

ANNUAL REPORT 2018/2019 AND BUSINESS PLAN

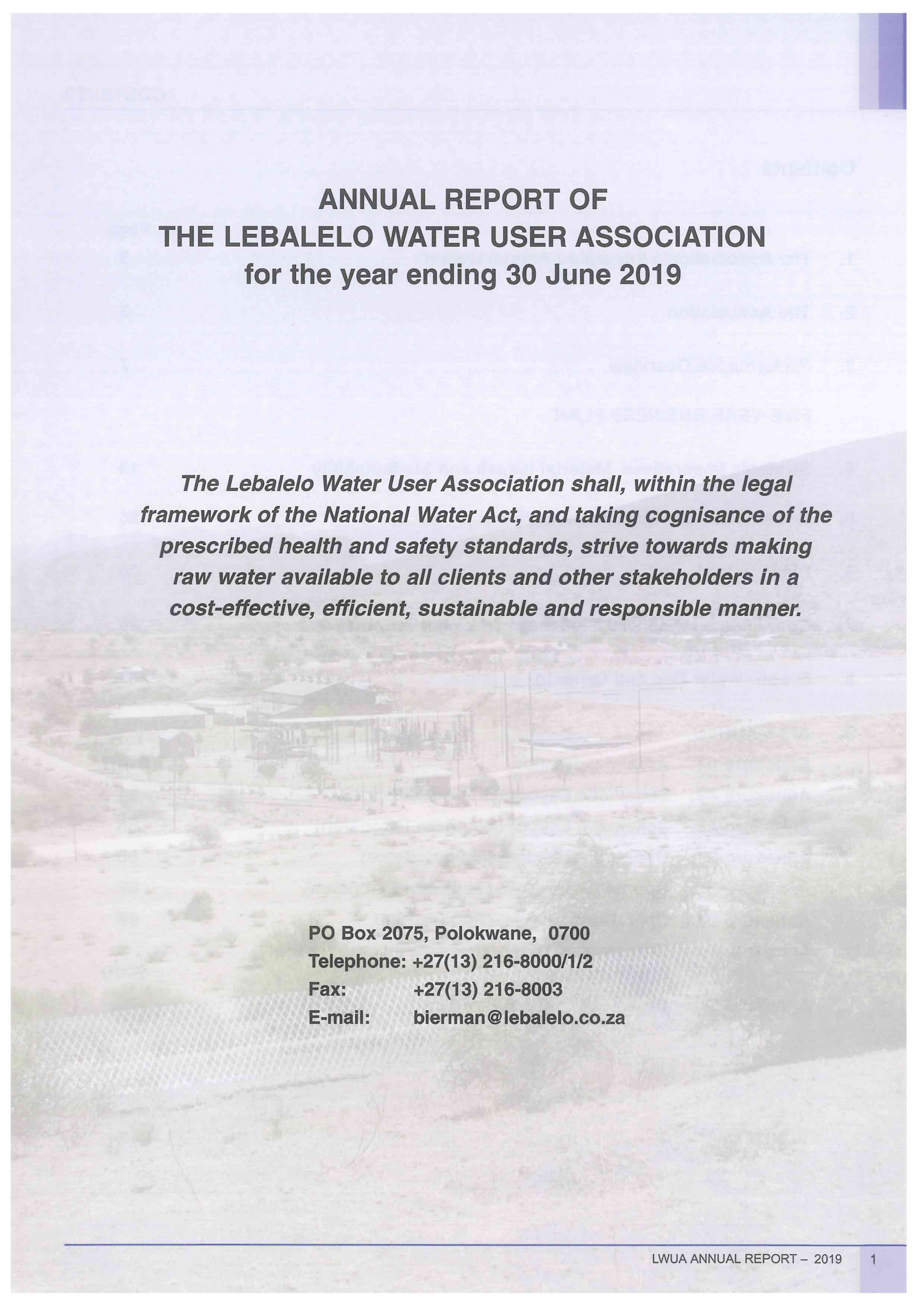


LEBALELO WATER USER ASSOCIATION

Legal Framework

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





ANNUAL REPORT OF THE LEBALELO WATER USER ASSOCIATION for the year ending 30 June 2019

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

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1. The Association's Integrated Annual Report

1.1 Introduction and scope of the report

The Association is set on a journey towards transformation from being a predominantly raw water provider to a strategic water management partner in the region we operate.

The report is aimed primarily at the Members of the Lebalelo Water User Association (the Association), including the Minister of Department Human Settlements, Water and Sanitation, (the Department), employees, clients, stakeholders and communities. It is also likely to be of interest to a broader readership, as it covers our relationships and interactions with stakeholders deemed to be material to our ability to deliver on our strategy and to our reputation in the region which we operate.

We are pleased to present our 2019 Integrated Annual Report. The report follows the same structure as last year. It covers the performance of the Association for the year ended 30 June 2019 and contains the audited 2019 Annual Financial Statements for the year ending 30 June 2019 and the 2020 Business Plan.

1.2 Materiality

The Integrated Annual Report focuses on information material to the Association's business. It provides a concise overview of the Association'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 information that is considered to be material for inclusion in this report.

1.3 Assurance

The Members of the Management Committee, assisted by the Finance Committee and the Social and Ethics 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 of 1998 (Act No. 36 of 1998), Section 91(1)(f), 93(1) and 94(2), Schedule 4 (Management and Planning of Water Management Institutions) and Schedule 5, the model Constitution of Water User Association, Section 79(2) and 84(1).

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;
- 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;
- continue with its support to the Department: Human Settlements, Water and Sanitation and the 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; and
- protect the Association's infrastructure.

The Association's purpose is to;

- positively impact lives through water.

The Association's vision is to;

- be a strategic water management partner in the region we operate.

The Association's values are to;

- drive the behaviour of the Association's management and staff and will form the backbone of the culture of the organisation, in this regard;
- 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; and
- we manage resources under our control sustainably and efficiently.

The Association's 2030 ambition is to set a journey towards:

- stabilising our operations and our social license to operate;
- facilitating the building of a trusted platform for social economic development in the region;
- help catalyse the creation of game changing businesses to drive exponential social economic impact in the region.

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 to positively impact 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 a focus on the achievement of the Association's 2030 ambition to set a journey towards three horizons namely,

- Horizon 1, which is a focus over 1 to 3 years to stabilise the Association's operations and the social license to operate through 5 strategic levers;
- Horizon 2, which is a focus over 4 to 7 years to facilitate the building of a trusted platform for social economic development in the region through the expansion of our water management role, aligning members and others around common social economic development initiatives and infrastructure to create social harmony; and
- Horizon 3, which is a focus over 8 to 25 years to help catalyse the creation of game changing businesses to drive exponential social economic impact in the region.

2.5 The 5 Strategic Levers of Horizon 1

The 5 strategic levers of Horizon 1 are;

- Lever 1, Strengthen Governance;
- Lever 2, Repair the Brand;
- Lever 3, Restore Community Trust;
- Lever 4, Achieve Operational Excellence; and
- Lever 5, Transform our People.

These 5 strategic levers all drive the Association to focus on the positive but also focusing on the impact of what real action can do. This real action is to focus on solutions rather than problems, which will create sustainable impacts. This can have a positive influence, with a transformative effect, as regards the long-term sustainability of the Association by uplifting consequences and inspiring effects and demonstrating a strong passion for social improvement. Over and above these strategic levers guiding the Association in its strategic journey, this is also linked to a rigorous strategic risk process.

2.5.1 Strengthen Governance

In terms of good governance, policies and practices have been strengthened in the business. This will enable the Association to make decisions and conduct its operations in a meaningful and ethical way which meet legal requirements, appropriate reporting and shows consideration for societies, communities and the environment.

At the heart of good governance, and the benefits that can ensue, lies effective leadership of the Association. Therefore, it is important to be clear on the role and function of the management structures of the Association. King IV sets out four important aspects of leadership, namely-

- leadership for efficiency reasons;
- leadership for probity, because stakeholders require confidence and assurance that the Association is being well managed;
- leadership with responsibility, because stakeholders will expect the Association to address legitimate social-economic concerns; and
- leadership that is accountable, because a high degree of trust is placed in those management structures of the Association.

2.5.2 Repair the brand

The 2nd strategic lever refers to the Association repairing its brand. Whilst the Association's Brand and logo have been in existence since establishment over the years, this image has become blurred due to its generic geographical name which has resulted in misunderstanding of the Association's mandate causing brand damage. Therefore, in focusing on the positive impact of what real action can do, in terms of its brand, the Association is focusing on a more holistic and inclusive approach towards all stakeholders, not the least being the communities around the footprint of the Association's pipeline.

2.5.3 Restore community trust

There has been a decline in Community trust in the Association as evidenced by incidents of vandalism and damage to Association infrastructure through, inter alia misunderstanding of the Association's mandate. As a positive response, the Association has implemented a stakeholder engagement strategy, framework, plan and reporting, including a process to engage on stakeholder expectations and to address raised expectations of adjacent communities.

The Association is aware of and responds to social issues which includes the inextricable relationship between the Association and all stakeholders including communities within the Association's footprint. The Association treats its ethical standards as a priority, it acts in a non-discriminatory manner, it is responsive to environmental and human rights issues, and acknowledges the importance of building and nurturing community trust.

2.5.4 Achieve operational excellence

The 4th strategic lever of Horizon 1 is to achieve operational excellence, by driving improvement in operational performance from current levels, through greater stabilisation and process optimisation. This will require operating the Association's assets and equipment at optimal levels and beyond what is currently thought to be possible in the industry. Achieving operational excellence requires methodical project planning and implementation as well as ensuring safe operating conditions, a healthy workforce and environmentally responsible operations. From a business continuity perspective, this requires the achievement of operational and business objectives including financial discipline, oversight of debtors, revenue collection, supply chain and information technology.

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 others 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, and the raising of the Flag Boshielo Dam that was financed by the Association. The management of this infrastructure is premised on the strategic lever of achieving operational excellence

2.5.5 Our transformation of the organisation and people

The 5th strategic lever of Horizon 1 is to transform our people. This strategic journey requires real action which will have a positive influence on the Association with a transformative effect. This includes succession planning as well as plans to address employment equity issues at management levels. Meaningful communication within the Association, including employee meetings, work skills meetings and attention to performance and training of employees.

3 Performance Overview

3.1 Chairman's statement

3.1.1 Overview

I am pleased to report that the Association's strategic journey towards its 3 Horizons and especially, for this reporting period, the progress on Horizon 1 and the five levers have made a significant step change to the way the Association is being operated.

3.1.2 Management

The leadership team, under the CEO, Mr Bertus Bierman are making progress in the Association's journey towards transformation in respect of the size and composition of the Association's Management team.

Mr Bierman and his management team are to be congratulated on delivering a strong set of results and driving the 3 Horizons strategic journey set by the Management Committee for the future of the Association.

3.1.3 Strategy

During the previous financial year, the Association initiated a strategic review process using the levers of value framework approach. These strategic levers have been incorporated into Horizon 1 of the Association's 3 Horizons for a long-term journey towards transformation.

During this reporting period the Association has made significant progress in delivering on Horizon 1, which is a focus over 1 to 3 years to stabilise the Association's operations and the social license to operate through the 5 strategic levers. These levers are Lever 1, Strengthen Governance; Lever 2, Repair the Brand; Lever 3, Restore Community Trust; Lever 4, Achieve Operational Excellence; and Lever 5, Transform our People.

3.1.4 Results

Revenue for the period increased by 16% (2018: 10%) to R92.9 million (2018: R80.1 million) whilst Cost of Sales rose by 12% and Operating Expenses rose by 23%. Notwithstanding a strong performance in respect of revenues, the escalation in Cost of Sales and Operating Expenses can be ascribed to sporadic incidents of social unrest by community members in respect of damage to the Association's pipeline, increased staffing and initiatives to achieve Horizon 1 in stabilising the organisation through the 5 strategic levers.

The 5 strategic levers are all equally important for the Association's future, yet I must emphasize the importance of lever 5 dealing with transforming our people and pivotal to this are skills development and employment equity. Furthermore, health and safety is very important, and I am pleased to report that in terms of health and safety the Association's staff achieved 96 369 fatality free shifts by June 2019 (80 000 May 2018) and 9 044 accident free shifts by June 2019.

3.1.5 Business sustainability

In the previous financial year, it was reported that in October 2016, the then Minister of Water and Sanitation, the Honourable Ms Mokonyane gazetted her intention to dis-establish the Association and transfer its operations into Lepelle Northern Water. During the period under review there have been no substantive discussions with the Department: Human Settlements, Water and Sanitation on this issue.

In terms of business sustainability, Horizon 1, strategic lever 4 talks to this issue. Your Management Committee have tasked Management to deliver on Achieving Operational Excellence. In this regard significant progress has been made in tightening up, for example on practices and procedures regarding debtors' control, revenue collection, supply chain, spares management and optimal plant and equipment management.

3.1.6 Corporate governance

During the reporting period, the Association appointed PwC to carry out an independent assessment of the Association's readiness for King IV compliance. This process was also in alignment with the Management Committee's strategic journey for the Association through the 3 Horizons, the 5 strategic levers and especially lever 1 dealing with Strengthening Governance, which includes a strategic risk approach as well. Good progress has been made in these areas over the past financial year. These matters will be dealt with in greater detail elsewhere in the report.

During the year under review the Management Committee met 5 times. The composition of the Management Committee and the term of office of Members is set out elsewhere in this report. Where Members of the Management Committee do step down the main reason is usually for the term of office coming to an end. The delegation for performing administrative functions (King IV™ Part 5.3, Principle 10) of the Association lie with the Chief Executive Office and Mr Philip de Wet is the Secretary to the Management Committee. Furthermore, I am satisfied that the Management Committee has fulfilled its responsibilities in accordance with its Charter during the financial year (King IV™ Part 5.3, Principle 6) and I am satisfied that the composition of the Management Committee reflects the required knowledge, skills and experience. In terms of diversity, in keeping with the Association's transformation strategy, each of the Members are acutely aware of their obligations in this regard.

3.1.7 Stakeholder engagement and material issues

As was reported in last year's Annual Report and again this financial year, the Association has experienced sporadic incidents of damage to Association property and reputation. Furthermore, the Association had to resort to obtaining an urgent interdict against various individuals through the Polokwane High Court in order to seek protection of the Association's personnel and assets and reinforce the rule of law.

In terms of the Association's strategic journey, Horizon 1 refers to stabilizing the Association through the 5 levers. In this respect levers 2 and 3 namely, Repairing the Brand and Restoring Community Trust are relevant. In support of this, during the year the Association appointed a Social Development Manager, Mr. Mabotha Manyaka, who is making good progress in driving these strategic areas. Some of the areas include developing social development policies and procedures, identifying and developing linkages with stakeholders. More detail on this matter will be reported on elsewhere in this report.

3.1.8 Information technology

During the year the importance of world class information technology and telemetry was brought to the fore using remote management and operation of pump stations during incidents of unrest. In terms of the Management Committee's 3 strategic Horizons, Horizon 1 lever 4 deals with Achieving Operational Excellence. In this regard, Management have made significant progress in reviewing the Association's technology solutions and tools to achieve operational excellence and implementing of some of those technology solutions and tools has commenced.

3.1.9 Corporate social investment

Strongly aligned with Horizon 1, dealing with Stabilizing the Association and lever 3 dealing with Restoring Community Trust this has required the Association to take a closer look at itself in its relationships with stakeholders, not the least being communities along the footprint of the Association's pipeline. This means the Association is focussing on sustainable solutions instead of problems to create long-lasting impacts. The purpose being to have a positive influence with a transformative effect. In this regard sustainable solutions include repairs to borehole motors and pumps, repairs to electricity supply for community and school boreholes and establishing water tanks for communities and schools.

