mid management	0	0	0	0	0	0	0	0	0	0	0
Skilled technical and academically qualified workers, Jr management, supervisors, Foreman and superintendents	0	0	0	0	0	0	0	0	0	0	0
Semi-skilled and discretionary decision makers	0	0	0	0	0	0	0	0	0	0	0
Unskilled and defined decision-making	0	0	0	0	0	0	0	0	0	0	0
Total Permanent	0	0	0	0	0	0	0	0	0	0	0
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
Grand total	0	0	0	0	0	0	0	0	0	0	0

Skills development by percentage of payroll cost spent.

	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 on training (per annum) in Rand	Actual total payroll cost spent (per annum) in %
Full Staff Complement	15 736 618	3.23	508 275	300 111	1.60
HDI (Africans, Coloured, Indians, White females)	8 758 513	2.5	218 963	170 736	1.95

Statement on redressing inequalities

List of HDI targeted for assistance:
Our communities within in area of operation of Association. Total visits to communities = 88
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/m ³ of water forecast per annum = R289 195
Actual total amount (one and two above) spent as percentage of total amount:
113.6%

Skills development

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

4.9 Safety, Health and the Environment

One of the stated goals of the Association is the reliable supply of water delivered safely and cost effectively. Furthermore, it is an Association target of zero incidents. In this regard 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 & 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.

4.9.1 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. All accidents and/or occupational diseases associated with our production and/or manufacturing activities are recorded, reported and acted on.

As at the end of the financial year of 30 June 2018 the Association recorded 3889 accident free shifts and 88 016 fatality 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.

4.9.2 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.

4.9.3 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.

5. Governance and Remuneration

The Association's first lever of value refers to "Improve Governance" and in this regard the Association's goal is to revise its governance structures.

5.1 Corporate Governance and Application of King IV

In the previous Annual Report, it was noted that the Association would be reviewing its good governance compliance in terms of King IV.

The concept of corporate governance was first introduced in South Africa in November 1994 with the advent of the King Report on Corporate Governance (King Report I). In March 2002, in response to the very significant changes in South Africa following its new democracy, the second King Report was released (King Report II). King Report III followed shortly thereafter and then in 2016 the King Report IV on Corporate Governance for South Africa became necessary because of the provisions of the new Companies Act No. 71 of 2018 and changes in international governance best practice and trends. King IV applies to all entities regardless of the manner and the form of incorporation or establishment and whether in the public and private sectors or non-profit sectors.

The King IV Report on Corporate Governance for South Africa, 2016 ("King IV") includes a set of voluntary principles and leading practices which symbolises what organisations should aim to achieve in their corporate governance journey. These principles and practices have been compiled in such a way that it will apply to all organisations through the concept of proportionality. These principles can be viewed as the key building blocks for the Association's governance journey. King IV identifies that entities vary in size and turnover, of workforce, resources, extent and complexity of activities and hence the application of the principles on a proportional basis.

At part 6 of the King IV Code it sets out a number of Sector Supplements aimed at assisting certain sectors and categories of entities. Part 6.3 deals with a supplement for non-profit organisations, such as the Association.

Indicated below is a summary of the 17 good governance principles.

FIVE YEAR BUSINESS PLAN

NUMBER	KING PRINCIPLES
ONE	The governing body should lead ethically and effectively;
TWO	The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture;
THREE	The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen;
FOUR	The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process;
FIVE	The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects;
SIX	The governing body should serve as the focal point and custodian of corporate governance in the organisation;
SEVEN	The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively;
EIGHT	The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties;
NINE	The governing body should ensure that the valuation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness;
TEN	The governing body should serve as the focal point and custodian of corporate governance in the organisation;
ELEVEN	The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects;
TWELVE	The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise authority and responsibilities;
THIRTEEN	The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process;
FOURTEEN	The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties;
FIFTEEN	The governing body should ensure that assurance services and functions enable an effective control environment, and that they support the integrity of information for internal decision-making and of the organisation's external reports;
SIXTEEN	In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time;
SEVENTEEN	The governing body of an institutional investor organisation should ensure that responsible investment is practised by the organisation to promote good governance and the creation of value by the companies in which it invests.

A good corporate citizen, such as the Association, should put in place policies and practices in its business, which will enable it to make decisions and conduct its operations in a meaningful and ethical way which meets legal requirements and shows consideration for societies, communities and the environment.

During the year under review the Association identified the need to enhance its governance application of King IV principles and carried out an assessment of the current governance structure within the Association and its readiness to implement the King IV principles. Whilst the assessment indicated reasonable compliance of King IV various proposals have been put to management for action during the forthcoming financial year.

5.2 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.

5.2.1 Statement of commitment

The Management Committee is fully committed to business integrity, fairness, transparency and accountability in its activities. In support of this commitment, the Association's executive leadership subscribes to sound corporate governance in 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 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 management committee 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.

5.2.2 Governance framework

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

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

5.2.3 Our governance structure

The Association's Management Committee is 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.

5.2.4 Governance composition

As at 30 June 2018 the Management Committee of the Association comprised of five members duly elected in terms of the Association's Constitution and Members' Agreement and the CEO as ex-officio member. 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 IV.

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

5.2.5 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 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 spending, and to continuously improve the Association's relationship with key stakeholders, predominantly that being communities around the footprint of the Association and the DWS.

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 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 its Constitution and Members Agreement.

5.3 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.

5.3.1 The Finance, Audit and Risk Sub-Committee

The Finance, Audit and Risk Sub-Committee comprises of three members of the Management Committee, plus 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 and 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.

5.3.2 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.

5.4 Management Committee meetings and procedures

The Management Committee meets at least four 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.

5.5 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

5.6 Management Committee's report

The Management Committee's report is included with in the annual financial statements at pages 36 to 53.

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 2018**

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

GENERAL INFORMATION

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 2018

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Supplying bulk raw water to surrounding mines and public entities
Management Committee	D.W. Pelsler J.M. Bräsler V.C. Townsend
Chief Executive Officer	J.A. Bierman
Business address	8 Charbury Road Lynnwood Manor Village Lynnwood 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)

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 2018

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 - 4
Responsibilities and Approval of the Management 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 Ouditeurs
Chartered Accountants (S.A.) Registered Auditors

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Platinum Park
Bendor
Polokwane
Private Bag X7001
Bendor Park
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To the Management Committee of Lebalelo Water User Association

Opinion

We have audited the Financial Statements of Lebalelo Water User Association ("the Association") set out on pages 7 to 19, which comprise the Statement of Financial Position as at 30 June 2018, and 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 Lebalelo Water User Association as at 30 June 2018, and its financial performance and 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.

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 on 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 than 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 the other information. The other information comprises the Management Committee's Report as required by the National Water Act 36 of 1998, 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 fact. We have nothing to report in this regard.

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

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 2018

Independent Auditor's Report

Responsibilities of the management committee for the Financial Statements

The Management Committee is responsible for the preparation and fair presentation of the Financial Statements, and for such internal control as the committee members determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, 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.

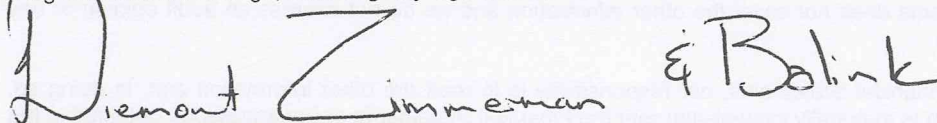
Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on 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, misrepresentations, 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 for the purpose of expressing an opinion on the effectiveness 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 Committee.
- Conclude on the appropriateness of the Management Committee's use of the going concern basis of accounting and 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 communicate with the Management Committee regarding, among 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
I.O. Jannasch

08 November 2018
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 2018

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 2019 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
Finance Committee

D.W. Pelser
Chairperson
Management Committee

17 October 2018

Lebalele 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 2018

Report of the Management Committee

The Management Committee submits its report for the year ended 30 June 2018.

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
D.W. Pelsler	Chairperson - Management Committee
J.M. Bräsler	Chairperson - Finance Committee
V.C. Townsend	Chairperson - Remuneration Committee
J.A. Bierman	Chief Executive Officer
Vacant	Local Government

3. Secretary

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

4. Auditors

Diemont, Zimmerman & Bolink will continue in office for the next financial year.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

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 2018

Accounting Policies

Amount in Rands	Note(s)	2018	2017
Assets			
Non-current Assets			
Property, plant and equipment	2	318 411 614	325 362 951
Long term pre-payments	3	121 325 347	130 966 053
Other financial assets	4	176 308 581	138 010 472
		616 045 542	594 339 476
Current Assets			
Inventories	5	1 421 948	1 574 047
Trade and other receivables	6	17 064 012	18 859 575
Other financial assets	4	29 274 262	41 586 043
Cash and cash equivalents	7	14 930	13 022
		47 775 152	62 032 687
Total Assets		663 820 694	656 372 163
Equity and Liabilities			
Equity			
Reserves		397 327 896	397 327 896
Retained income		77 993 042	69 215 189
		475 320 938	466 543 085
Liabilities			
Non-current Liabilities			
Deferred income	8	105 601 408	114 588 762
Current Liabilities			
Trade and other payables	9	18 557 872	12 648 545
Deferred income	8	9 152 344	9 354 172
Long term payables	10	55 188 132	53 237 599
		82 898 348	75 240 316
Total Liabilities		188 499 756	189 829 078
Total Equity and Liabilities		663 820 694	656 372 163

STATEMENT OF COMPREHENSIVE INCOME

Lebalelo Water User Association

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

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

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

Amount in Rands	Note(s)	2018	2017
Revenue	11	69 292 640	67 742 176
Cost of sales		(24 096 128)	(20 822 821)
Gross surplus		45 196 512	46 919 355
Other income		9 612 348	10 643 408
Operating expenses		(56 215 629)	(57 126 896)
Operating surplus (deficit)	12	(1 406 769)	435 867
Investment revenue	13	10 184 622	9 402 240
Surplus (deficit) for the year		8 777 853	9 838 107
Other comprehensive income		-	-
Total comprehensive surplus (deficit) for the year		8 777 853	9 838 107

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 2018

Statement of Changes in Equity

Amount in Rands	Capital Reserve	Retained Income	Total Equity
Balance at 01 July 2016	397 327 896	59 377 082	456 704 978
Changes in equity	-	9 838 107	9 838 107
Surplus/(loss) for the year	-	-	-
Total changes	-	9 838 107	9 838 107
Balance at 01 July 2017	397 327 896	69 215 189	466 543 085
Changes in equity	-	8 777 853	8 777 853
Surplus for the year	-	-	-
Total changes	-	8 777 853	8 777 853
Balance at 30 June 2018	397 327 896	77 993 042	475 320 938

STATEMENT OF CASH FLOWS

Lebalelo Water User Association

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

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

Annual Financial Statements for the year ended 30 June 2018

Statement of Cash Flows

Amount in Rands	Note(s)	2018	2017
Cash flows from operating activities			
Cash receipts from customers		70 699 777	77 155 942
Cash paid to suppliers and employees		(55 251 349)	(56 532 197)
Cash (used in) generated from operations	15	15 448 428	20 623 745
Interest income		10 184 622	9 402 240
Net cash from operating activities		25 633 050	30 025 985
Cash flows from investing activities			
Additions to property, plant and equipment	2	(1 936 437)	(15 931 729)
Disposals and profit of property, plant and equipment	2 + 15	341 085	(585)
Movement in investments		(25 986 328)	(2 926 823)
Net cash from investing activities		(27 581 680)	(18 859 137)
Cash flows from financing activities			
Movement in other liability		1 950 533	(11 168 728)
Net cash from financing activities		1 950 533	(11 168 728)
Total cash movement for the year		1 903	(1 880)
Cash at the beginning of the year		13 022	14 902
Total cash at end of the year	7	14 925	13 022

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 2018

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.

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 2018

Accounting Policies

1.2 Long term pre-payments

An intangible asset is recognised when -

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

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

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

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

1.3 Financial instruments

Initial recognition and measurement

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

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

Subsequent measurement

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

Impairment of financial assets

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

Impairment losses are recognised in surplus or deficit.

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

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

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

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

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 2018

Accounting Policies

1.3 Financial instruments (continued)

Trade and other receivables

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

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

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

1.4 Inventories

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

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

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

1.5 Revenue

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Lebalelo Water User Association

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

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

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Amount in Rands

2. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Plant and equipment - Existing scheme	236 559 818	(58 100 913)	178 458 905	236 563 514	(53 731 860)	182 831 654
Furniture and fixtures	527 356	(461 698)	65 658	533 044	(433 731)	99 313
Motor vehicles	5 663 359	(4 558 708)	1 104 651	5 306 470	(4 701 960)	604 510
IT equipment	2 241 507	(1 855 693)	385 814	1 977 739	(1 576 437)	401 302
Tools and equipment	3 918 465	(3 060 944)	857 521	3 850 930	(2 885 984)	964 946
Plant and equipment - Southern Extension	170 766 290	(33 831 623)	136 934 667	170 761 900	(30 772 981)	139 988 919
Plant and equipment - Booyesendal Platinum	711 105	(106 707)	604 398	530 949	(58 642)	472 307
Total	420 387 900	(101 976 286)	318 411 614	419 524 546	(94 161 595)	325 362 951