3.1.10 Outlook

The Association celebrates its eighteenth year in existence giving effect to our mission, objectives, purpose, vision and values. Furthermore the 2030 ambition is important to set a journey towards, stabilising our operations and our social license to operate, facilitating the building of a trusted platform for social economic development in the region, help catalyse the creation of game changing businesses to drive exponential social economic impact in the region. In this regard the Association is on the cusp of an exciting journey towards transforming the organisation.

In terms of the future, the Association has been negotiating with the Department: Human Settlements, Water and Sanitation and Lepelle Northern Water interim arrangements, regarding the “tie-in” of the ORWRDP phase 2C pipeline from the De Hoop Dam to the Association’s Spitskop Pump Station.

3.1.11 Appreciation

Elsewhere in this report Bertus Bierman refers to the strategic journey the Association has embarked upon which includes the 3 Horizons and the 5 levers in Horizon 1 for the transformation of the Association.

I would like to thank, the Minister of Water and Sanitation, the Honourable, Ms Nomvula Mokonyane and thereafter the Honourable, Mr Nkwinti, and subsequently, after the financial reporting period the Honourable Ms Lindiwe Sisulu, the Acting Director General and staff at Water and Sanitation Head Office, as well as at the relevant Regional Offices for their guidance and assistance.

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 Lebelelo Water User Association who contributed to the delivery of water to our Members and Clients.

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 journey towards a forward-looking strategy of the 3 Horizons that will transform the Association.

Dean Pelser
CHAIRMAN

3.2 Chief Executive Officer’s report

3.2.1 Introduction – “Delivering on Strategic Change – Stabilisation”

During the period under review the Association’s Management Committee endorsed a strategic journey for the Association whereby it identified 3 Horizons, namely Horizon 1, which is a focus over 1 to 3 years to stabilise the Association’s operations and the social license to operate through 5 strategic levers; Horizon 2, which is a focus over 4 to 7 years to facilitate the building of a trusted platform for social economic development in the region through the expansion of our water management role, aligning members and others around common social economic development initiatives and infrastructure to create social harmony; and Horizon 3, which is a focus over 8 to 25 years to help catalyse the creation of game changing businesses to drive exponential social economic impact in the region. Horizon 1 has 5 strategic levers, namely Lever 1, Strengthen Governance; Lever 2, Repair the Brand; Lever 3, Restore Community Trust; Lever 4, Achieve Operational Excellence; and Lever 5, Transform our People. My report focusses primarily on the progress made by the Association to deliver on strategic change.

3.2.2 Macro and Micro-economic environment

In terms of the macro-economic environment the South African economy continues to struggle along. It is not being helped by continued drought conditions, the world economy, exchange rates, commodity prices and rating agency perceptions of South Africa, to name just a few factors. These factors in turn impact upon the micro-economic environment of South Africa. It is impacting upon the Fiscus to find, for example appropriate funds for water projects, funds for local government for development purposes, the Associations members' operations, clients and communities. Much of this translates at the local level into unemployment, poverty and despair leading to amongst many things disregard for the rule of law, and damage to the Association's assets and reputation.

3.2.3 Water Industry overview

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

During the period under review the following documents in respect of the National Water Act were published in the Government Gazette;

- Water Tribunal Chairperson: Nominations invited GG41849 GN 865 comment by 19 September 2018 published on 17 August 2018;
- Reserve determination of water resources for Olifants and Letaba catchments (English / Sepedi / Xitsonga) GG41887 GN 932 published on 7 September 2018;
- Publication of the Department of Water and Sanitation Annual Report 2017 / 2018 published on 21 September 2018;
- Reserve determination of water resources for Vaal catchment, comments invited by 22 February 2019 GG42127 GN 1419 published on 21 December 2018;
- Water Tribunal: Nominations invited GG42185 GN 60, comment by 25 February 2019 published on 25 January 2019;
- Limiting the use of Water in terms of item 6 of schedule 3 of the National Water Act of 1998 for irrigation, urban, industrial, and mining purposes from the Polokwane Water Supply System, Mutshedzi, Nzhelele, Nwanedi and Luphephe, Albasini, Middle Letaba, Nsami, Modjadji, Tzaneen, Doorndraai and Gen Alpine sub-system / dams GG42203 GN96 published on 1 February 2019;
- General Authorisation for water uses GG42576 GN 383 published on 12 July 2019;
- Reserve determination of water resources for Inkomati catchment GG42584 GN 998 published 19 July 2019.

During the period under review, officials of the Association attended the following meetings with officials of the Department: Human Settlement, Water and Sanitation.

PERFORMANCE OVERVIEW

DATE	MEETING
17 July 2018	Raw Water Tariff for 2019/2020 Consultation Meeting;
17 July 2018	Olifants Water Management Area Annual Financial Reporting 2017/2018
17 July 2018	Olifants Water Management Area Proposed budgets and tariffs 2019/2020
20 Sept 2018	Information from Mr Trevor Balzer DDG Strategy and Emergency Projects regarding the National Water and Sanitation Master Plan namely Volume 1: Call to Action briefly outlines the milestone challenges and the recommended actions, and Volume 2: Plan for Action provides detailed account and analysis of the rationale for challenges and actions, and addresses future inter-governmental collaboration, M&E protocols and continuous stakeholder engagement during implementation;
15 Feb 2019	Ministerial Interactive Session on the Transformation of the Water Sector;
8 April 2019	The Mpumalanga Provincial Consultation Workshop in preparation for the NW&SMP (National Water & Sanitation Master Plan) Phakisa.

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

Government Gazette Notice GG42203 GN96 published on 1 February 2019 regarding the limiting the Use of Water in terms of item 6 of schedule 3 of the National Water Act of 1998 for irrigation, urban, industrial, and mining purposes from the Polokwane Water Supply System, Mutshedzi, Nzhelele, Nwanedi and Luphephe, Albasini, Middle Letaba, Nsami, Modjadji, Tzaneen, Doorndraai and Gen Alpine sub-system / dams.

This comment noted that there was no reference in the above mentioned amendment to the restrictions placed on Flag Boshielo dated 16 September 2016 of 55% restriction (12.65Mm³ /annum) for mining usage of 23 million m³ /annum; therefore supply 10,35 million m³ / annum.

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

3.2.4 Catchment Management Forums (CMF)

During the period under review the Association attended two Catchment Management Forum Meetings, namely

- Middle Olifants CMF: 25 September 2018 Loskop Irrigation Board (Groblersdal);
- Middle Olifants CMF: 27 June 2019 Loskop Irrigation Board (Groblersdal).

The CMFs are governed by Chapter 2 Part 2 of the National Water Act 36 of 1998 through the establishment of the CMA (Catchment Management Agency) in terms of Government Gazette Notice 38492. There are three CMFs in the Olifants Catchment, 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.

3.2.5 Operational Results

During the period under review the Association's Operations Manager, Mr Carel Taljaard and his Operations Team have overseen the smooth delivery of raw water to the Association's Members and Clients in an efficient and cost effect manner. This process gives effect to the 3 strategic Horizons agreed to by the Management Committee and more particularly lever 4 dealing with Operational Excellence, by for example mitigating operational disruption.

Water efficiencies are ensured in the bulk business through careful water balancing. Water losses were maintained below the Association's target level of 5%, with a total of 1.98% recorded for the year (3.10% in 2018). The total volume of water delivered to Members and Clients increased in 2019 to 9 428 764 m³ (7 264 991 m³ 2018). During the year a structured planned maintenance program was implemented on crucial safety equipment such as fire protection systems and strengthening fire retardant infrastructure. All the Association's pumps are regularly maintained, and the Association's reservoirs and dams were surveyed for future maintenance planning, such as dredging. In terms of the pipeline maintenance, two shutdowns occurred during the financial year to facilitate pipeline inspections.

3.2.6 Financial Results

During period under review the Association returned strong financial results in order to ensure financial sustainability and viability. The Association reported total expenditure of R96.8 million (2018: R80.3 million) and income of R92.9 million (2018: 80.1 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 R9.85/kℓ (2018: R11.05/Kℓ) for the year under review. The main cost drivers have been the electricity, raw water and direct labour cost. Electricity increased by 19.7% (2018:4.69%) to R21.9 million (2018: R18.3 million) due to increased water volume and depreciation and amortisation of assets decreased by 6.6 % from R18.2 million to R17.0 million for this financial year.

In terms of business sustainability, Horizon 1, strategic lever 4 requires Management to deliver on Achieving Operational Excellence. In terms of this lever Mrs Amanda Britz is leading this financial discipline process, by ensuring the Association has financial related policies and procedures in place, a robust internal and external audit process exists and probably the most important is the transitioning of the Association's decade old Farms accounting system to a totally new system.

3.2.7 Corporate governance

In terms of the Management Committee's strategic journey for the Association through the 3 Horizons, and especially Horizon 1 for this reporting period, strategic lever 1 deals with Strengthening Governance, which includes a strategic risk approach.

The issue of Corporate Governance and Strategic Risks are dealt with in more detail elsewhere in this report. During the period under review, Mr Alistair Collier has ensured that significant progress has been made in delivering on phase 1 of the King IV compliance process. Probably the most important delivery for phase 2 in 2020 will be the finalisation of the delegation of authority policy and procedure.

3.2.8 Stakeholder engagement

In terms of the Association's strategic journey, Horizon 1 refers to Stabilizing the Association through the 5 levers. In this respect, levers 2 and 3 namely, Repairing the Brand and Restoring Community Trust are relevant. As mentioned in the Chairman's Report, Mr Mabotha Manyaka has been appointed as the Social Development Manager. Mr Manyaka is managing these two strategic levers.

PERFORMANCE OVERVIEW

During the year Mr Manyaka has built up a comprehensive stakeholder engagement program. This is important in order to nurture strong government and community relations. The various stakeholders are set out elsewhere in the report. Community relations through Restoring Community Trust is a key component of the Association's strategic levers. To this end various processes are used by the Association to strengthen relations. These processes are aimed at supporting the Association's business and mandate.

During the year several meetings have been held with community leaders at various villages, including ongoing interaction with local and district municipality officials and Ward councillors. The following are some of the highlight activities and discussions held in the year under review.

Stakeholder interaction	Issues
Community leaders	Building of Trust/identifying sustainable solutions instead of problems to create long-lasting impacts. The purpose being to have a positive influence with a transformative effect.
Municipality and Ward Councillors	Development of communities / Service delivery
Lepelle Northern Water and Sekhukhune District Municipality	Service delivery to communities.
DWS	Closer working relationship as a Member of the Association.
Member's Mines	Sustained operations.
Client Operations	Sustained operations

3.2.9 Corporate Social Investment (CSI)

In terms of CSI, during the period under review, whilst several initiatives are in place, this process is underpinned by the Association's strategic journey through Horizon 1 which refers to Stabilizing the Association using the 5 levers. In this regard CSI goes hand in hand with lever 2 dealing with Repairing the Brand and Lever 3 Restoring Community Trust.

The Association's CSI initiatives are designed to identifying sustainable solutions. The purpose being to have a positive influence with a transformative effect. A few of those initiatives include:

- Replacement and repairs of borehole motors and pumps;
- Community Borehole project;
- Repairs to electricity supply for community and school boreholes;
- Teaching Aids such as smart boards;
- Offices for Community leadership; and
- Water tanks for communities and schools.



A new borehole inside the Alluvium upstream from the weir being tested.

3.2.10 Information technology

In terms of the Management Committee's 3 strategic Horizons, Horizon 1, lever 4 deals with Achieving Operational Excellence. In this regard, Management have made significant progress in reviewing the Association's technology solutions and tools to achieve operational excellence. The implementing of some of those technology solutions and tools has commenced through the guidance of Mrs Amanda Britz, Mr Philip de Wet and Mr Carel Taljaard.

In this regard the upgrading of the existing IT system architecture and investing in technology, systems, processes and skill levels is taking place across the organisation. For example, the Association's FARMS financial system is being de-commissioned. Furthermore, the management of the security of supply of water through appropriate telemetry is in place with the appointment of a service provider to oversee the system, including the upgrading of the SCADA system. In this regard the utilisation of smart IT technology, such the utilisation of cloud computing

and satellite connectivity, underpins strategic Lever 4, dealing with Achieving Operational Excellence to ensure that “the right information is provided to the right people at the right time”. The optimised processes, procedures and systems comprise of 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.

3.2.11 Material Issues during the period under review

In previous Annual Reports I have referred to the announced intention by the Minister of Water and Sanitation to disestablish the Association. During the period under review no substantive discussions have taken place on this issue.

The Association has had discussions with the Department: Human Settlements, Water and Sanitation and Lepelle Northern Water regarding the tie-in of the ORWRDP Phase 2C pipeline which runs from the De Hoop Dam to the Steelpoort pump station and is linked to the Association’s infrastructure. During the forthcoming year it is hoped this initiative, which has opportunities and short to medium term benefits for many parties can be concluded.

3.2.12 Outlook

The Association’s journey this past financial year has been focussed on Horizon 1, to stabilise the Association’s operations and the social license to operate through 5 strategic levers. Whilst the macro and micro economic environments do not look positive this is no reason to be despondent as the Horizons set for the Association may be challenging one needs to be positive for a brighter future.

The financial year ahead will see the Association continuing the good work commenced through Horizon 1 and the 5 strategic levers to progress the journey towards Horizon 2 which is a focus over 4 to 7 years to facilitate the building of a trusted platform for social economic development in the region through the expansion of our water management role, aligning members and others around common social economic development initiatives and infrastructure to create social harmony; and the journey undertaken by the Association

To conclude I thank the Association’s Management team and staff for a solid successful year. I also need to thank Philip de Wet, Amanda Britz and Alistair Collier for the compilation of this report.

J.A. Bierman
CHIEF EXECUTIVE OFFICER

FIVE-YEAR BUSINESS PLAN

The preparation of a Business Plan is entrenched in the National Water Act in terms of Sections 91(1)(f), 93(1) and 94(3) as well as Schedule 5 to the Act dealing with a model constitution for water user associations and Schedule 4 dealing with management and planning of water management institutions and in particular clauses 21, 22, 23, and 24 which set out which matters should appear in a business report. Clause 19 of the Association's Constitution furthermore requires a set of audited financial statements and an account for the year.

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 Association's pipeline within its licence conditions;
- (c) to continue with its support to the Department of Water and Sanitation and Sekhukhune District Municipality in the operation and maintenance of their potable water schemes, provided that the schemes are situated within the area of operation of the Association. The support is based on the repair of borehole pumps and associated infrastructure as requested by the Department of Water and Sanitation or Sekhukhune District Municipality from time to time. In order to finance the support maintenance work of the community schemes, the mining members of the Association contribute a cost per cubic metre of water towards a maintenance fund established for this purpose. Details of the involvement of the Association are available on request;
- (d) to protect the Association's infrastructure. Part of the scheme is built on land which is owned by the State and held in trust for the communities, the remainder of the scheme is on privately owned land and secured through servitude agreements.

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 16,000,000 m³ per annum was issued on 6 January 2004. In addition to this aforementioned quantity the Association is also authorised to supply 3,880,000 m³ per annum via its scheme on behalf of the Department of Water and Sanitation to local communities for domestic use. Because the Association financed the raising of the Flag Boshielo dam, an additional licence numbered B191/2/250/1 for a total volume of 1,015 million cubic metres per annum was issued to the Association which represents the lawful water use entitlements for properties inundated through the raising of the dam.

- (c) The Association appoints sufficient, competent staff to undertake its functions. Details regarding the Association's 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 diagram set out in pages 63-64 of this report.
- (g) Strict financial controls have been implemented and budgeting techniques and control have 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 previous financial year, the Association initiated a strategic review process using the levers of value framework approach. The Association's philosophy is underpinned by our Mission, Objectives, Purpose, Vision and Values and compliance to the Association's Business Integrity Policy and a focus on the achievement of the Association's 2030 ambition to set a journey towards three Horizons namely,

- Horizon 1, which is a focus over 1 to 3 years to stabilise the Association's operations and the social license to operate through 5 strategic levers;
- Horizon 2, which is a focus over 4 to 7 years to facilitate the building of a trusted platform for social economic development in the region through the expansion of our water management role, aligning members and others around common social economic development initiatives and infrastructure to create social harmony; and
- Horizon 3, which is a focus over 8 to 25 years to help catalyse the creation of game changing businesses to drive exponential social economic impact in the region.

The 5 strategic levers of Horizon 1 are;

- Lever 1, Strengthen Governance;
- Lever 2, Repair the Brand;
- Lever 3, Restore Community Trust;
- Lever 4, Achieve Operational Excellence; and
- Lever 5, Transform our People.

These 5 strategic levers all drive the Association to focus on the positive but also focusing on the impact of what real action can do. This real action is to focus on solutions rather than problems, which will create sustainable impacts. This can have a positive influence, with a transformative effect, as regards the long-term sustainability of the Association by uplifting consequences and inspiring effects and demonstrating a strong passion for social improvement. Over and above these strategic levers guiding the Association in its strategic journey this is also linked to a rigorous strategic risk process.

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 Human Settlements, Water and Sanitation through the government of the Republic of South Africa in the Department: Human Settlements, Water and Sanitation;
- the Director-General and the staff of the Department: Human Settlements, Water and Sanitation in Pretoria;
- the regional offices of the Department: Human Settlements, 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 Association's 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, Ga Phala, Modubeng, Sehunyane, Masete, Pataneng and Malukela;
- 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;
- Other Government Departments and their staff.

4.3 Finance

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 that cost 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 amounts to R621 million. This will increase due to the inclusion of the Booyendal and Twickenham infrastructure that was funded by the applicable members.

4.3.2 Financing infrastructure of the Association

The infrastructure belongs to and is financed by the members of the Association. As was reported in the previous year's Annual Report the Department of Water and Sanitation (as it was then) now the Department: Human Settlements, Water and Sanitation (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. During the year under review no substantive discussions took place as to the dis-establishment of the Association.

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 as well as a cost for the raising of the 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 66 to 68.

Maps setting out the Association's area of operation is set out at pages 62-63, whilst a schematic layout of the Original Scheme and of the Southern Extension are set out in pages 64 and 65 respectively.

4.3.5 Statement of comprehensive income for the business plan

At page 69 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 70 of the report a schedule of the summary of capital expenditure is set out.

Financial indicators

At page 70 of the report generic financial indicators and ratios as well as definition of the ratios is set out.

4.4 Human Capital

Through the 5th strategic lever, 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 performance management agreement 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 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 Association's policies, operating rules, regulations, technical and administrative procedures, these are approved by the Management Committee, and implemented.

4.4.3 Organizational Structure

Set out at page 71 of the report is the Association’s organisational structure. This organogram comprises 39 posts as set out below:

Post Description	Number of Posts
Management Committee	Five (Member representatives)
Chief Executive Officer	One
Administration	Two
Social Development Manager	One
Social Development Officer	One (Vacant)
Operations Manager	One
Superintendent	One
Planning coordinator	One
Project Manager	One (Vacant)
Electricians	Three (1 Vacant)
Fitters	Four
Artisan helpers	Seven (1 Vacant)
Control room operators	Four
Chief financial officer	One
Financial Manager / Buyer	One (Vacant)
Financial / accountant / bookkeeper	One
Financial / bookkeeper / assistant	One
Store Clerk	One
Human Resource Clerk	One (Vacant)
Handyman	One (Vacant)
General labourers	Four
Safety Coordinator	One
Student	One
Total	32 posts + 7 Vacant + One Student

4.5 Transformation

The Association’s 5th strategic 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 two years. This process includes strengthening the Team in appropriate areas with the appointment of Social Development Manager and over time identifying and employing HDSA candidates to assume senior management roles.

4.5.1 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.

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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 Pelsler
ASA Metals (Pty) Ltd	Mr T Stein
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 Booyesen
Corridor Mining Resources	Mr D Maloba
Department of Water and Sanitation	Mr L Manus

4.5.2 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.

4.5.3 Details of the management committee

The Management Committee of the Association comprises of six members elected from amongst the members, as set out in the afore mentioned 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 Pelsler	Anglo American Platinum Ltd	Chairman	1 July 2018 - 30 June 2019
Mr M Bräsler	ARM Mining Consortium / African Rainbow Minerals Ltd	Vice-Chairman	1 July 2018 - 30 June 2019
Mr V Townsend	Impala Platinum Ltd	Member	1 July 2018 - 30 June 2019
Mr L Manus	DWS	Member	1 Jan 2019 - 30 June 2019
Mr J A Bierman	LWUA	CEO	1 July 2018 - 30 June 2019
Vacant	Provincial Government		

The composition of the persons 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 calculated on the water allocation of the members 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

4.5.4 Employment equity

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

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

4.5.5 Transformation requirements in terms of five-year plan

We have continued our stated intention to deliver on our transformation agenda, within the Association. From a senior management team perspective, we have made progress towards achieving our senior management transformation goals ahead of 2021. From the Association's perspective, transformation is much more than simply a compliance requirement; it is a business imperative. During the period under review several key appointments were made but also in many ways we have adapted and improved; however notwithstanding this we are aware how much further we still need to go.

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	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
Staff per functional area					
Executive officer	1	1	1	1	1
Finance section	4	4	4	4	4
Operations section	27	27	27	27	27
Administration section	3	3	3	3	3
Other functional sections	4	4	4	4	4
	39	39	39	39	39

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	1	0	0	2	0	0	0	1	0	0	4
Skilled technical and academically qualified workers, Jr management, supervisors, Foreman and superintendents	6	1	0	1	1	0	0	0	0	0	9
Semi-skilled and discretionary decision makers	9	0	0	0	4	0	0	1	0	0	14
Unskilled and defined decision-making	2	0	0	0	2	0	0	0	0	0	4
Total Permanent	18	1	0	4	7	0	0	2	0	0	32
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
Grand total	18	1	0	4	7	0	0	2	0	0	32

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 %) 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	18 634 022	2%	388 006	231 121	1.24%
HDI (Africans, Coloureds, Indians, White females)	13 954 794	2%	279 096	181 871	1.30%

Statement on redressing inequalities

List of HDI targeted for assistance:
Our communities within in area of operation of Association. Total visits to communities = 80
Brief description of assistance required:
Sustainable potable water supply infrastructure within area of operation of Association
Brief description of assistance rendered:
Assistance to the DWS and Sekhukhune District Municipality to maintain borehole schemes of communities within area of operation of the Association
Target amount to be spent on assistance rendered to communities:
R0.04/m ³ of water forecast per annum = R296 237
Actual total amount (one and two above) spent as percentage of total amount:
62.34%

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.

4.6 Safety, Health and the Environment

In terms of the Association's values to drive the behaviour of the Association's management and staff and forming the backbone of the culture of the organisation, the Association commits to acting safely. 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 Finance Committee which oversees Audit and Risk Committee.

4.6.1 Employee health and safety

The Association complies with the requirements prescribed by the Occupational Health and Safety Act. Safety, Health, and Environment assurance (SHE) Committees are in place and conduct monthly meetings. All accidents and/or occupational diseases associated with our production activities are recorded, reported and acted on. As at the end of the financial year of 30 June 2019 the Association recorded 96 369 fatal free shifts and 9 044 accident free shifts.

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

4.6.2 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.

4.6.3 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

The focus on the achievement of the Association’s 2030 ambition is to set a journey towards the 3 Horizons. In the short-term Horizon 1 focuses on stabilising the Association’s operations and the social license to operate through the 5 strategic levers. Strategic Lever 1 focus is to Strengthen Governance.

5.1 Corporate Governance and Application of King IV

During the year under review the Association appointed PwC to carry out an assessment of the readiness of the Association to comply with King IV principles of Good Governance. In their assessment report, whilst they identified commendable compliance as a result of the King III compliance process, they identified several gaps in terms of King IV compliance.

An agreed programme for compliance was put in place as encapsulated in phase 1 for the financial year 2018/2019, thereafter phase 2 for 2019/2020 and close out in 2020/2021.

Phase 1	Description	Progress
	Review and revise the Management Committee and Sub-Committee structures	Done
	Establish a Social and Ethics Committee	Done
	Develop Charter for Management Committee	Done
	Develop Charter for Social and Ethics Committee	Done
	Develop Charter for Finance Committee	Done
	Enhance Risk Management and risk assurance approach	Done
	Develop a Stakeholder Engagement and Communication Plan	In preparation
	Establish Operations Committee	Done
	Review composition and Membership of the Management Committee	Done
	Review composition and Membership of the sub-committees	Done
	Formalise the Year-Plan and Agendas for Management Committee and sub-committees	Done
	Document a formal succession plan for the CEO and Executive Management	Done
	Enhance the performance management and appraisal system	Done
	Incorporate compliance to ethical policies and codes in the performance evaluations	Done
	Document a Corporate Social Citizenship Policy	In preparation
	Process to review Policies and Procedures	In progress
	Corporate Governance Reporting to be formalised	Done
	Implement an independence and conflict declaration process	Done

Phase 2	Review Policies and Procedures	
	Establish a Delegation of Authority for CEO and Executive Management Team	
	Establishment of a Technology and Information Management Policy	
	Reporting on the status of IT Governance	
	Develop a Compliance Universe and framework	
	Review and update the Association Web Site	
	Establish one distinct name for the Business Integrity Policy / Association Ethics and Business Policy / Business Integrity Code	
	Review and revise the Business Integrity Policy	
	Introduce a practical value driver, risk management and risk assurance approach	
Future	Develop a Combined Assurance Plan	
	Investigate the need for independent assurance on effectiveness of the compliance function	
	Investigate the need for independent assurance on effectiveness of the effectiveness of IT Governance	
	Identify methods for evaluating the performance of the Management Committee and its sub-committees	

5.2 The Management Committee

During the year under review the Management Committee reviewed its Governance Charter and after due process has signed off their Management Committee Charter in accordance with King IV.

5.2.1 Scope of the Management Committee Charter

The Charter is established to maintain an adequate and effective process of corporate governance, which shall be consistent with the nature, complexity and risks inherent in the activities and the business of the Association. The Charter provides a concise overview of the following:

- The composition of the Management Committee;
- The process of nominating, voting and appointing members to the Management Committee;
- The meeting frequency, attendance, quorum, proceedings and resolutions;
- The responsibilities and powers of the Management Committee;
- The powers delegated to the sub-committees;
- The matters reserved for Management Committee approval;
- The designated roles on the Management Committee;
- The remuneration of the Management Committee, requirements of conflict of interest; and the process of performance evaluation.

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 Governance composition

The Management Committee shall consist of five (5) members duly elected in accordance with the Association's Constitution and Members' Agreement and the Chief Executive Officer (CEO) appointed in accordance with clause 16 of the Association's Constitution (Section 13.1 of the Constitution of the Association). The five (5) members of the Management Committee shall consist of the following: Three (3) individuals from the Industrial Members of the Association. One (1) individual from the Ordinary Members of the Association. This individual will be from the Department of Water and Sanitation. One (1) individual from either the Northern Province Provincial Government or Mpumalanga Province Provincial Government.

5.2.4 Management Committee responsibility

The Management Committee is accountable to its Members and is responsible to them for the performance and affairs of the Association. It should provide effective, ethical leadership and direction that will result in achievement of strategic objectives and positive outcomes over time (King IV™ Part 5.1, Principle 1). In doing so the Management Committee should do what is necessary to fulfil its roles set out in this Charter. The role of the Management Committee is to:

- Determine the Association's purpose and values;
- Determine the strategies to achieve its purpose and to implement its values in order to ensure that it survives and thrives;
- Exercise leadership, enterprise, integrity and judgement in directing and to achieve continuing prosperity of the Association;
- Ensure that procedures and practices are in place that protect the Association's assets and reputation;
- Monitor and evaluate the implementation of strategies, policies, management performance criteria and business plans;
- Ensure that there are adequate policies and procedures relating to the appointment, and dismissal of the Executive and Senior Management;
- Ensure that technology and systems used are adequate to run the business properly and for it to compete through the efficient use of its assets, processes and human resources;
- Ensure that management identifies key risk areas and key performance indicators of the Association in order to ensure sustainability of the Association;
- Regularly assess performance and effectiveness as a whole, and that of the management team, including the CEO;
- As custodian of the core values and the ethics culture, ensure that an appropriate Ethics Framework is adopted and that appropriate ethics standards are defined, measured and managed;
- Ensure that codes of conduct and ethics policies encompass the Association's interaction with both internal and external stakeholders and the broader society and address the key ethical risks of the Association (King IV™ Part 5.1, Principle 2);
- Ensure that effective relationships are maintained between Executive Management and Association's stakeholders (King IV™ Part 5.5, Principle 16);
- Approve management's determination of the reporting frameworks (including reporting standards) to be used, taking into account legal requirements and the intended audience and purpose of each report (King IV™ Part 5.2, Principle 5);

- Ensure that the Management Committee has developed a succession plan for its executive and senior management. In addition, ensures regular review of the succession of the members of the Management Committee (King IV™ Part 5.3, Principle 7);
- Ensure that the roles and responsibilities allocated to the Management Committee, Sub-Committees, Executive and Senior Management are clearly defined so as to promote an appropriate separation between the oversight function and management responsibilities;
- Ensure that an appropriate framework for the delegation of Authority to management is approved and reviewed at least annually;
- Report to the Minister Human Settlements, Water and Sanitation on, at least, a bi-annual basis.

5.2.4.1 Financial Matters

The role of the Management Committee towards financial matters are as follows:

- To ensure that reliable and transparent financial reporting processes are in place;
- To consider and approve the financial results of the Association and any information relating to the financial matters of the Association;
- To ensure that the Association has an effective and independent audit process;
- To ensure that the solvency and liquidity of the Association is continuously monitored (King IV™ Part 5.1, Principle 4).

5.2.4.2 Governance and Risk Management

The role of the Management Committee towards governance and risk management are to:

- Monitor and evaluate the adequacy and effectiveness of the Association's Governance Framework in support of its objectives and strategies;
- Promote a stakeholder-inclusive approach to Governance and ensure that the Association implements collaborative efforts with stakeholders to promote ethical conduct and good corporate citizenship (King IV™ Part 5.5, Principle 16);
- Ensure that systems and controls are in place to promote appropriate, timely and effective communication with the Minister of Human Settlements, Water and Sanitation;
- Adopt and oversee the effective implementation of policies and processes necessary to ensure the integrity of the internal controls and risk management, so that decision making capability and the accuracy of its reporting are maintained at a high level at all times;
- Ensure development, implementation and ongoing maintenance of an effective Risk Management Framework and Plan;
- Monitor the key risks relating to the value drivers indicated;
- Ensure compliance with all relevant laws, regulations and codes of best business practice and should receive regular updates on changes in the Regulatory Environment;
- Have unrestricted access to Association information and Members are permitted to take independent advice in connection with their duties following an agreed procedure.