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Plant and equipment - Existing scheme	182 831 654	304 711	(236 054)	(4 441 406)	178 458 905
Furniture and fixtures	99 313	8 763	(7 917)	(34 501)	65 658
Motor vehicles	604 510	1 073 684	(3)	(573 540)	1 104 651
IT equipment	401 302	263 768	-	(279 256)	385 814
Tools and equipment	964 946	81 785	(8 612)	(180 598)	857 521
Plant and equipment - Southern Extension	139 988 919	7 900	(1)	(3 062 151)	136 934 667
Plant and equipment - Booyesendal Platinum	472 307	195 826	(13 796)	(49 939)	604 398
	325 362 951	1 936 437	(266 383)	(8 621 391)	318 411 614

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 - Booyesendal Platinum	309 512	187 520	-	(24 725)	472 307
	319 247 566	15 931 729	(191 964)	(9 624 380)	325 362 951

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 2018

Notes to the Annual Financial Statements

Amount in Rands

3. Long term pre-payments

	2018			2017		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Water entitlements	7 000 000	(7 000 000)	-	7 000 000	(7 000 000)	-
Servitudes	860 000	-	860 000	860 000	-	860 000
Capital Costs - ESKOM Powerline	11 102 342	(6 348 458)	4 753 884	11 102 342	(5 820 249)	5 282 093
ESKOM POD Cost	3 168 837	(2 033 928)	1 134 909	3 168 837	(1 907 827)	1 261 010
Exemption from Water Resource Development Charge as per clause 7.2 (refer to note 8)	224 730 097	(110 153 543)	114 576 554	224 730 097	(101 167 147)	123 562 950
Total	246 861 276	(125 535 929)	121 325 347	246 861 276	(115 895 223)	130 966 053

Reconciliation of long term pre-payments - 2018

	Opening balance	Amortisation	Total
Servitudes	860 000	-	860 000
Capital Costs - ESKOM Powerline	5 282 093	(528 209)	4 753 884
ESKOM POD Cost	1 261 010	(126 101)	1 134 909
Exemption from Water Resource Development Charge as per clause 7.2 (refer to note 8)	123 562 950	(8 986 396)	114 576 554
	130 966 053	(9 640 706)	121 325 347

Reconciliation of long term pre-payments - 2017

	Opening balance	Amortisation	Total
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

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 2018

Notes to the Annual Financial Statements

Amount in Rands	2018	2017
4. Other financial assets		
At amortised cost		
Longterm investment (Fixed deposits) - ABSA Interest rates ranging from 7.03% to 8.11% (2017: 7.24% to 7.85%) per annum	175 217 280	154 506 415
Replacement fund - ABSA 40 6069 7124 Interest rates ranging from 5.5% to 6.0% (2017: 5.25% to 6.50%) per annum	2 536	-
Longterm investment (Fixed deposits) - ABSA - Eskom Guarantees Interest rates ranging from 7.38% to 8.08% (2017: 7.81% to 8.50%) per annum	2 357 228	2 431 529
Call / Sweeping account - ABSA 40 5578 3249 Interest rates ranging from 6% to 7.50% (2017: 5.00% to 6.85%) per annum	16 731 537	6 372 528
Depositor Plus - ABSA 92 8467 3157 Interest rates ranging from 6.90% to 7.05% (2016: 5.60% to 7.13%) per annum	11 268 790	16 286 043
Depositor Plus - ABSA 92 8467 3335 (Mokgalakwena Regional Raw Water Scheme) Interest rates ranging from 6.9% to 7.05% (2016: 5.60% to 7.13%) per annum	5 472	-
	205 582 843	179 596 515
Non-current assets		
At amortised cost	176 308 581	138 010 472
Current assets		
At amortised cost	29 274 262	41 586 043
	205 582 843	179 596 515
Refer to note 10		
5. Inventories		
Consumable stock	1 421 948	1 574 047
6. Trade and other receivables		
Trade receivables	7 523 904	8 411 144
Deposits	40 644	29 980
VAT	321 371	1 240 358
Sundry debtors	9 178 093	9 178 093
	17 064 012	18 859 575
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	4 930	3 022
Bank balances	10 000	10 000
	14 930	13 022

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 2018

Notes to the Annual Financial Statements

Amount in Rands	2018	2017
8. Deferred income		
Non-current liabilities	105 601 408	114 588 762
Current liabilities	9 152 344	9 354 172
	114 753 752	123 942 934
<p>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.</p>		
9. Trade and other payables		
Trade payables	5 293 792	1 846 511
Other payables	13 264 080	10 802 034
	18 557 872	12 648 545
10. Long term payables		
Other long-term payables due to members - Southern Extension	24 763 881	24 900 954
Other long-term payables due to members - Mogalakwena Regional Raw Water Scheme	30 424 251	28 336 645
	55 188 132	53 237 599
11. Revenue		
Variable operating costs	20 138 179	25 615 539
Fixed operating costs	49 154 461	42 126 637
	69 292 640	67 742 176
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	74 702	(192 549)
Amortisation on intangible assets	9 640 706	9 640 706
Depreciation on property, plant and equipment	8 621 391	9 624 378
Employee costs	17 661 010	15 756 445
	35 997 809	34 828 980
13. Investment revenue		
Interest revenue		
Bank	380 979	312 689
Interest charged on trade and other receivables	1 039 477	707 225
Other interest	8 764 166	8 382 326
	10 184 622	9 402 240

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 2018

Notes to the Annual Financial Statements

Amount in Rands	2018	2017
14. Auditors' remuneration		
Fees	253 146	144 720
15. Cash (used in) generated from operations		
Surplus	8 777 853	9 838 107
Adjustments for:		
Depreciation and amortisation	18 262 097	19 265 087
Loss / (profit) on sale of assets	(74 702)	192 549
Interest received	(10 184 622)	(9 402 240)
Changes in working capital:		
Inventories	152 099	(168 014)
Trade and other receivables	1 795 558	10 181 150
Trade and other payables	5 909 327	(155 660)
Deferred income	(9 189 182)	(9 127 234)
	15 448 428	20 623 745

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 R46 463 456.88 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 appointed an external independent auditor, namely Mazars Gauteng, to investigate the balance due by the Association according to the Department. Based on the procedures and calculations performed by Mazars, they concluded that the balance should be reduced to R1 346 663.76.