5.2.4.3 Corporate Citizenship and Stakeholder Management

The Management Committee assumes the responsibility for the governance of stakeholder relationships by setting the direction for how stakeholder relationships should be approached and conducted in the Association (King IV Part 5.5, Principle 16,). The Management Committee will exercise ongoing oversight of stakeholder relationship management and oversee that it results in the following:

- Methodologies for identifying individual stakeholders and stakeholder groupings;
- Determination of material stakeholders based on the extent to which they affect, or are affected, by the activities, outputs and outcomes of the Association;
- Management of stakeholder risk as an integral part of organisation-wide risk management;
- Formal mechanisms for engagement and communication with stakeholders, including the use of dispute resolution mechanisms and associated processes;
- Measurement of the quality of material stakeholder relationships and appropriate responses to the outcomes (King IV Part 5.5, Principle 16).

The Management Committee should also oversee and monitor, on an ongoing basis, how the consequences of the Association’s activities and outputs affect its status as a responsible corporate citizen. This oversight and monitoring should be performed against measures and targets agreed with management in relation to workplace, economy, society and environment.” (King IV Part 5.1, Principle 3), namely:

- Ensure that the Association is and is seen to be a responsible corporate citizen by having regard to not only the financial aspects of the Association but also the impact that the Association’s operations have on the environment and the society within which it operates;
- Monitor programs implemented by the Association to protect, enhance and invest in the well-being of the economy, society and the environment;
- Ensure that measurable Corporate Citizenship programs are implemented by the Association;
- Ensure that appropriate Corporate Citizenship policies are developed and approved (King IV Part 5.5, Principle 16);
- Appreciate that stakeholder’s perceptions affect the Association’s reputation;
- Ensure that communication with its shareholders (internal and external) is open and timely;
- Ensure compliance with relevant legislation that upholds Good Corporate Citizenship for its employees, society, environment and its consumers.

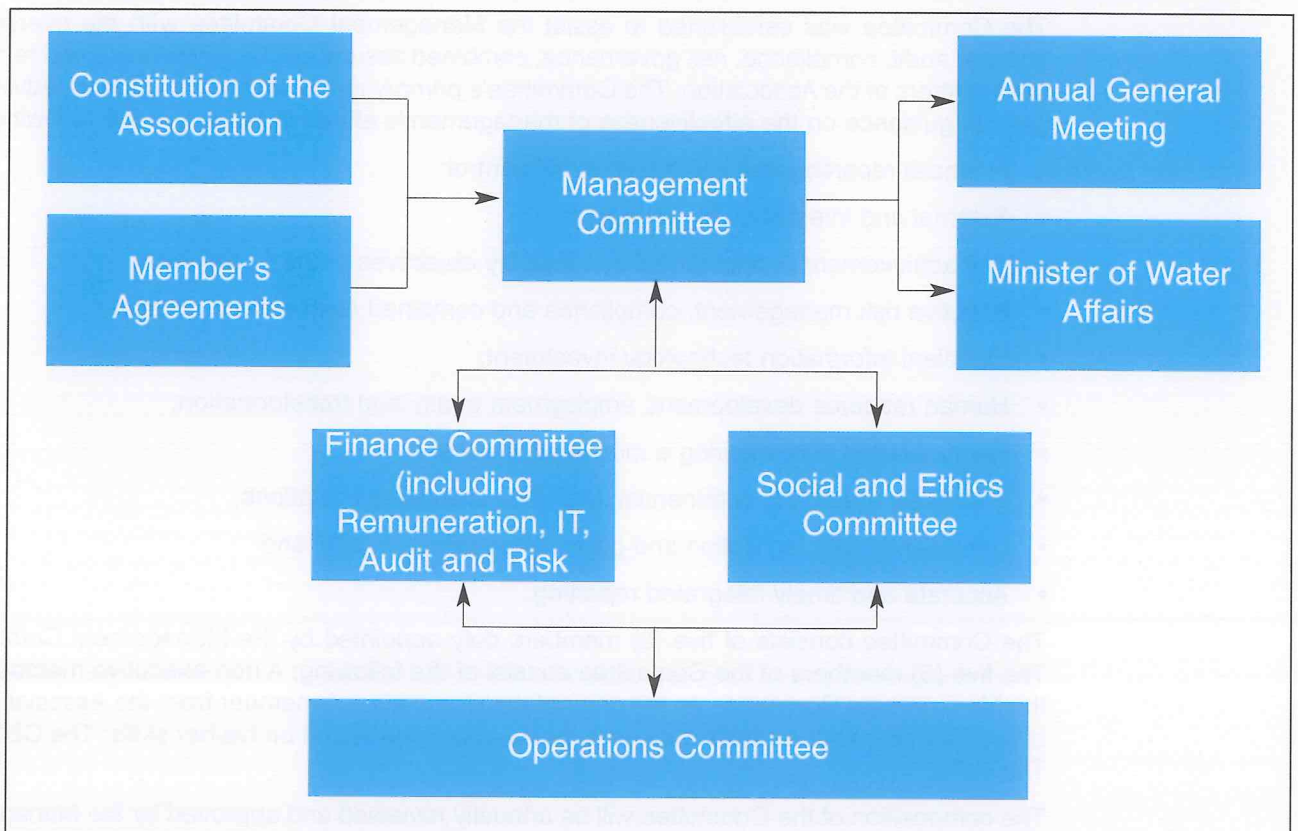
During the financial year the Management Committee met on five occasions

DATE OF MEETING	GENERAL PURPOSE OF MEETING
19 November 2018	Approval of Annual Financial Statements
29 November 2018	Report back to Members through the Annual General Meeting
31 January 2019	Planning for 2019
16 May 2019	Strategic Workshop
30 May 2019	Strategic Workshop

5.2.4.4 Disclosure in Integrated Report

The role of the Management Committee towards the Association’s Integrated Report are to:

- Ensure the integrity of the Association’s integrated report;
- Approve management’s bases for determining materiality for the purpose of deciding which information should be included in external reports (King IV™ Part 5.2, Principle 5);
- Disclose the number of meetings held by the Management Committee during the period, the attendance by the members at these meetings and whether the Management Committee is satisfied that it has fulfilled its responsibilities in accordance with its charter during the financial year (King IV™ Part 5.3, Principle 6);
- Disclose the following with regards to the composition of the Management Committee (King IV™ Part 5.3, Principle 7): A statement on whether the Management Committee is satisfied with the composition of the Management Committee and whether it reflects the required knowledge, skills, experience and diversity.



5.3 Association Sub-Committees

The Management Committee is authorised to establish Sub-Committees to assist it in the execution of its duties, powers and authorities. The Management Committee shall delegate to each of the Sub-Committees established, such authority as is required to enable such Sub-Committees to fulfil their respective functions. Delegation of any responsibility to a Sub-Committee in no way abdicates the Management Committee from its accountability (King IV Part 5.3, Principle 8), mitigate or discharge the Management Committee and its members from their duties and responsibilities and any actions taken or decision made by a Sub-Committee is deemed to have been taken by the Management Committee.

The Management Committee will determine the frequency, purpose, conduct and duration of its formally established Sub-Committees. It will holistically consider the composition of membership and allocation of roles and associated responsibilities across all the governance Committees to ensure (King IV Part 5.3, Principle 8):

- Collaboration through cross-membership between the various committees, where required;
- Coordinated timing of meetings and avoidance of duplication of effort;
- That complementary approaches are defined where more than one (1) of the Sub-Committees is responsible for similar matters;
- That the membership across the governance committees is based on a balanced distribution of power to ensure that undue reliance is not placed on one (1) individual or that one (1) individual does not dominate meeting processes.

The following two Sub-Committees have been constituted, namely, the Finance, Audit, IT Remuneration and Risk Sub-Committee and the Social and Ethics Sub-Committee and each of these sub-committees have signed off their Governance Charters.

5.3.1 The Finance, Audit, IT, Remuneration and Risk Sub-Committee

The Committee was established to assist the Management Committee with the oversight of finance, audit, compliance, risk governance, combined assurance, IT, governance and remuneration matters of the Association. The Committee’s primary role is to monitor, support, advise and provide guidance on the effectiveness of management’s efforts in respect of the following:

- Financial reporting and internal financial control;
- External and internal audit processes;
- The achievement of operational and liquidity objectives of the Association;
- Effective risk management, compliance and combined assurance processes;
- Sufficient information technology investment;
- Human resource development, employment equity and transformation;
- Remuneration and ensuring a motivated workforce;
- Effectively managing commercial and other stakeholder relations;
- Compliance with legislation and governance requirements; and
- Accurate and timely integrated reporting.

The Committee consists of five (5) members duly appointed by the Management Committee. The five (5) members of the Committee consist of the following: A non-executive member from the Management Committee as the chair of the Committee; A member from the Association; An official from the Association’s Members, being appointed based on his/her skills; The CEO and The CFO.

The composition of the Committee will be annually reviewed and approved by the Management Committee. The Chairperson of the Finance Committee is Mr Mark Bräsler.

Meetings

The Finance Committee met on 5 occasions during the year under review.

DATE OF MEETING	GENERAL PURPOSE OF MEETING
19 October 2018	Annual Financial Statements
21 February 2019	Planning and Governance Meeting
8 April 2019	Draft Budgets, Audit and Policies
15 May 2019	Audit, Risk
12 June 2019	Finance, Audit, Risk

5.3.2 The Social and Ethics Sub-Committee

The Social and Ethics Committee was established to assist the Management Committee with the oversight of social and ethical matters and in ensuring that the Association is and remains a committed socially responsible corporate citizen. The Committee's primary role is to monitor, support, advise and provide guidance on the effectiveness of management's efforts in respect of social, ethics and sustainable development related to the following:

- Safety and occupational hygiene;
- Health and wellness, including occupational health;
- Environmentally responsible operations;
- Protection of the Association's brand and reputation;
- Reputation and ethics management;
- Social mandate and community development; and
- Stakeholder engagement and relationship management.

The Committee consists of five (5) members duly appointed by the Management Committee, and consist of the following: A non-executive member from the Management Committee as the chair of the Committee; a member of the Association preferably from the Department of Water and Sanitation or the Northern Province Provincial Government or Mpumalanga Province Provincial Government Provincial government; an external expert appointed on the basis on his/her skills and expertise relating to social stakeholder management, ethics and/ or environmental activities; the Chief Executive Officer (CEO); and the Social Development Manager as a co-opted member. The composition of the Committee will be annually reviewed and approved by the Management Committee. The Chairperson of the Social and Ethics Committee is Mr Vaughan Townsend.

Meetings

The Social and Ethics Committee met on 4 occasions during the reporting period.

DATE OF MEETING	GENERAL PURPOSE OF MEEETING
21 February 2019	Planning and Governance Meeting
8 April 2018	Safety, Community Engagement, Draft Budgets and Policies
15 May 2019	Safety, Ethics, Community Engagement, Risk
12 June 2019	Safety, Ethics, Community Engagement, Risk

5.3.3 Operations Committee

The Operations Committee was established to ensure that the Management Team are sufficiently informed and involved in the decision-making processes of the Association from a day to day perspective. The management team through the managers, report to the Operations Committee on various issues pertaining to their responsibilities.

The Committee consists of the Chief Executive Officer, the Operations Manager, the Projects Manager, the Chief Financial Officer, the Social Development Manager, the Administrations Manager, and Governance, Risk, Compliance and Legal Manager.

5.4 Association Secretary

There is no requirement that the Association must have a secretary, only a Chief Executive Officer. In order to assist the CEO, an appropriately qualified and experienced person to assist with the work of the Office of the Chief Executive Officer has been appointed. Mr Philip de Wet currently holds this position.

5.5 Management Committee's report

The Management Committee's report is included with in the Annual Financial Statements at pages 42 to 60.

6. Risk

6.1 Introduction

The Management Committee has reviewed the risk management policy and framework following the recommendations made by PwC in respect of King IV™ compliance, in terms of Principles 11, 12, 13 and 15 of the King IV™ Report on Corporate Governance for South Africa 2016 ("King IV™"), issued by the Institute of Directors in Southern Africa. In this regard risk management is an enabling process that supports management and the Management Committee in meeting its strategic & business objectives in pursuit of value creation and protection. Strategic choices and the implementation thereof require risk taking. The risk management process is therefore an integral part of strategy setting and management as the information produced through it, along with other sources of information informs management decisions. The risk management policy and framework, is constituted of the following elements, in order to ensure that the risk management process is executed in a systematic, integrated and coordinated manner namely:

- Governance framework;
- Risk strategy and risk policies;
- Risk and Compliance methodologies;
- Tools and System templates and guidance; and
- Reporting and communication.

In an environment of change and uncertainty, risk management is a critical success factor for achieving the Association's strategic and business objectives. Embedding risk and compliance management into existing organisational processes is essential to making informed decisions and proactively planning for possible future events stemming from internal as well as external sources.

6.2 Risk Assessment Process

The implementation and maintenance of an effective system of risk management at the Association, requires that the process will be managed using a combined assurance approach which defines three lines of defence, namely:

- Management and staff;
- The Governance, Risk and Compliance Function (independent from the operations) perform key functions to provide a second line of assurance to the Management Committee; and
- Internal and external assurance providers made up by risk assurance and external audit.

The Association has approached risk in the following manner:

Risk identification is the first step in the risk assessment process. The definition of risk can be summarised as the risk of an uncertain future event that could influence the achievement of an entity's objectives. A risk has two components to it: Probability – the likelihood that the risk will materialize.

The second component is impact – the magnitude or effect on the Association should the risk materialize. Risks can therefore be either a threat or opportunity to the Association to achieve its objectives and successfully execute its strategies. Included in this there are four categories of risk, namely: Strategic risk, Reputational risk, Business risk and Operational risk.

The next step is Risk analysis which involves developing an understanding of the risk. Risk analysis provides an input to risk evaluation and the risk treatment response. Risk analysis involves consideration of the causes and sources of risk, their positive and negative consequences, and the likelihood that those consequences can occur.

The objective of risk treatment is to determine an appropriate response to the risk considering the nature of the risk, cost involved to implement controls and/or mitigating actions, and current level of residual risk compared to the risk appetite and tolerance level of the associated risk. Risk treatment involves a cyclical process to evaluate whether the chosen actions have been implemented and are effective in mitigating the risk. Various response strategies are available for responding to a given event and associated risks. These responses have been categorised as: Avoid; Share; Accept and Mitigate.

Risk treatment will always consider the existing control activities and its effectiveness and can be typically categorised into: Preventative controls; Detective Controls and Corrective Controls.

6.3 Inherent Risk Assessment

In regard to the above-mentioned risk management policy and framework the Association has in place a strategic risk register. The top 19 risks identified by the Management Committee, Finance Committee and Social and Ethics Committee have been assessed in terms of inherent risk.

The Association's 19 Risks are: Long term sustainability of the Association; Safety, Health incidents, Environment; Social License to operate; Social Stakeholders; Key Stakeholders; Reputation and Brand; Ethics; Transform our people; Achieve operational excellence; Managing Debtors; Managing Revenue; Financial Discipline; Purchase of Water; Supply Chain; Information Technology; Regulatory Compliance and Governance.

6.4 Residual Risk Assessment

However, when applying various controls to the inherent risks one will observe the resultant assessment of the residual risks applicable to each of the 19 risks, the resultant assessment of the residual risk applicable to each of the 19 risks must be taken into consideration.

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 2019

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 2019

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. Pelser J.M. Bräsler V.C. Townsend
Chief Executive Officer	J.A. Bierman
Business address	8a 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 2019

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 Financial Performance	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Accounting Policies	11 - 13
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Detailed Statement of Comprehensive Income	21 - 24



Diemont, Zimmerman & Bolink

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

25 Watermelon St
Platinum Park
Bendor
Polokwane
Private Bag X7001
Bendor Park
0713
Tel: 015 297 2731
Fax: 086 605 9114
e-mail: dzb@dzbc.co.za

To the Management Committee of the Lebalelo Water User Association

We have audited the Financial Statements of Lebalelo Water User Association (“the Association”) set out on pages 7 to 20, which comprise the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the Financial Statements present fairly, in all material respects, the financial position of the Lebalelo Water User Association as at 30 June 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards for Small and Medium-sized Entities and the requirements of the National Water Act 36 of 1998 and the Companies Act 71 of 2008.

Basis for Opinion

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

Key audit matters

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

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

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

Other information

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

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

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that 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 2019

Independent Auditor's Report

Responsibilities of the Management Committee for the Financial Statement

The Management Committee is responsible for the preparation and fair presentation of the Financial Statements and the requirements of the Companies Act of 2008, and for such internal control as the committee members determine is necessary to enable the preparation of Financial Statements that are free from material misstatements, whether due to fraud or error.

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

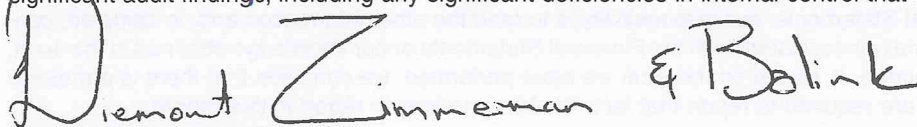
Auditor's responsibilities for the audit of the Financial Statements

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 no guarantee that an audit conducted in accordance with International Standards of Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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 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

17 October 2019
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 2019

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 2020 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 auditing 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 2019

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 2019

Report of the Management Committee

The Management Committee submits its report for the year ended 30 June 2019.

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. Pelser	Chairperson - Management Committee
J.M. Bräsler	Chairperson - Finance Committee
V.C. Townsend	Chairperson - Social and Ethics 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 2019

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 2019

Statement of Financial Position as at 30 June 2019

Amount in Rands	Note(s)	2019	2018
Assets			
Non-current Assets			
Property, plant and equipment	2	319 948 677	318 411 614
Long term pre-payments	3	111 684 640	121 325 347
Other financial assets	4	162 506 684	150 471 139
		594 140 001	590 208 100
Current Assets			
Consumer stock	5	2 064 094	1 421 948
Trade and other receivables	6	22 239 012	17 064 012
Other financial assets	4	39 025 664	38 380 167
Cash and cash equivalents	7	3 571 255	16 746 467
		66 900 025	73 612 594
Total Assets		661 040 026	663 820 694
Equity and Liabilities			
Equity			
Reserves		397 327 896	397 327 896
Retained income		83 954 472	77 993 042
		481 282 368	475 320 938
Liabilities			
Non-current Liabilities			
Deferred income	9	96 614 054	105 601 408
Current Liabilities			
Trade and other payables	8	9 308 088	9 474 524
Deferred income	9	8 987 354	8 987 354
Provisions	10	9 836 910	9 105 905
Long term payables	11	55 011 252	55 330 565
		83 143 604	82 898 348
Total Liabilities		179 757 658	188 499 756
Total Equity and Liabilities		661 040 026	663 820 694

STATEMENT OF FINANCIAL PERFORMANCE

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 2019

Statement of Financial Performance

Amount in Rands	Note(s)	2019	2018
Revenue	12	80 593 163	69 292 640
Cost of sales		(26 956 990)	(24 096 128)
Gross surplus		53 636 173	45 196 512
Other income		9 769 077	9 612 348
Operating expenses		(69 795 579)	(56 859 013)
Operating surplus (deficit)		(6 390 329)	(2 050 153)
Investment revenue	13	16 487 715	14 722 735
Finance costs	14	(4 135 956)	(3 894 729)
Surplus (deficit) for the year		5 961 430	8 777 853
Other comprehensive income		-	-
Total comprehensive surplus (deficit) for the year		5 961 430	8 777 853

STATEMENT OF CHANGES IN EQUITY

Lebalelo Water User Association

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

Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Equity

Amount in Rands	Capital Reserve	Retained Income	Total Equity
Balance at 01 July 2017	397 327 896	69 215 189	466 543 085
Changes in equity	-	8 777 853	8 777 853
Surplus/(deficit) 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
Changes in equity	-	5 961 430	5 961 430
Surplus/(deficit) for the year	-	-	-
Total changes	-	5 961 430	5 961 430
Balance at 30 June 2019	397 327 896	83 954 472	481 282 368

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 2019

Statement of Cash Flows

Amount in Rands	Note(s)	2019	2018
Cash flows from operating activities			
Cash receipts from customers		76 535 213	70 699 777
Cash paid to suppliers and employees		(80 308 705)	(54 970 184)
Cash generated from (used in) operations	16	(3 773 492)	15 729 593
Interest income		16 487 715	14 722 735
Finance costs	14	(4 135 956)	(3 894 729)
Net cash from operating activities		8 578 267	26 557 599
Cash flows from investing activities			
Additions to property, plant and equipment	2	(8 996 594)	(1 936 437)
Disposals and profit of property, plant and equipment	2 + 16	243 473	341 085
Movement in investments		(12 681 041)	(15 627 319)
Net cash from investing activities		(21 434 162)	(17 222 671)
Cash flows from financing activities			
Movement in other liability		(319 317)	1 025 989
Net cash from financing activities		(319 317)	1 025 989
Total cash movement for the year		(13 175 212)	10 360 917
Cash at the beginning of the year		16 746 467	6 385 550
Total cash at end of the year	7	3 571 255	16 746 467

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 2019

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

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Accounting Policies

1.2 Long term pre-payments

An intangible asset is recognised when -

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

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

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

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

1.3 Financial instruments

Initial recognition and measurement

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

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

Subsequent measurement

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

Impairment of financial assets

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

Impairment losses are recognised in surplus or deficit.

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

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

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

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

Lebalelo Water User Association

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Annual Financial Statements for the year ended 30 June 2019

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 Consumer stock

Consumer stock is measured at the lower of cost and estimated selling price less costs to complete and sell, on the weighted average cost basis.

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.

1.6 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Lebalelo Water User Association

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

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Amount in Rands

2. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Plant and equipment - Existing scheme	240 643 589	(61 341 141)	179 302 448	236 559 818	(58 100 913)	178 458 905
Furniture and fixtures	527 356	(491 520)	35 836	527 356	(461 698)	65 658
Motor vehicles	5 857 410	(4 416 438)	1 440 972	5 663 359	(4 558 708)	1 104 651
IT equipment	2 302 636	(2 060 705)	241 931	2 241 507	(1 855 693)	385 814
Computer software	956 930	-	956 930	-	-	-
Tools and equipment	4 000 109	(3 353 598)	646 511	3 918 465	(3 060 944)	857 521
Plant and equipment - Southern Extension	172 050 707	(36 890 102)	135 160 605	170 766 290	(33 831 623)	136 934 667
Plant and equipment - Booyesendal Platinum	1 526 252	(151 479)	1 374 773	711 105	(106 707)	604 398
Capital work in progress	788 761	-	788 671	-	-	-
Total	428 653 660	(108 704 983)	319 948 677	420 387 900	(101 976 286)	318 411 614

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Plant and equipment - Existing scheme	178 458 905	4 148 533	(52 316)	(3 252 674)	179 302 448
Furniture and fixtures	65 658	-	-	(29 822)	35 836
Motor vehicles	1 104 651	736 996	(12 936)	(387 739)	1 440 972
IT equipment	385 814	91 617	(3)	(235 497)	241 931
Computer software	-	956 930	-	-	956 930
Tools and equipment	857 521	150 377	(9 677)	(351 710)	646 511
Plant and equipment - Southern Extension	136 934 667	1 308 324	(19 894)	(3 062 492)	135 160 605
Plant and equipment - Booyesendal Platinum	604 398	815 146	-	(44 771)	1 374 773
Capital work in progress	-	788 671	-	-	788 671
	318 411 614	8 996 594	(94 826)	(7 364 705)	319 948 677

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Lebalele Water User Association

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

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Amount in Rands

3. Long term pre-payments

	2019			2018		
	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	(6 876 667)	4 225 675	11 102 342	(6 348 458)	4 753 884
ESKOM POD Cost	3 168 837	(2 160 029)	1 008 808	3 168 837	(2 033 928)	1 134 909
Exemption from Water Resource Development Charge as per clause 7.2 (refer to note 8)	224 730 097	(119 139 940)	105 590 157	224 730 097	(110 153 543)	114 576 554
Total	246 861 276	(135 176 636)	111 684 640	246 861 276	(125 535 929)	121 325 347

Reconciliation of long term pre-payments - 2019

	Opening balance	Amortisation	Total
Servitudes	860 000	-	860 000
Capital Costs - ESKOM Powerline	4 753 884	(528 209)	4 225 675
ESKOM POD Cost	1 134 909	(126 101)	1 008 808
Exemption from Water Resource Development Charge as per clause 7.2 (refer to note 9)	114 576 554	(8 986 397)	105 590 157
	121 325 347	(9 640 707)	111 684 640

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 9)	123 562 950	(8 986 396)	114 576 554
	130 966 053	(9 640 706)	121 325 347

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Lebalelo Water User Association

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Notes to the Annual Financial Statements

Amount in Rands	2019	2018
4. Other financial assets		
At amortised cost		
Fixed deposits - ABSA Interest rates ranging from 8.11% to 8.58% (2018: 7.03% to 8.11%) per annum	97 234 784	110 923 244
Fixed deposits - ABSA (Designated funds) Interest rates ranging from 8.11% to 8.58% (2018: 7.03% to 8.11%) per annum Refer to note 11	52 801 402	55 188 132
Fixed deposits - ABSA (Public benefit and social development) Interest rates ranging from 8.11% to 8.58% (2018: 7.03% to 8.11%) per annum Refer to note 10	9 836 910	9 105 905
Fixed deposits - FNB Interest rates ranging from 7.23% to 7.92% per annum	28 113 270	-
Replacement fund - ABSA 40 6069 7124 Interest rates ranged from 5.5% to 6.0% per annum in 2018	-	2 536
Longterm Investment (Fixed deposit) - ABSA - ESKOM Guarantees Interest rates ranging from 7.38% to 8.60% (2018: 7.38% to 8/08%) per annum	2 357 228	2 357 228
Depositor Plus - ABSA 92 8467 3157 Interest rates ranging from 6.6% to 6.9% (2018: 6.90% to 7.05%) per annum	11 188 754	11 268 790
Depositor Plus - ABSA 92 8467 3335 (Northern Extension Mokgalakwena) Interest rates ranged from 6.9% to 7.05% per annum in 2018	-	5 472
	<u>187 986 366</u>	<u>175 217 280</u>
	201 532 348	188 851 306
Non-current assets		
At amortised cost	162 506 684	150 471 139
Current assets		
At amortised cost	39 025 664	38 380 167
	<u>201 532 348</u>	<u>188 851 306</u>
5. Consumer stock		
Consumable stock	2 064 094	1 421 948
6. Trade and other receivables		
Trade receivables	11 581 858	7 523 904
Deposits	41 474	40 644
VAT	1 437 587	321 371
Sundry debtors	9 178 093	9 178 093
	<u>22 239 012</u>	<u>17 064 012</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Lebalelo Water User Association

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Amount in Rands	2019	2018
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	6 391	4 930
Bank balances	13 519	10 000
Short-term deposits	3 551 345	16 731 537
	3 571 255	16 746 467
8. Trade and other payables		
Trade payables	4 154 087	5 316 348
Raw water payables	1 559 870	1 559 870
Other payables	3 594 131	2 598 306
	9 308 088	9 474 524
9. Deferred income		
Non-current liabilities	96 614 054	105 601 408
Current liabilities	8 987 354	8 987 354
	105 601 408	114 588 762

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 of the agreement, 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.

10. Provisions

Reconciliation of provisions - 2019

	Opening balance	Contributions during the year	Total
Community support services and social development	9 105 905	731 005	9 836 910

Reconciliation of provisions - 2018

	Opening balance	Contributions during the year	Total
Community support services and social development	8 383 185	722 720	9 105 905

The community support services and social development provision originated as a result of the Association's strategy for social development and commitment to transformation, in terms of clause 5.2 of the Association's constitution.

11. Short term payables

Payables due to members - Southern Extension	20 303 068	24 763 881
Payables due to members - Northern Extension Mogalakwena	34 708 184	30 566 684
	55 011 252	55 330 565

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Lebalelo Water User Association

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Notes to the Annual Financial Statements

Amount in Rands	2019	2018
12. Revenue		
Variable operating costs	31 476 910	20 138 179
Fixed operating costs	49 116 253	49 154 461
	80 593 163	69 292 640
13. Investment revenue		
Interest revenue		
Bank	315 988	380 979
Interest charged on trade and other receivables	609 683	1 039 477
Other financial assets	15 562 044	13 302 279
	16 487 715	14 722 735
14. Finance costs		
Bank	5 770	13 442
Interest paid on designated funds	4 130 186	3 881 287
	4 135 956	3 894 729
15. Auditors' remuneration		
Fees	370 651	253 146
16. Cash generated from (used in) operations		
Surplus	5 961 430	8 777 853
Adjustments for:		
Depreciation and amortisation	17 005 411	18 262 097
Loss / (profit) on sale of assets	(148 647)	(74 702)
Interest received	(16 487 715)	(14 722 735)
Finance costs	4 135 956	3 894 729
Movements in provisions	731 005	722 720
Changes in working capital:		
Consumer stock	(642 146)	152 099
Trade and other receivables	(5 174 996)	1 795 559
Trade and other payables	(166 436)	5 909 327
Deferred income	(8 987 354)	(8 987 354)
	(3 773 492)	15 729 593

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Lebalelo Water User Association

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Amount in Rands	2019	2018
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17. Contingencies

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

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.

18. Commitments

Commitments are disclosed as part of the projected capital expenditure summary.

19. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Statement of Financial Position

Decrease in trade and other payables	-	(9 105 904)
Increase in provisions	-	9 105 904
Decrease in other financial assets		(16 731 537)
Increase in cash and cash equivalents		16 731 537

Profit or Loss

Increase in interest received	-	4 538 113
Increase in finance costs	-	3 881 287
Increase in social development expenditure	-	656 826

20. Statement of Comprehensive Income

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

Lebalelo Water User Association

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

21. 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 information 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 referred to below 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 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	19 144 994	-	-	-
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	18 580 430	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The Association only deposits cash with major banks with high quality credit standings.