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

Lebalele 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 2018

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

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	18 557 872	-	-	-
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	12 648 545	-	-	-

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

Lebalelo Water User Association

Detailed Statement of Comprehensive Income for the year ended 30 June 2018

Notes	2018 R	2018 R	2018 R	2018 R	2018 R
	Havercroft to Maandagshoek	Southern Extension	Booyensdal Platinum	Other	Total
Gross Revenue	57 583 916	9 443 640	2 265 084	-	69 292 640
Fixed operating costs	38 350 748	6 095 315	901 116	-	45 347 179
Fixed electricity	2 739 713	520 997	298 894	-	3 559 604
Variable electricity	10 381 326	2 827 328	1 065 074	-	14 273 728
Raw water	5 528 081	-	-	-	5 528 081
Water research fund	336 370	-	-	-	336 370
Potable water supply	247 678	-	-	-	247 678
Cost of revenue	19 529 250	3 342 008	1 224 871	-	24 096 128
Fixed electricity	2 767 494	506 292	333 956	-	3 607 742
Variable electricity	10 948 478	2 835 716	890 914	-	14 675 109
Raw water	5 072 975	-	-	-	5 072 975
Water research fund	411 805	-	-	-	411 805
Potable water supply	328 497	-	-	-	328 497
Gross surplus	38 054 667	6 101 632	1 040 214	-	45 196 512
Other income	-	-	-	19 796 970	19 796 970
Profit on disposal of fixed assets	-	-	-	619 425	619 425
Interest received	-	-	-	10 184 622	10 184 622
Discount received	-	-	-	569	569
Rent received	-	-	-	5 000	5 000
Amortisation-deferred income	-	-	-	8 987 354	8 987 354
Total income	38 054 667	6 101 632	1 040 214	19 796 970	64 993 482
Fixed operating expenses (Refer to next page)	42 279 339	4 387 991	561 903	8 986 396	56 215 629
Retained surplus/(deficit) for the year	(4 224 673)	1 713 641	478 311	10 810 573	8 777 853
Transfer of interest to non-distributable reserve	-	-	-	-	-
Accumulated surplus/(deficit) at the beginning of year	(12 338 299)	629 411	9 942 926	70 981 148	69 215 185
Accumulated surplus/(deficit) at the end of the year	(16 562 973)	2 343 052	10 421 236	81 791 721	77 993 038

DETAILED STATEMENT OF COMPREHENSIVE INCOME

Lebalelo Water User Association

Detailed Statement of Comprehensive Income for the year ended 30 June 2018

	Notes	2018 R	2018 R	2018 R	2018 R	2018 R
		Havercroft to Maandagshoek	Southern Extension	Booyensdal Platinum	Other	Total
Fixed operating costs		42 279 339	4 387 991	561 903	8 986 396	56 215 629
Administrative expenses		3 587 487	162 258	97 590	-	3 847 335
Consultant fees		2 729 570	-	-	-	2 729 570
Depreciation		5 509 300	3 062 151	49 939	-	8 621 391
Amortisation		654 310	-	-	8 986 396	9 640 707
Disestablishment - consultants		1 797 827	-	-	-	1 797 827
Personnel costs		17 649 414	-	-	-	17 649 414
Loss on disposal of assets		-	-	-	-	-
Transport		553 785	-	-	-	553 785
Security and safety		3 419 106	562 988	281 494	-	4 263 587
Software development and training		109 627	-	-	-	109 627
Social Development		3 277 869	-	-	-	3 277 869
MAINTENANCE						
Abnormal maintenance		1 081 782	95 954	-	-	1 177 736
Access roads		-	-	-	-	-
Air conditioners		20 808	9 312	-	-	30 120
Civil		37 217	7 093	52	-	44 362
Cleaning		41 891	2 177	1 434	-	45 502
Cranes		-	-	-	-	-
Dams (Silt removing)		-	-	-	-	-
Electrical		322 308	233 396	59 284	-	614 988
Environment		-	-	-	-	-
Fabrication		25 432	1 811	-	-	27 243
Gardens and irrigation		43 550	-	-	-	43 550
Herbicide		77 502	38 630	12 718	-	128 850
Instrumentation		432 890	143 035	33 177	-	609 102
Lubricants and workshop consumables		47 937	3 872	9 600	-	61 409
Mechanical		427 922	225	2 160	-	430 307
Offices and workshop		-	-	-	-	-
Pest control		246 676	30 612	5 720	-	283 008
Pipe lines		74 434	5 161	1 950	-	81 545
Personnel housing		15 291	-	-	-	15 291
Plant hire		-	-	-	-	-
Safety ropes		814	-	-	-	814
Telemetry		14 056	4 316	-	-	18 373
Tools and equipment		63 431	13 712	6 700	-	83 843
Water quality (purification)		17 100	11 289	85	-	28 474

DETAILED STATEMENT OF COMPREHENSIVE INCOME

Lebalelo Water User Association

Detailed Statement of Comprehensive Income for the year ended 30 June 2018

Notes	2017 R	2017 R	2017 R	2017 R	2017 R
	Havercroft to Maandagshoek	Southern Extension	Booyensdal Platinum	Other	Total
Gross Revenue	53 981 239	8 716 656	5 044 279	-	67 742 176
Fixed operating costs	28 933 596	5 500 929	4 004 544	-	38 439 069
Fixed electricity	2 652 315	500 942	286 632	-	3 439 889
Variable electricity	6 940 552	2 714 785	753 103	-	10 408 442
Raw water	14 924 795	-	-	-	14 924 795
Water research fund	282 303	-	-	-	282 303
Maintenance	-	-	-	-	-
Potable water supply	247 678	-	-	-	247 678
Cost of sales	16 067 109	3 636 570	1 119 141	-	20 822 821
Fixed electricity	2 575 296	518 191	279 936	-	3 373 423
Variable electricity	10 132 755	3 118 379	839 205	-	14 090 339
Raw water	2 750 278	-	-	-	2 750 278
Water research fund	373 259	-	-	-	373 259
Potable water supply	235 521	-	-	-	235 521
Gross surplus	37 914 130	5 080 086	3 925 138	-	46 919 355
Other income	-	-	-	20 045 648	20 045 648
Profit on disposal of fixed assets	-	-	-	1 538 554	1 538 554
Interest received	-	-	-	9 402 240	9 402 240
Discount received	-	-	-	500	500
Rent received	-	-	-	117 000	117 000
Amortisation-deferred income	-	-	-	8 987 354	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	(4 852 799)	152 255	3 479 397	11 059 252	9 838 107
Transfer of interest to non-distributable reserve	-	-	-	-	-
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