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

DETAILED STATEMENT OF COMPREHENSIVE INCOME

Lebalelo Water User Association

Detailed Statement of Comprehensive Income for the year ended 30 June 2019

Notes	2019 R	2019 R	2019 R	2019 R	2019 R
	Havercroft to Maandagshoek	Southern Extension	Booyensdal Platinum	Other	Total
Gross Revenue	68 366 297	9 969 084	2 257 782	-	80 593 163
Fixed operating costs	37 249 359	6 948 624	893 595	-	45 091 578
Fixed electricity	2 846 303	578 230	303 905	-	3 728 438
Variable electricity	11 707 341	2 442 230	1 060 282	-	15 209 853
Raw water	15 834 126	-	-	-	15 834 126
Water research fund	432 931	-	-	-	432 931
Potable water supply	296 237	-	-	-	296 237
Cost of revenue	22 181 422	3 605 747	1 169 821	-	26 956 990
Fixed electricity	2 866 058	578 706	311 377	-	3 756 141
Variable electricity	14 308 139	3 027 040	858 444	-	18 193 623
Raw water	4 263 328	-	-	-	4 263 328
Water research fund	559 213	-	-	-	559 213
Potable water supply	184 685	-	-	-	184 685
Gross surplus	46 184 874	6 363 337	1 087 961	-	53 636 173
Other income	-	-	-	22 120 837	22 120 837
Profit on disposal of fixed assets	-	-	-	647 711	647 711
Interest received	-	-	-	16 487 715	16 487 715
Finance costs	-	-	-	(4 135 956)	(4 135 956)
Other income	-	-	-	43 013	43 013
Rent received	-	-	-	91 000	91 000
Amortisation-deferred income	-	-	-	8 987 354	8 987 354
Total income	46 184 874	6 363 337	1 087 961	22 120 837	75 757 009
Fixed operating expenses (Refer to next page)	55 036 703	4 945 346	827 135	8 986 396	69 795 580
Retained surplus/(deficit) for the year	(8 851 830)	1 417 991	260 826	13 134 441	5 961 430
Transfer of interest to non-distributable reserve	-	-	-	-	-
Accumulated surplus/(deficit) at the beginning of year	(16 562 972)	2 343 053	10 421 239	81 791 722	77 993 042
Accumulated surplus/(deficit) at the end of the year	(25 414 802)	3 761 045	10 682 065	94 926 163	83 954 472

DETAILED STATEMENT OF COMPREHENSIVE INCOME

Lebalelo Water User Association

Detailed Statement of Comprehensive Income for the year ended 30 June 2019

Notes	2019 R	2019 R	2019 R	2019 R	2019 R
	Havercroft to Maandagshoek	Southern Extension	Booyesdal Platinum	Other	Total
Fixed operating costs	55 036 703	4 945 346	827 135	8 986 396	69 795 580
Administrative expenses	6 491 752	180 404	219 243	-	6 891 399
Consultant fees	1 907 007	-	-	-	1 907 007
Depreciation	4 257 442	3 062 492	44 771	-	7 364 705
Amortisation	654 310	-	-	8 986 396	9 640 707
Strategy	1 716 006	-	-	-	1 716 006
Personnel costs	23 340 426	-	-	-	23 340 426
Loss on disposal of assets	-	-	-	-	-
Transport	814 456	-	-	-	814 456
Security and safety	6 873 049	572 101	324 392	-	7 769 541
Software development and training	181 360	-	-	-	181 360
Social Responsibility	1 374 766	-	-	-	1 374 766
MAINTENANCE					
Abnormal maintenance	750 915	221 869	-	-	972 783
Access roads	-	-	-	-	-
Air conditioners	24 745	-	-	-	24 745
Civil	11 469	-	-	-	11 469
Cleaning	45 429	4 539	1 423	-	51 391
Cranes	-	-	-	-	-
Dams (Silt removing)	2 543 585	53 966	-	-	2 597 551
Electrical	559 443	234 040	94 865	-	888 347
Environment	2 893	-	-	-	2 893
Fabrication	6 452	-	-	-	6 452
Gardens and irrigation	16 554	-	-	-	16 554
Herbicide	219 947	147 777	19 782	-	387 506
Instrumentation	917 375	304 310	97 377	-	1 319 063
Lubricants and workshop consumables	81 598	3 282	-	-	84 880
Mechanical	134 229	57 440	2 500	-	194 169
Offices and workshop	280	867	-	-	1 147
Pest control	434 697	41 368	14 971	-	491 036
Pipe lines	1 478 583	52 276	-	-	1 530 859
Personnel housing	30 974	-	-	-	30 974
Plant hire	-	-	-	-	-
Safety ropes	-	-	-	-	-
Telemetry	12 048	-	-	-	12 048
Tools and equipment	132 088	109	-	-	132 198
Water quality (purification)	22 823	8 507	7 812	-	39 142

DETAILED STATEMENT OF COMPREHENSIVE INCOME

Lebalelo Water User Association

Detailed Statement of Comprehensive Income for the year ended 30 June 2019

	Notes	2018 R	2018 R	2018 R	2018 R	2018 R
		Havercroft to Maandagshoek	Southern Extension	Booyesendal 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
Maintenance		-	-	-	-	-
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		-	-	-	14 079 351	14 079 351
Finance costs		-	-	-	(3 894 729)	(3 894 729)
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)	629 412	9 942 926	70 981 149	69 215 189
Accumulated surplus/(deficit) at the end of the year		(16 562 972)	2 343 053	10 421 239	81 791 722	77 993 042

DETAILED STATEMENT OF COMPREHENSIVE INCOME

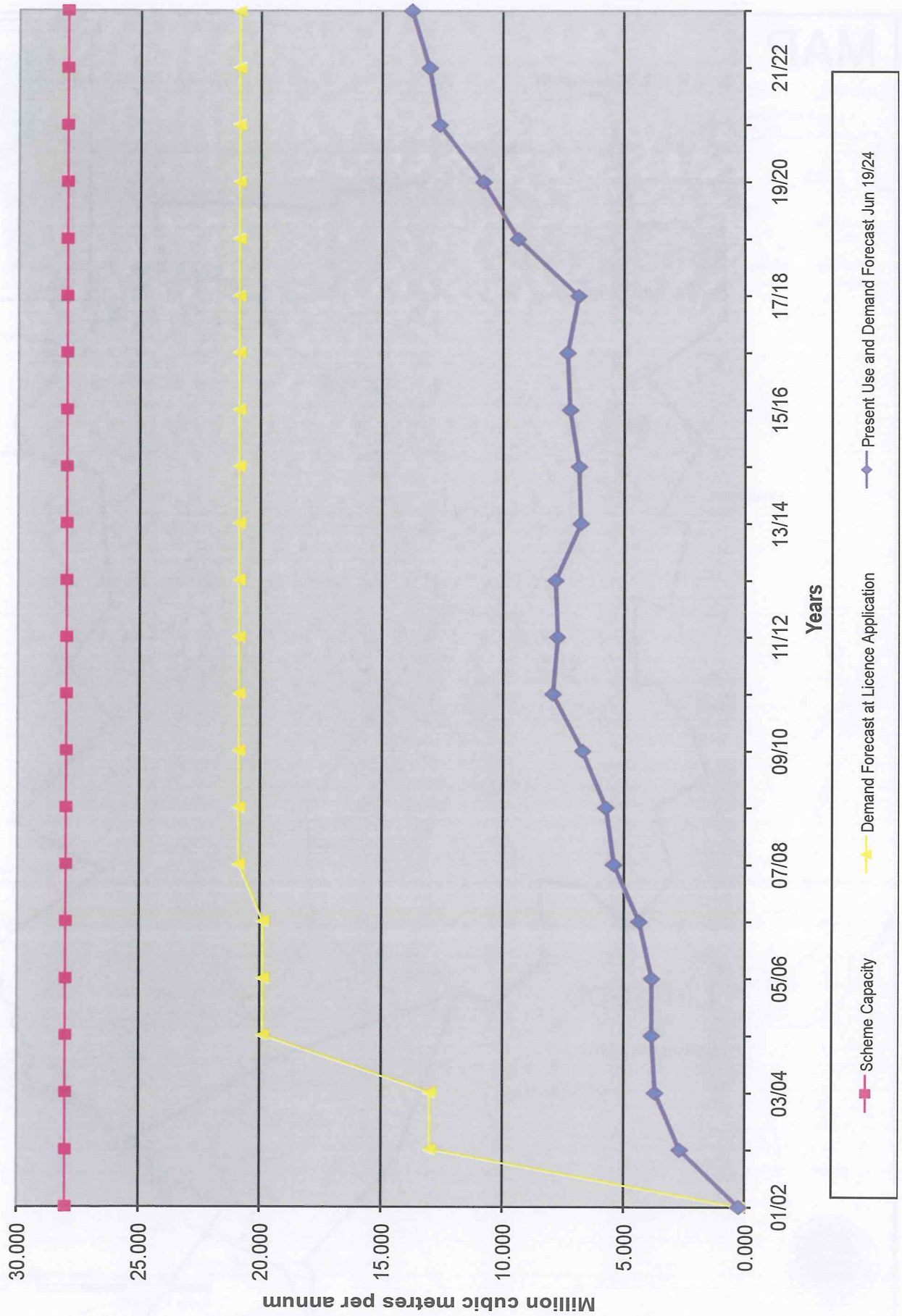
Lebalelo Water User Association

Detailed Statement of Comprehensive Income for the year ended 30 June 2019

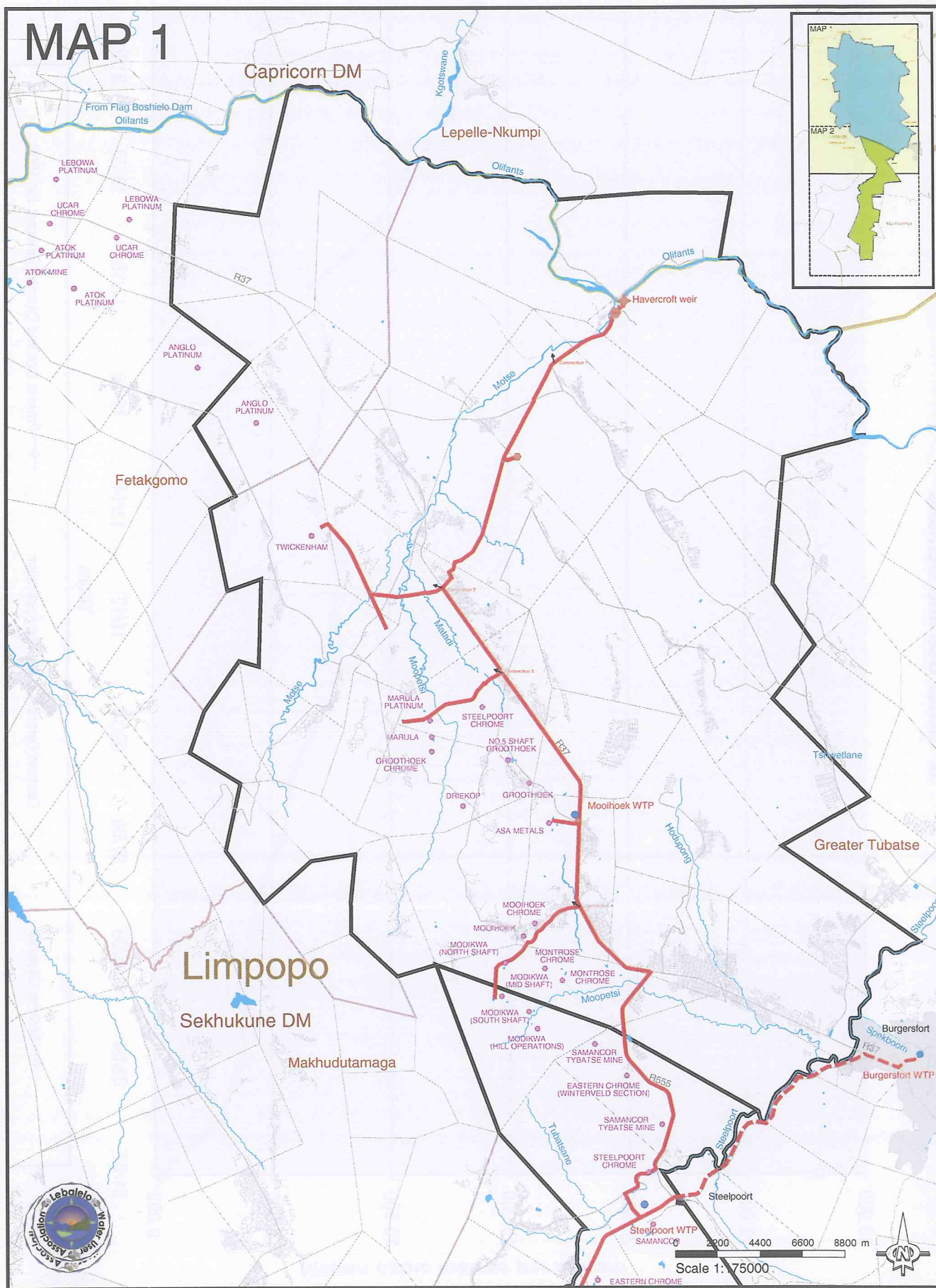
Notes	2018 R	2018 R	2018 R	2018 R	2018 R
	Havercroft to Maandagshoek	Southern Extension	Booyensdal Platinum	Other	Total
Fixed operating costs	42 279 339	4 387 991	561 903	8 986 396	56 215 629
Administrative expenses	3 587 487	162 258	97 590	-	3 847 335
Consultant fees	2 729 570	-	-	-	2 729 570
Depreciation	5 509 300	3 062 151	49 939	-	8 621 390
Amortisation	654 310	-	-	8 986 396	9 640 707
Disestablishment - consultants	1 797 827	-	-	-	1 797 827
Loss on disposal of assets	-	-	-	-	-
Personnel costs	17 649 414	-	-	-	17 649 414
Software development and training	109 627	-	-	-	109 627
Security and safety	3 419 106	562 988	281 494	-	4 263 588
Social Development	3 277 869	-	-	-	3 277 869
Transport	553 785	-	-	-	553 785
MAINTENANCE					
Abnormal maintenance	1 081 782	95 954	-	-	1 177 736
Access roads	-	-	-	-	-
Air conditioners	20 808	9 312	-	-	30 120
Cathodic protection	-	-	-	-	-
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	-	-	18 372
Tools and equipment	63 431	13 712	6 700	-	83 843
Water quality (purification)	17 100	11 289	85	-	28 474