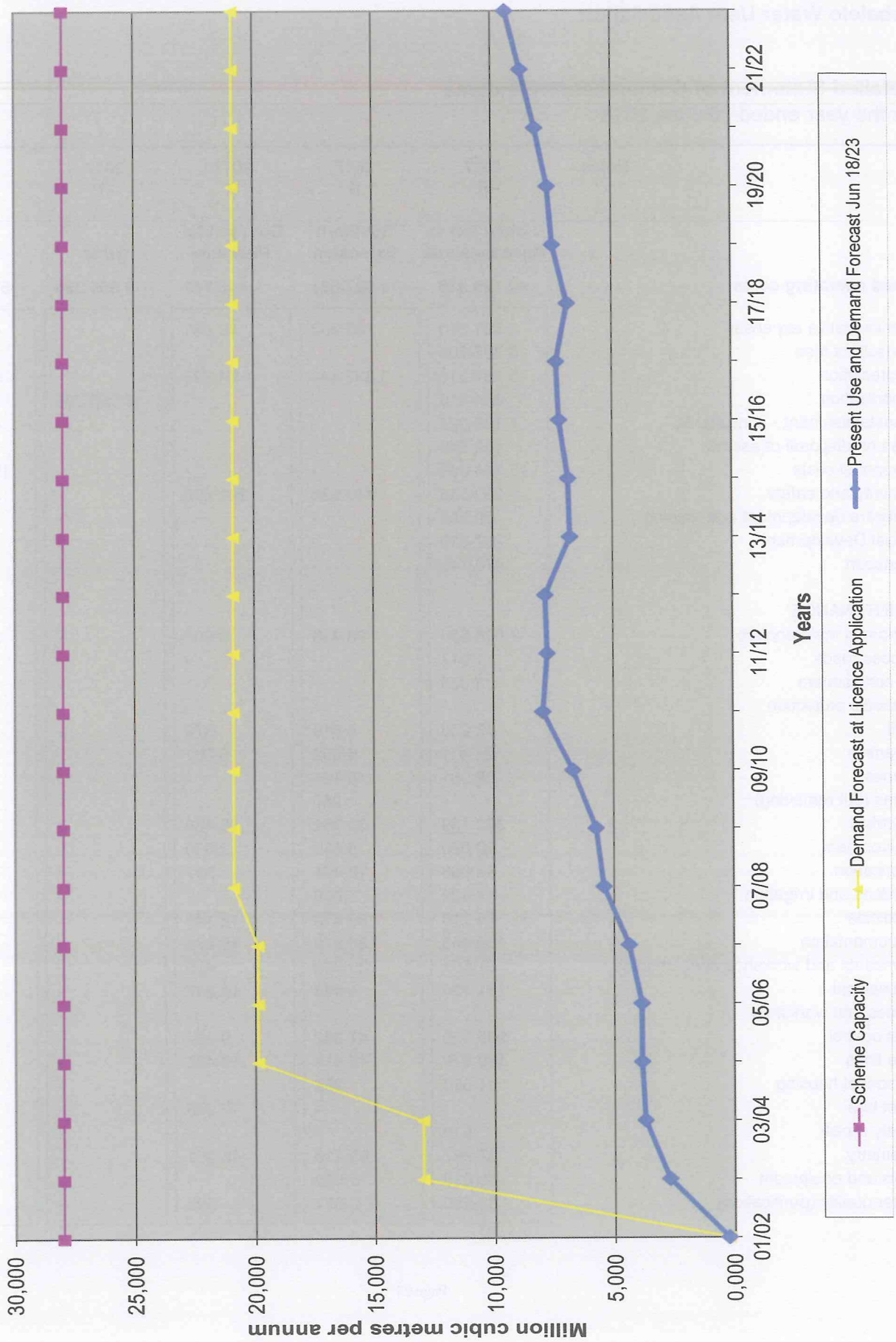
DETAILED STATEMENT OF COMPREHENSIVE INCOME

Lebalelo Water User Association

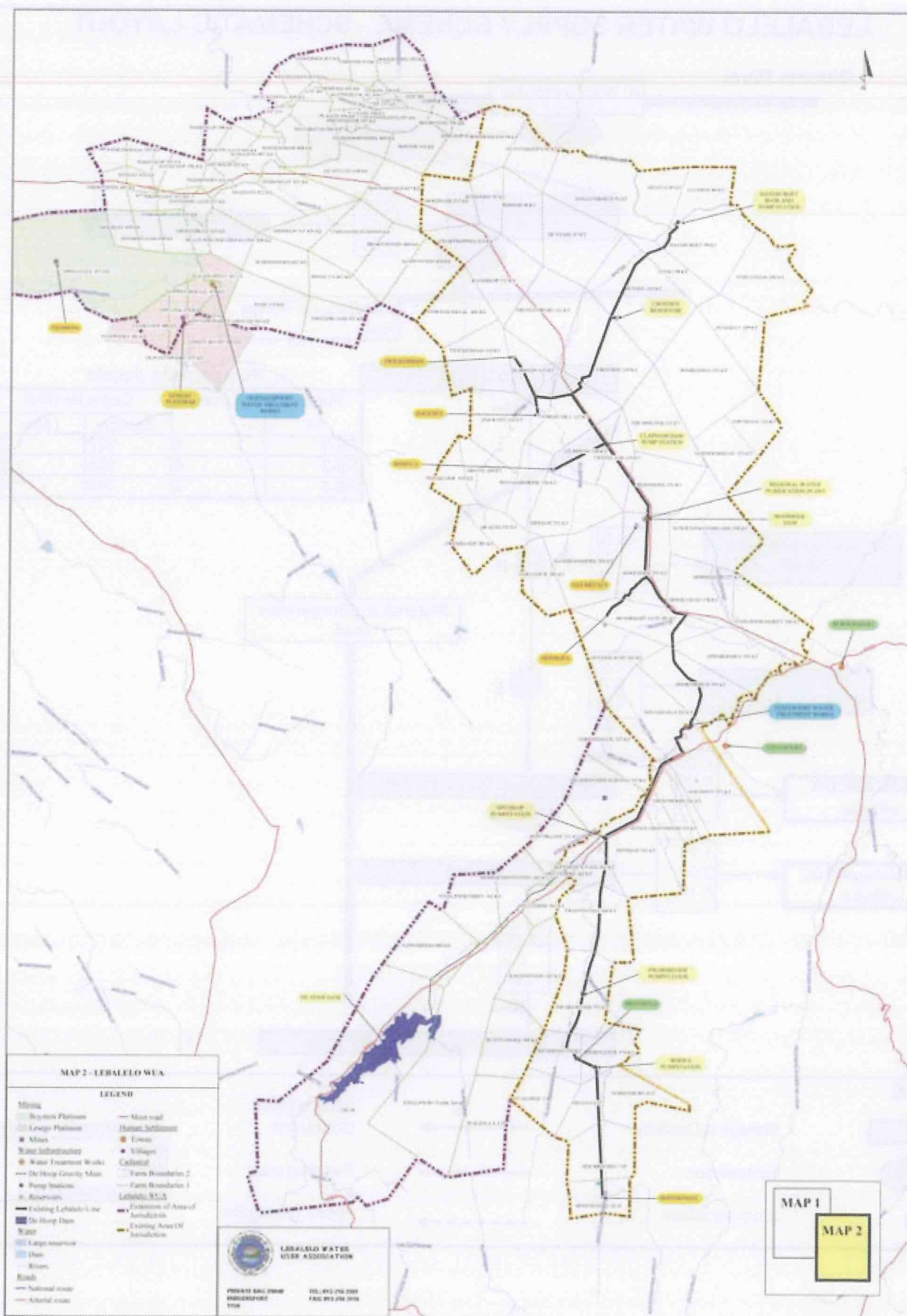
Detailed Statement of Comprehensive Income for the year ended 30 June 2018