GRAPH: WATER USE DEMAND

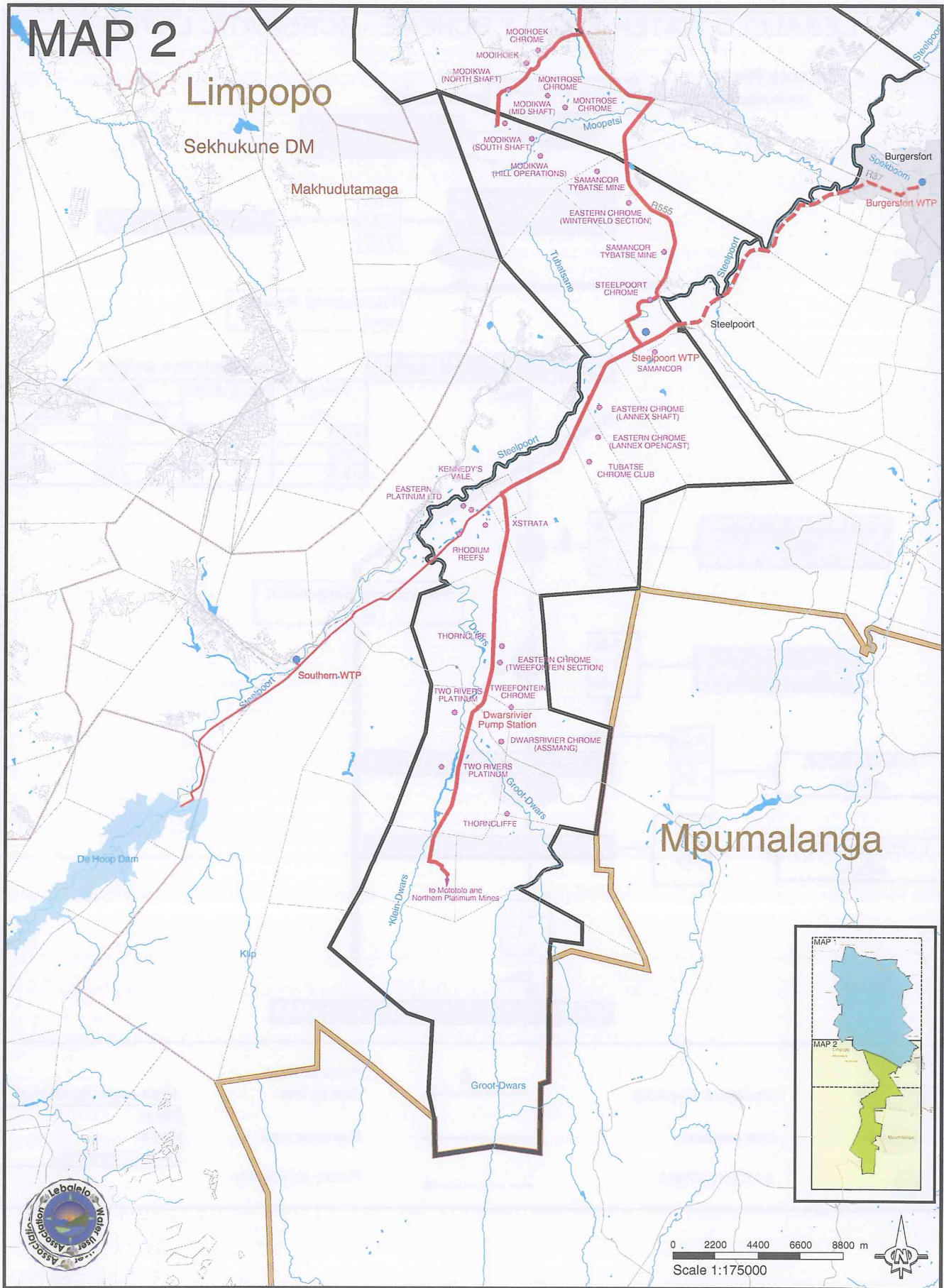
8. Water Use and Demand

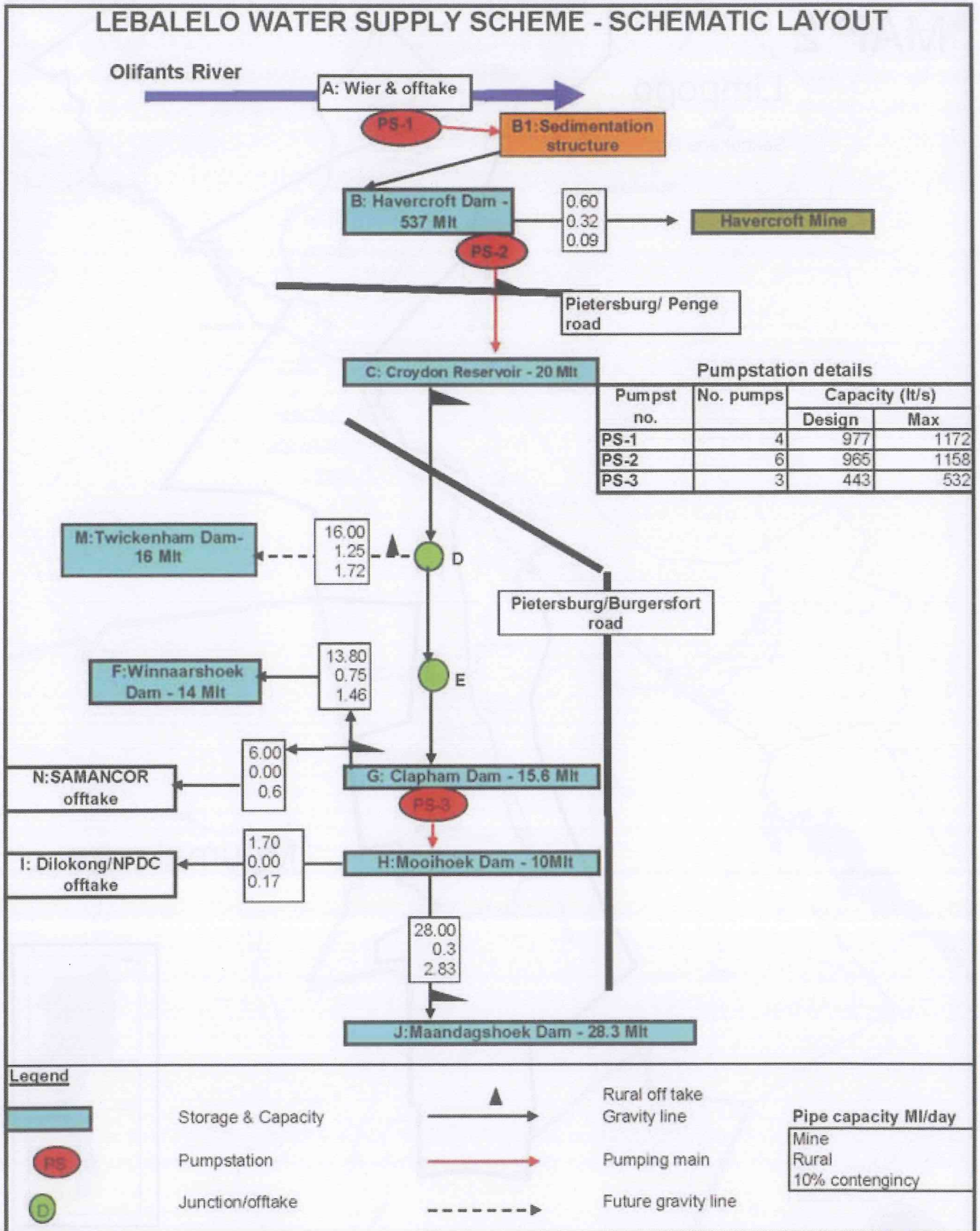


ANNEXURE A1: AREA OF OPERATION (EXISTING AREA)

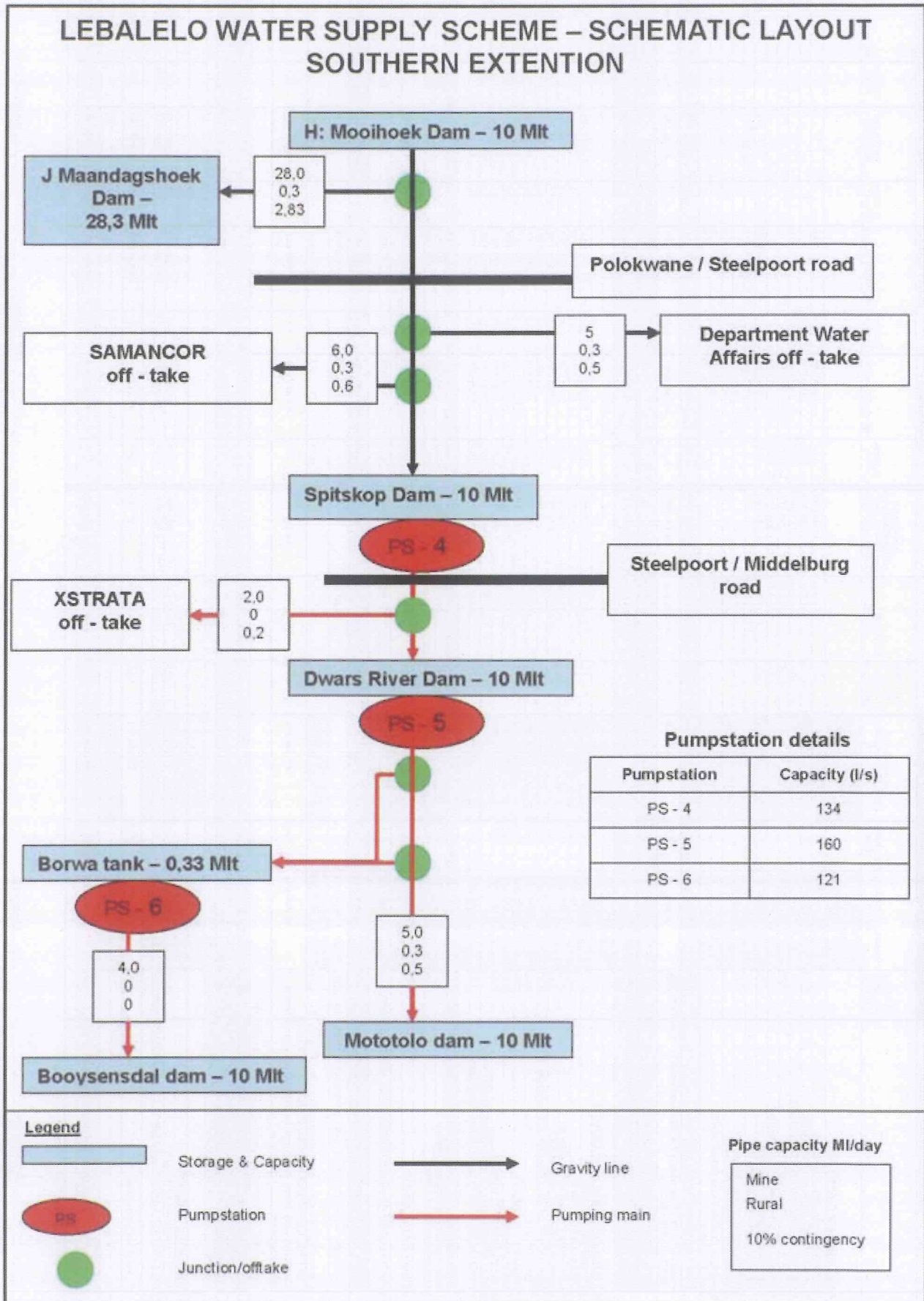


ANNEXURE A1: AREA OF OPERATION (EXISTING AREA)





ANNEXURE A3: SCHEMATIC LAYOUT (SOUTHERN EXTENSION)



ANNEXURE B1: OPERATIONAL BUDGET (MAIN SCHEME)

LEO WATER USER ASSOCIATION - REVISED SUMMARY BUDGET : 01/07/2018 TO 30/06/2023 (SCHEME: FROM HAVERCROFT FARM TO MAANDAGSHO)												
SUMMARY BUDGET : HAVERCROFT - MAANDAGSHOEK												
	Approve Budget Pump	APPROVED BUDGET Actual Pump	FORECAST EXPENDITURE AS AT 30/06/19	Unit Cost revised (19/20 Pump)	REVISED BUDGET 19/20	INCREASE (DECREASE) year on year (June 18 Actual vs June 20)	2020/2021		2021/2022		2022/2023	
							Budget Pump	REVISIED BUDGET (Pump)	Budget Pump	REVISIED BUDGET (Pump)	Budget Pump	REVISIED BUDGET (Pump)
A WORKING CAPITAL												
1 STORES (Emergency Spares)	-	-	1 025 000	0,10	1 054 000	1 054 000	0,05	693 000	762 300	-	-	-
2 UPGRADING INFRASTRUCTURE	0,12	1 025 000	1 025 000	0,10	1 067 570	42 570	0,01	100 000	100 000	-	-	-
3 OFFICE & COMPUTER EQUIPMENT	0,00	15 900	15 900	0,04	113 260	97 360	0,00	17 003	17 003	-	-	-
4 TOOLS AND EQUIPMENT	0,00	15 900	15 900	0,04	380 315	364 415	0,00	37 450	37 450	-	-	-
5 VEHICLES & MOBILE EQUIPMENT	0,00	15 900	15 900	0,04	576 400	560 500	0,00	25 000	25 000	-	-	-
6 REFURBISHMENT: ASSETS	0,28	2 392 612	2 392 612	0,38	4 135 812	1 743 200	0,15	1 918 950	2 186 867	0,17	2 376 391	0,1
7 STRATEGIC PROJECTS					33 354 776	33 354 776		12 609 000	6 153 760		3 911 805	0,1
7.1 REPAIR THE LEBALELO BRAND					5 065 000	5 065 000		2 295 000	2 063 260		2 280 000	-
7.2 REPAIR THE COMMUNITY TRUST					1 985 324	1 985 324		2 594 000	2 063 260		2 280 000	-
8 ACHIEVE OPERATIONAL EXCELLENCE					21 304 452	21 304 452		6 300 000	3 000 000		3 600 000	-
9 GOVERNANCE					1 450 000	1 450 000		1 450 000	1 450 000		1 450 000	-
SUB TOTAL: WORKING CAPITAL	0,65	3 433 512	3 417 612	3,76	40 682 133	3 641 600	1,23	15 400 403	9 119 930	0,46	6 288 196	0,39
FUNDING: REPLACEMENT & REFURBISHMENT FUND PLUS SPECIAL PROJECTS	-0,85	-5 501 146	-3 548 569	-3,76	-40 682 133	-35 196 887	-1,22	-15 400 403	-9 119 930	-0,46	-6 288 196	-0,39
A SUB TOTAL: WORKING CAPITAL												
Water Requirements in m³ (Forecast/month) through H/croft & Weir Pump Station		9 303 815	9 303 815		10 822 758	#REF!		12 630 697	13 044 501		13 763 844	13 763 844
B FIXED OPERATIONAL COSTS												
20 PERSONNEL COSTS	2,70	25 896 934	25 298 531	2,71	29 325 493	6 026 962	2,86	36 096 574	38 597 843	3,00	41 359 905	3,23
21 CONSULTANT FEES	0,02	150 000	150 000	0,05	500 000	350 000	0,01	150 000	162 000	0,01	162 000	0,01
22 COMMUNITY WATER SUPPLY	0,04	298 887	298 887	0,04	433 910	134 023	0,04	505 238	521 780	0,04	550 554	0,04
23 ADMINISTRATIVE EXPENSES	0,43	3 631 314	5 567 676	0,34	5 839 463	271 187	0,55	6 968 255	7 524 149	0,59	8 124 547	0,64
24 SOFTWARE DEVELOPMENT & TRAINING	0,10	143 104	143 104	0,01	54 000	-89 104	0,01	82 080	88 646	0,01	95 738	0,01
25 TRANSPORT	0,10	853 288	853 288	0,08	838 000	-15 288	0,07	832 814	896 254	0,08	1 088 024	0,09
26 SECURITY & SAFETY	0,30	4 259 364	4 259 364	0,45	6 179 418	1 920 054	0,40	8 702 454	9 762 454	0,42	11 174 628	0,42
27 MAINTENANCE (GAAP)	0,37	3 119 355	3 852 353	0,46	6 117 579	2 998 224	0,45	6 162 192	6 632 131	0,45	6 903 220	0,46
28 REFURBISHMENT OF REFURBISHMENT FUND	0,58	3 012 500	3 012 500	0,46	5 013 579	2 001 079	0,62	7 790 397	9 440 831	0,92	12 685 766	1,04
29 FIXED ELECTRICITY COSTS per Pump Station	0,34	2 903 393	2 856 842	0,30	3 253 086	1 082 244	0,20	2 526 139	3 913 350	0,50	6 881 922	0,60
Water losses in m³		200 120	183 331		129 877	-53 744		136 654	141 074		147 024	147 024
30.1 Raw Water Cost of Water losses	0,01	79 083	60 030	0,01	54 166	-8 864	0,00	54 923	60 367	0,00	66 688	0,01
30.2 Electricity costs of water	0,04	372 324	340 623	0,02	240 641	-99 682	0,02	258 503	282 148	0,02	311 691	0,07
31 FIXED WATER COSTS	0,11	920 872	844 919	0,09	920 872	75 953	0,08	994 542	1 074 106	0,08	1 160 034	0,09
32 WATER USER ASSOCIATIONS (Loakop, Olfants, Elmds) 0,04		301 307	306 232	0,04	385 607	79 375	0,02	197 358	217 094	0,02	238 803	0,02
B SUB TOTAL: FIXED OPERATIONAL COSTS	5,30	44 899 051	52 393 033	5,79	62 616 603	9 982 919	5,76	72 692 206	79 613 151	6,10	86 114 961	6,88
Increase % year on year on forecast (18/19) vs budget (19/20) Rand value					19,51%			20,13%	11,05%		11,34%	10,75%
Less Depreciation (not recouped from members)	-0,56	-5 012 060	-5 012 060	-0,46	-5 013 579	-619	-0,62	-7 790 397	-9 440 821	-0,72	-12 685 766	-1,04
TOTAL OPERATIONAL BUDGET (Fixed Cost)(A+B) less surplus brought forward from 2018/19	0,71	39 886 091	47 380 073	5,30	57 603 025	10 222 951	5,34	67 427 949	74 085 681	5,68	80 311 117	6,44
Increase % year on year on unit cost per m³					4,51%							
Water Requirements in m³ (Forecast/month) through H/croft & Weir Pump Station		9 303 815	9 303 815		10 822 758	1 519 142		12 630 697	13 044 501		13 763 844	13 763 844
Increase % year on year : Water Forecast 18/19 vs Actual water usage 18/19					16,33%							
Water Requirements in m³ (Forecast/month) through Clapham Pump Station		6 803 218	6 471 372		7 802 336	1 331 064		9 412 354	9 485 733		9 518 311	9 518 311
Increase % year on year : Water Forecast 19/20 vs Actual water usage 18/19					20,57%							
C VARIABLE COSTS												
30 TOTAL RAW WATER COST	0,36	3 263 536	3 216 947	0,42	4 537 043	1 320 096	0,47	5 937 519	6 868 730	0,55	7 565 173	0,58
31 ELECTRICITY COST ACCORDING TO DEMAND (Energy Costs)	0,00	12 163 902	13 817 884	1,24	18 737 211	4 787 805	2,16	25 192 099	29 170 488	2,74	34 308 575	3,09
32	0,00	0	0		0	0		0	0		0	
C Total Variable Cost	1,91	15 427 438	17 034 771	2,36	23 274 254	6 107 900	2,63	31 129 618	36 039 218	2,96	41 873 749	3,67
A+B+C Total O & M Budget (Fixed & Variable)	6,61	55 313 529	64 414 844	7,68	80 877 279	16 330 852	7,97	98 587 566	110 124 899	8,64	122 184 865	10,11
Increase in total unit costs year on year					7,55%							