Notes	2017 R	2017 R	2017 R	2017 R	2017 R
	Havercroft to Maandagshoek	Southern Extension	Booyseindal 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	-	-	-	3 707 604
Depreciation	5 767 210	3 832 444	24 725	-	9 624 379
Amortisation	654 310	-	-	8 986 396	9 640 707
Disestablishment - consultants	4 199 024	-	-	-	4 199 024
Loss on disposal of assets	192 549	-	-	-	192 549
Personnel costs	15 744 389	-	-	-	15 744 389
Security and safety	3 290 556	440 956	221 696	-	3 953 208
Software development and training	20 500	-	-	-	20 500
Social Development	267 310	-	-	-	267 310
Transport	473 745	-	-	-	473 745
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
Cathodic protection	-	-	-	-	-
Civil	43 255	4 819	370	-	48 444
Cleaning	21 411	6 052	3 061	-	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	-	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 consumables	37 509	20 099	479	-	58 087
Mechanical	131 134	4 465	14 247	-	149 847
Offices and workshop	-	-	-	-	-
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	-	-	-	910
Telemetry	32 987	59 419	48 951	-	141 356
Tools and equipment	60 818	5 820	-	-	66 637
Water quality (purification)	36 290	3 671	593	-	40 554

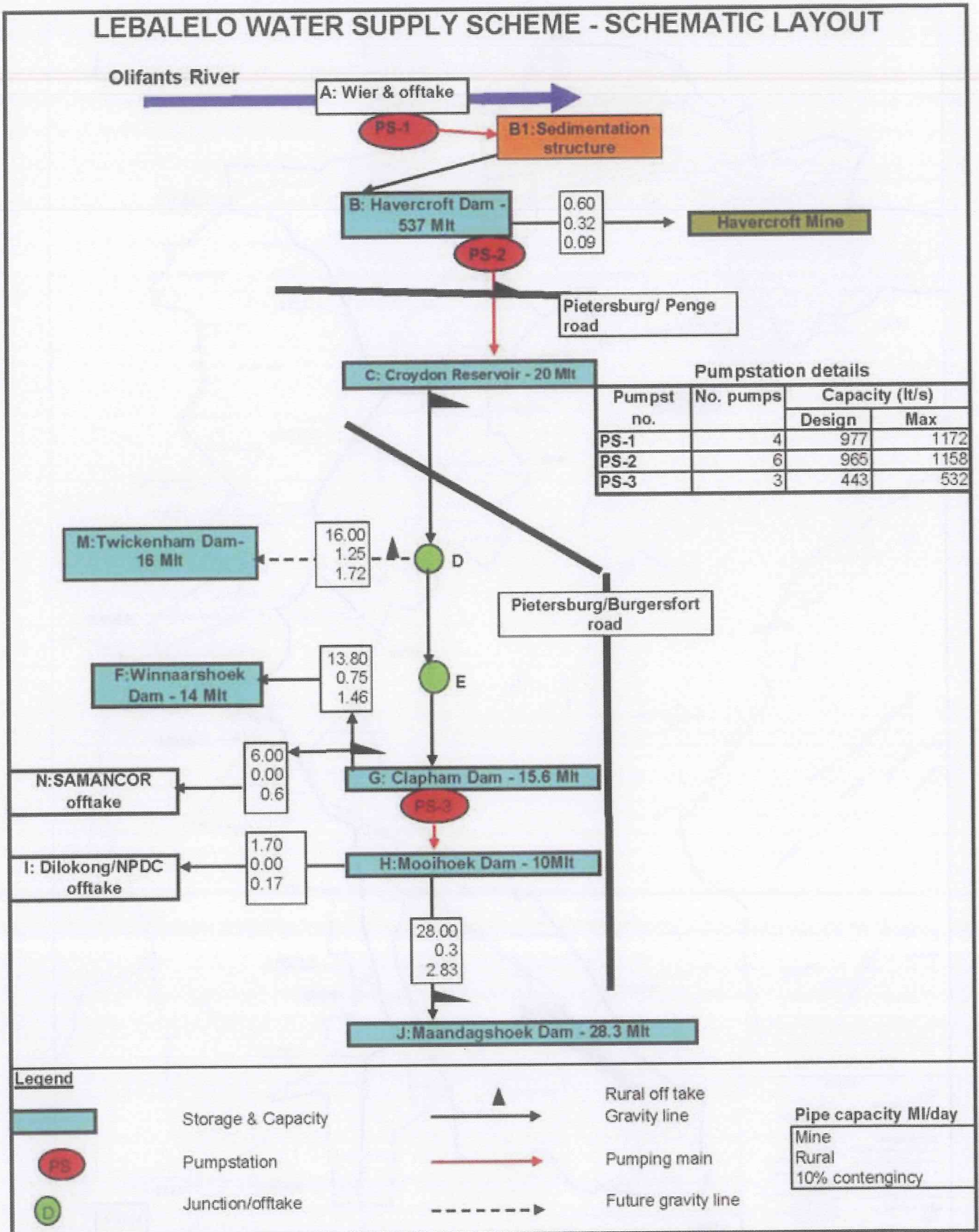
7. Water Use and Demand

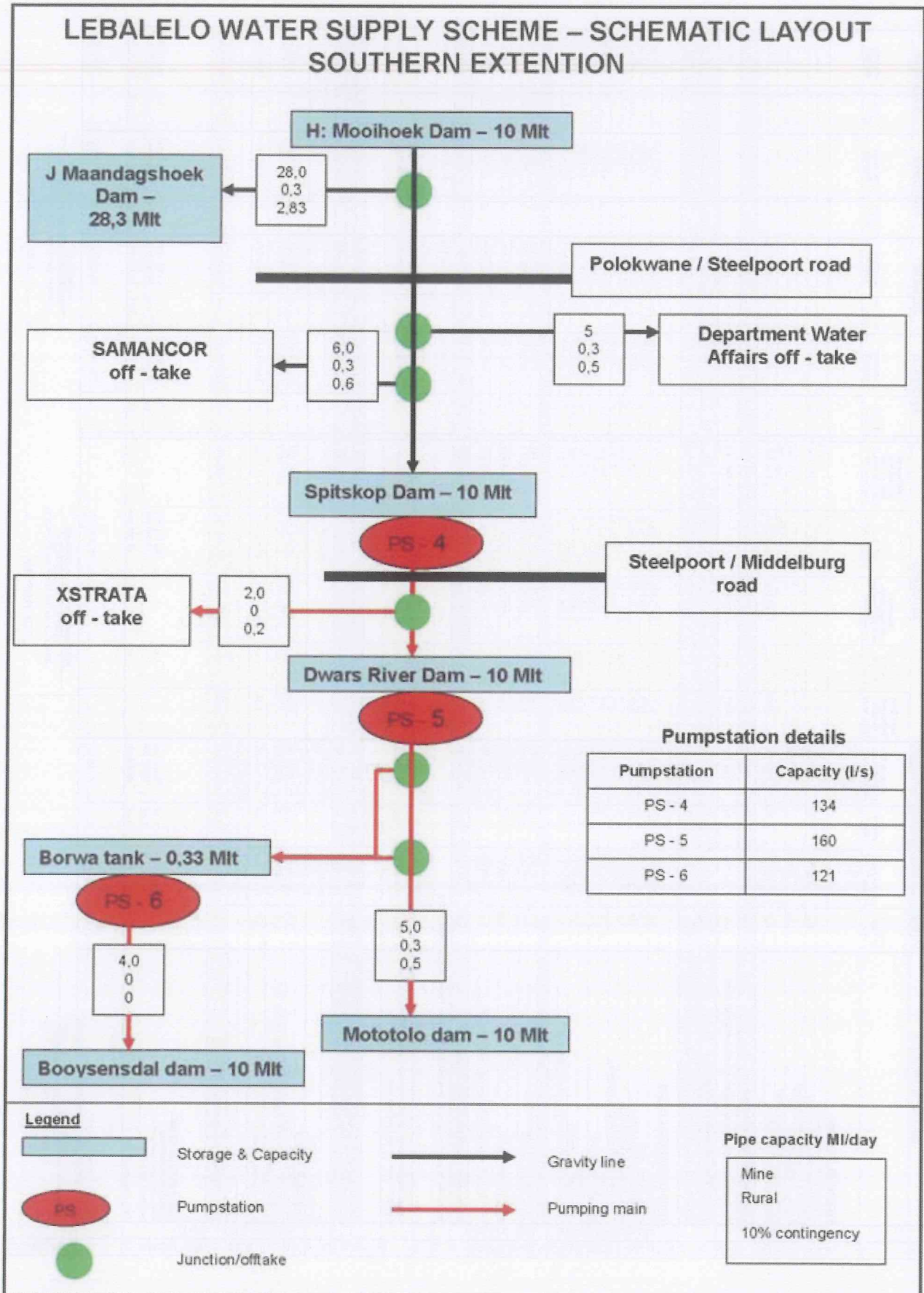


ANNEXURE A1: AREA OF OPERATION (EXISTING AREA)



ANNEXURE A2: SCHEMATIC LAYOUT (ORIGINAL SCHEME)





ANNEXURE B3: OPERATIONAL BUDGET (BOOYSENDAL)

		LEBALELO WATER USER ASSOCIATION - REVISED BUDGET : 01/07/2018 TO 30/06/2023 - BOOYSENDAL MINE											
		2017/2018		2018/2019		2019/2020		2020/2021		2021/2022		2022/2023	
Page No	NORTHAM PLATINUM - SUMMARY	Approved Budget 17/18	Actual R/m²	FORECAST EXPENDITURE AS AT 30.06.18	Unit Cost approved Budget 18/19 R/m²	Unit Cost revised Budget 18/19 R/m²	Approved Budget 18/19 (with prior budget approval)	REVISSED BUDGET 18/19	INCREASE (DECREASE) per year (June 18 Actual vs June 19)	REVISED BUDGET Budget R/m²	REVISED BUDGET Budget R/m²	REVISED BUDGET Budget R/m²	REVISED BUDGET Budget R/m²
4	NP/A WORKING CAPITAL												
5	1 STORES	0.10	0.12	61 500	0.01	-	18 150	-	-81 500	0.02	18 150	0.12	94 715
6	2 UPGRADING INFRASTRUCTURE	0.03	0.05	62 000	-	2.18	-	1 700 000	1 638 000	-	-	0.08	71 300
7	3 TOOLS AND EQUIPMENT	-	-	-	-	-	-	-	-	-	-	-	-
8	4 REPLACEMENTS OUT OF REFURBISHMENT FUND	-	-	-	-	-	-	-	-	-	-	-	-
9	5 CAPITAL PROJECTS	-	-	-	-	-	-	175 583	175 583	-	-	-	-
10	SUB TOTAL - WORKING CAPITAL	0.13	0.17	143 500	0.01	2.18	18 150	179 583	1 555 500	0.02	18 150	0.12	94 715
11	FINANCED OUT OF REPLACEMENT AND REFURBISHMENT FUND	-0.18	-0.21	-143 500.00	-0.01	-	-18 150	-1 875 583	-1 555 500	-0.02	-18 150	-0.12	-94 715
12	A SUB TOTAL: WORKING CAPITAL	-	-	-	-	2.18	-	-	-	-	-	-	-
13	NP/B FIXED OPERATIONAL COSTS												
14	21 ADMINISTRATIVE EXPENSES	0.31	0.14	100 373	0.22	0.14	285 120	110 400	10 027	0.15	119 232	0.17	128 771
15	22 SECURITY & SAFETY	0.33	0.35	252 494	0.35	0.35	287 507	279 209	27 209	0.36	277 078	0.40	308 244
16	23 MAINTENANCE	0.43	0.39	346 829	0.37	0.61	469 866	477 048	130 970	0.70	544 467	0.76	595 297
17	24 DEPRECIATION (GAMP)	0.03	0.03	24 366	0.03	0.03	25 581	25 581	1 218	0.03	26 864	0.04	28 207
18	25 FIXED ELECTRICITY COSTS	0.40	0.41	287 854	0.27	0.39	339 093	303 905	16 011	0.41	319 799	0.43	354 525
19													
20													
21	B SUB TOTAL: FIXED OPERATIONAL COSTS	1.50	1.45	1 012 056	1.76	1.54	1 407 171	1 897 500	185 444	1.65	1 237 440	1.64	1 397 543
22	Increase % year on year							18.32%		7.51%		8.55%	2.51%
23	TOTAL OPERATIONAL BUDGET (Fixed Cost(A+B))	1.50	1.45	1 012 056	1.76	1.54	1 407 171	1 197 500	185 444	1.65	1 237 440	1.64	1 397 543
24	Water requirements in m³ (Forecast/month)			656 504			706 033	706 000	492 342		706 000		830 000
25	NP/C VARIABLE COSTS												
26	ELECTRICITY COSTS according to Demand (Energy Cost)	1.56	1.31	911 448	1.79	1.41	1 427 806	1 101 735	190 237	1.62	1 266 996	1.57	1 587 805
27													
28													
29													
30	A+B+C Total O & M Budget (Fixed & Variable)	3.06	2.76	1 923 504	3.55	2.95	2 834 977	2 299 236	375 232	3.27	2 554 435	3.21	2 985 349
31													
32	COST PER CUBIC METER - NORTHAM PLATINUM												
33	Fixed Operating Cost per m³	1.50	1.45	1 012 056	1.54	1.54	1 407 171	1 197 500	185 444	1.65	1 237 440	1.64	1 397 543
34	Variable Cost per m³	1.56	1.31	911 448	1.41	1.41	1 427 806	1 101 735	190 237	1.62	1 266 996	1.57	1 587 805
35	Total costs per m³	3.06	2.76	1 923 504	2.95	2.95	2 834 977	2 299 236	375 232	3.27	2 554 435	3.21	2 985 349
36													
37	Southern Extension Costs:												
38	Fixed Operating Cost per m³	1.64	2.07	6 009 387	2.15	2.15	7 227 667	7 227 667	6 009 387	2.36	8 002 468	2.35	8 384 200
39	Variable Cost per m³	1.16	1.13	2 792 167	1.14	1.14	3 088 190	3 088 190	2 792 167	1.29	3 456 921	1.45	3 955 004
40	Total costs per m³	2.79	3.20	9 401 554	3.29	3.29	10 395 857	10 395 857	8 801 554	3.65	11 459 379	3.80	12 339 204
41	Harwerfont to Modiviva Costs:												
42	Fixed Operating Cost per m³	5.17	5.14	36 616 753	5.45	5.45	40 891 005	40 891 005	36 616 753	6.31	48 403 740	6.45	52 765 126
43	Variable Cost per m³	2.07	1.94	12 707 654	2.15	2.15	15 699 628	15 699 628	12 707 654	2.33	18 873 519	2.55	23 065 595
44	Total costs per m³	7.25	7.08	49 324 407	7.60	7.60	56 590 633	56 590 633	49 324 407	8.64	67 277 259	9.00	75 830 721
45													
46	TOTAL COST PER M³	13.10	13.24	60 649 905	13.84	13.84	68 386 028	68 386 028	60 649 905	15.56	79 291 073	16.31	87 993 814
47													
48	COMPILED: AL BRITZ												
49	CHIEF FINANCIAL OFFICER												
50	LEBALELO WATER USER ASSOCIATION												
51													
52													
53													

RECOMMEND: JA BIEMAN
CHIEF EXECUTIVE OFFICER
LEBALELO WATER USER ASSOCIATION

RECOMMEND: JIM BRÄSLER
CHAIRPERSON: FINANCE COMMITTEE
LEBALELO WATER USER ASSOCIATION

COMPILED: AL BRITZ
CHIEF FINANCIAL OFFICER
LEBALELO WATER USER ASSOCIATION

DATE

ANNEXURE C: PROJECTED FIVE-YEAR STATEMENT OF COMPREHENSIVE INCOME

A. Projected Five-Year Statement of Comprehensive Income

YEAR	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Water use in m ³	7 264 991	7 468 182	7 676 943	8 181 118	8 781 201	9 793 203
Revenue						
Fixed Electricity Costs	3 559 604	3 785 529	4 122 283	4 417 399	4 881 738	5 283 074
Havercroft	2 691 416	2 903 394	3 150 366	3 423 873	3 718 568	4 025 862
Cathodic Protection	48 297	56 527	61 050	65 934	71 208	76 905
Southern Extension	520 997	521 703	591 068	591 068	737 836	807 661
Booyensdal	209 894	303 905	319 799	336 525	352 125	372 646
Fixed Operating Income	42 081 477	35 451 375	36 253 530	39 771 873	42 178 931	46 604 629
Havercroft	41 982 873	42 158 582	43 134 095	46 656 861	49 304 831	54 254 840
Southern Extension	6 649 609	6 616 312	7 292 568	8 014 510	8 538 700	9 072 382
Booyensdal	1 200 010	1 200 010	1 407 171	1 431 047	1 554 898	1 702 417
Less: Depreciation		-5 012 960	-5 263 607	-5 526 788	-5 803 127	-6 093 284
Less: Maintenance	-3 265 702	-4 823 096	-5 317 621	-5 432 426	-5 494 028	-5 898 632
Less: Potable Water	-289 195	-298 727	-307 078	-327 245	-351 248	-391 728
Less: CMA	-603 217	-603 217	-569 715	-626 687	-689 356	-758 291
Less: Fixed Electricity	-3 592 901	-3 785 529	-4 122 283	-4 417 399	-4 881 738	-5 283 074
Maintenance	3 265 702	4 823 096	5 317 621	5 432 426	5 494 028	5 898 632
Havercroft	2 170 205	3 197 295	3 378 382	3 565 735	3 414 069	3 610 286
Southern Extension	748 568	1 147 893	1 394 772	1 270 894	1 503 020	1 561 434
Booyensdal	346 929	477 908	544 467	595 797	576 939	726 912
Potable Water - Maintenance	247 678	298 727	307 078	327 245	351 248	391 728
Variable Electricity Costs	14 273 728	16 328 691	18 477 743	21 647 976	25 466 276	31 919 102
Havercroft	10 381 326	12 158 766	13 753 827	16 164 566	19 135 894	23 693 004
Southern Extension	2 827 328	3 068 190	3 456 921	3 895 604	4 504 406	6 126 225
Booyensdal	1 065 074	1 101 735	1 266 996	1 587 805	1 825 976	2 099 873
Water Use Charges	5 864 451	3 341 263	4 301 413	5 268 802	6 174 387	8 045 178
TOTAL REVENUE	69 292 640	64 028 682	68 779 668	76 865 721	84 546 609	98 142 345
Cost of Revenue						
Electricity Charges - Fixed Costs	3 607 742	3 785 529	4 122 283	4 417 399	4 881 738	5 283 074
Electricity Charges - Variable Costs	14 675 109	16 328 691	18 477 743	21 647 976	25 466 276	31 919 102
Potable Water - Maintenance	328 497	298 727	307 078	327 245	351 248	391 728
Water Charges - Purchases	5 484 780	3 341 263	4 301 413	5 268 802	6 174 387	8 045 178
COST OF REVENUE	24 096 128	23 754 211	27 208 517	31 661 422	36 873 650	45 639 083
GROSS SURPLUS	45 196 512	40 274 471	41 571 151	45 204 299	47 672 960	52 503 262
Administration Costs	10 018 378	1 709 321	3 748 891	4 782 993	4 707 640	6 280 506
Salaries	20 378 984	23 897 006	22 023 143	23 827 578	25 583 735	27 660 545
Maintenance	4 278 302	4 823 096	5 317 621	5 432 426	5 494 028	5 898 632
Social Development	3 277 869					
Depreciation	8 621 390	9 845 049	10 481 496	11 161 302	11 887 556	12 663 578
Havercroft	5 509 300	5 012 960	5 263 607	5 526 788	5 803 127	6 093 284
Southern Extension	3 062 151	4 806 505	5 191 025	5 606 307	6 054 812	6 539 197
Booyensdal	49 939	25 584	26 864	28 207	29 617	31 098
Amortisation	654 310	654 310	654 310	654 310	654 310	654 310
FIXED COSTS	47 229 233	40 928 781	42 225 461	45 858 609	48 327 270	53 157 572
Operating Surplus	-2 032 721	-654 310	-654 310	-654 310	-654 310	-654 310
Interest received	10 184 622	9 000 000	9 000 000	9 000 000	9 000 000	9 000 000
Other Income	624 994	-	-	-	-	-
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	8 777 853	8 346 648	8 346 648	8 346 648	8 346 648	8 346 648



The Lebalelo Water User Association