12-Jun-19
DATE

DW PELSER
APPROVED
CHAIRPERSON: MANAGEMENT COMMITTEE
LEBALELO WATER USER ASSOCIATION

12-Jun-19
DATE

JM BRÄSLER
APPROVED
CHAIRPERSON: FINANCIAL COMMITTEE
LEBALELO WATER USER ASSOCIATION

ANNEXURE B2: OPERATIONAL BUDGET (SOUTHERN EXTENSION)

LEBALELO WATER USER ASSOCIATION - REVISED BUDGET : 01/07/2019 TO 30/06/2024 (SOUTHERN EXTENSION)													
Page No	SOUTHERN EXTENSION - SUMMARY			2018/2019		2020/2021		2021/2022		2017/2018		2023/2024	
	Approve Budget R/m³	Actual Approved Budget R/m³	FORECAST EXPENDITURE AS AT 30.06.19	Unit Cost revised 19/20 R/m³	REVISED BUDGET 19/20	INCREASE (DECREASE) year on year (June 19 Actual vs June 20)	REVISIED BUDGET R/m³	Budget R/m³	REVISIED BUDGET R/m³	Budget R/m³	REVISIED BUDGET R/m³	Budget R/m³	REVISIED BUDGET R/m³
SE/A WORKING CAPITAL													
1													
2													
3													
4													
5													
6													
SUB TOTAL: WORKING CAPITAL													
FINANCED OUT OF REPLACEMENT AND REFURBISHMENT FUNDS													
A. SUB TOTAL: WORKING CAPITAL													
SE/B FIXED OPERATIONAL C													
21													
22													
23													
24													
25													
SUB TOTAL: FIXED OPERATIONAL COSTS excl Electrical costs													
25. FIXED ELECTRICITY COSTS (Motololo & Booyensdal)													
B SUB TOTAL: FIXED OPERATIONAL COSTS													
Increase % year on year on forecast(18/19) vs budget(19/20) (Motololo and Booyensdal)													
TOTAL OPERATIONAL BUDGET (Fixed Cost)(A+B)													
Increase % year on year on unit cost per m³													
Water Demand in m³													
Water requirements in m³ -Motololo,Booyensdal & Glencore													
Water requirements in m³ -Booyensdal Mine only													
SE/C VARIABLE COSTS													
50. ELECTRICITY COSTS According to Demand (Energy Cost)													
C. Total Variable Cost													
Increase % year on year on cost per m³													
A+B+C. Total O & M Budget (Fixed & Variable)													
Increase in total unit costs year on year													

APPROVED
 DW Peiser
 CHAIRPERSON: MANAGEMENT COMMITTEE
 LEBALELO WATER USER ASSOCIATION
 DATE: 12-Jun-19

APPROVED
 JM Brasler
 CHAIRPERSON: FINANCIAL COMMITTEE
 LEBALELO WATER USER ASSOCIATION
 DATE: 12-Jun-19

ANNEXURE B3: OPERATIONAL BUDGET (BOOYSENDAL)

LEBALELO WATER USER ASSOCIATION - REVISED BUDGET : 01/07/2019 TO 30/06/2024 - BOOYSENDAL MINE														
Page No	NORTHAM PLATINUM -SUMMARY				2018/2019		2020/2021		2021/2022		2018/2019		2019/2020	
	Approve Budget R/m	Actual Approved Budget R/m	Actual Expenditure AS AT 30.06.19	Forecast Expenditure AS AT 30.06.19	Unit Cost revised Budget 19/20 R/m ³	REVISIED BUDGET 19/20	INCREASE (DECREASE) year on year (June 19 Actual Budget vs June 20)	REVISIED BUDGET R/m	Budget R/m	REVISIED BUDGET R/m	Budget R/m	REVISIED BUDGET R/m	Budget R/m	REVISIED BUDGET R/m
NP/A WORKING CAPITAL														
1	STORES	-	-	-	0,08	60 000	60 000	-	69 000	-	69 000	-	0,10	82 800
2	UPGRADING INFRASTRUCTURE	2,18	1 700 000	2,18	1 700 000	-90 000	-	-	-	-	-	-	-	-
3	TOOLS AND EQUIPMENT	-	-	-	-	-	-	-	-	-	-	-	-	-
4	REPLACEMENTS OUT OF REFURBISHMENT FUND	-	-	-	-	-	-	-	-	-	-	-	-	-
5	CAPITAL PROJECTS	0,23	175 583	0,23	175 583	-175 583	-	-	-	-	-	-	-	-
	SUB TOTAL WORKING CAPITAL	2,41	1 875 583	2,41	1 875 583	-30 000	69 000	0,08	69 000	0,10	82 800	0,10	82 800	0,10
	FINANCED OUT OF REPLACEMENT AND REFURBISHMENT FUND	4,0	-1 875 583	-2,40	-1 875 583	30 000	-	-0,08	-69 000	-	-69 000	-0,10	-82 800	-0,10
A SUB TOTAL WORKING CAPITAL														
NP/B FIXED OPERATIONAL COSTS														
21	ADMINISTRATIVE EXPENSES	0,26	205 400	0,28	220 382	19 618	0,30	259 200	0,33	279 936	0,36	302 331	0,38	326 317
22	SECURITY & SAFETY	0,36	279 700	0,57	444 856	26 698	0,60	509 279	0,66	560 221	0,71	605 039	0,77	653 442
23	MAINTENANCE	0,50	392 808	0,38	305 173	-53 667	0,67	572 813	0,69	589 471	0,74	628 332	0,77	655 327
24	DEPRECIATION (GAAP)	0,03	25 584	0,03	25 584	-	0,03	29 569	0,04	31 048	0,04	32 600	0,04	35 208
25	FIXED ELECTRICITY COSTS	0,38	303 905	0,40	309 816	26 644	0,44	370 106	0,48	407 117	0,53	447 828	0,58	492 611
	B SUB TOTAL FIXED OPERATIONAL COSTS	1,55	1 207 400	1,67	1 305 816	321 028	2,05	1 740 967	2,20	1 867 793	2,37	2 016 130	2,55	2 163 305
Increase % year on year on forecast(18/19) vs budget(19/20) Rand Value														
	TOTAL OPERATIONAL BUDGET (Fixed Cost)(A+B)	1,55	1 207 400	1,67	1 305 816	24,58%	321 028	2,05	1 740 967	2,20	1 867 793	2,37	2 016 130	2,55
Increase % year on year on unit cost per m³														
	Water requirements in m³ (Forecast/month)		780 000		780 000	300 000	19 700	850 000	850 000	850 000	850 000	850 000	850 000	850 000
NP/C VARIABLE COSTS														
50	ELECTRICITY COSTS According to Demand (Energy Cost)	1,41	1 101 735	1,10	855 883	143 316	1,42	1 208 900	1,62	1 376 574	1,84	1 567 505	2,10	1 784 918
Increase % year on year on cost per m³														
	C Total Variable Cost	1,41	1 101 735	1,10	855 883	143 316	1,42	1 208 900	1,62	1 376 574	1,84	1 567 505	2,10	1 784 918
	A+B+C Total O & M Budget (Fixed & Variable)	2,96	2 309 135	2,77	2 161 699	464 346	3,47	2 949 867	3,82	3 244 167	4,22	3 583 636	4,64	3 948 323

Increase in unit costs year on year 18,49%

JM Brasler
APPROVED
CHAIRPERSON: FINANCIAL COMMITTEE
LEBALELO WATER USER ASSOCIATION

DW Pelser
APPROVED
CHAIRPERSON: MANAGEMENT COMMITTEE
LEBALELO WATER USER ASSOCIATION

12-Jun-19
DATE

12-Jun-19
DATE

ANNEXURE C: PROJECTED FIVE-YEAR STATEMENT OF COMPREHENSIVE INCOME

A. Projected Five-Year Statement of Comprehensive Income

YEAR	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
Water use in m ³	9 428 764	10 822 758	12 630 697	13 044 501	13 763 844	13 763 844
Revenue						
Fixed Electricity Costs	3 728 438	4 391 137	4 987 167	5 664 564	6 434 484	7 309 616
Havercroft	2 846 303	3 253 086	3 704 289	4 218 074	4 803 121	5 469 314
Cathodic Protection	-	64 367	73 295	83 461	95 037	108 219
Southern Extension	578 230	737 224	839 477	955 912	1 088 497	1 239 472
Booysendal	303 905	336 460	370 106	407 117	447 828	492 611
Fixed Operating Income	40 403 582	44 683 015	48 867 219	61 699 059	68 565 619	75 547 941
Havercroft	37 249 359	51 506 728	55 864 339	66 959 965	73 459 229	80 826 348
Southern Extension	6 948 624	6 870 248	7 493 983	8 161 392	8 895 492	9 696 102
Booysendal	893 595	739 715	798 048	871 205	939 970	1 015 167
Less: Maintenance	-4 687 996	-9 121 667	-9 307 441	-9 703 044	-9 454 621	-9 932 897
Less: CMA	-	-920 872	-994 542	1 074 106	1 160 034	1 252 837
Less: Fixed Electricity	-	-4 391 137	-4 987 167	-5 664 564	-6 434 484	-7 309 616
Maintenance	4 867 996	9 121 667	9 307 441	9 703 044	9 454 621	9 932 897
Havercroft	3 147 295	6 117 400	6 162 192	6 622 133	5 903 220	6 375 478
Southern Extension	1 147 893	2 453 600	2 572 436	2 491 440	2 923 068	2 901 892
Booysendal	392 808	550 667	572 813	589 471	628 332	655 527
Potable Water - Maintenance	296 237	432 910	505 228	521 780	550 554	550 554
Variable Electricity Costs	15 209 853	23 724 560	31 349 558	36 338 178	42 666 063	48 595 274
Havercroft	11 707 341	18 737 211	25 192 099	29 170 488	34 308 575	38 833 549
Southern Extension	2 442 230	3 988 149	4 948 559	5 791 115	6 789 983	7 976 807
Booysendal	1 060 282	999 199	1 208 900	1 376 574	1 567 505	1 784 918
Water Use Charges	16 267 057	4 922 650	6 134 877	7 085 823	7 803 976	8 258 165
TOTAL REVENUE	80 593 163	87 275 939	101 151 490	121 012 449	135 475 317	150 194 446
Cost of Revenue						
Electricity Charges - Fixed Costs	3 756 141	4 391 137	4 987 167	5 664 564	6 434 484	7 309 616
Electricity Charges - Variable Costs	18 193 623	23 724 560	31 349 558	36 338 178	42 666 063	48 595 274
Potable Water - Maintenance	184 685	432 910	505 228	521 780	550 554	550 554
Water Charges - Purchases	4 822 541	4 922 650	6 134 877	7 085 823	7 803 976	8 258 165
COST OF REVENUE	26 956 990	33 471 257	42 976 830	49 610 345	57 455 077	64 713 609
GROSS SURPLUS	53 636 173	53 804 682	58 174 661	71 402 104	78 020 240	85 480 838
Administration Costs	10 514 412	4 624 757	13 417 803	22 344 801	23 724 321	26 437 513
Salaries	23 340 426	29 825 493	22 023 143	23 827 578	25 583 735	27 660 545
Maintenance	17 560 565	9 121 667	9 307 441	9 703 044	9 454 621	9 932 897
Social Responsibility	1 374 766					
Depreciation	7 364 705	10 232 765	13 426 273	15 526 681	19 257 563	21 449 883
Havercroft	4 257 442	5 013 579	7 790 397	9 440 821	12 685 766	14 352 342
Southern Extension	3 062 492	5 191 025	5 606 307	6 054 812	6 539 197	7 062 333
Booysendal	44 771	28 161	29 569	31 048	32 600	35 208
Amortisation	654 310	654 310	654 310	654 310	654 310	654 310
FIXED COSTS	60 809 184	54 458 992	58 828 971	72 056 414	78 674 550	86 135 148
Operating Surplus	-7 173 011	-654 310	-654 310	-654 310	-654 310	-654 310
Interest received	12 351 759	7 000 000	6 000 000	5 000 000	5 000 000	5 000 000
Other Income	781 724	-	-	-	-	-
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	5 961 430	6 346 648	5 346 648	4 346 648	4 346 648	4 346 648

ANNEXURE C: PROJECTED FIVE-YEAR STATEMENT OF COMPREHENSIVE INCOME

B. Assumptions for the Projected Statement of Comprehensive Income

YEAR	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
Consumer Price Index (CPI or CPIX)	4.8%	5.0%	5.0%	5.0%	5.0%	5.0%
Water Use Growth (%)	32%	15%	17%	3%	6%	0%
Water Purchase Cost Increase (%)	6%	10%	10%	10%	10%	10%
Prime Interest Rate (%)	10.25%	10.25%	10.25%	10.25%	10.25%	10.25%
Average Interest Rate on Investment	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
Other Assumptions	10%	10%	10%	10%	10%	10%

C. Capital Expenditure Summary

YEAR	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
Capital Works	788 671	3 077 570	100 000	-	-	-
Havercroft	788 671	1 067 570	100 000	-	-	-
Southern Extension	-	400 000	-	-	-	-
Booyseendal	-	1 610 000	-	-	-	-
Renewals	6 272 003	4 283 812	1 918 950	2 186 867	2 376 391	1 460 018
Havercroft	4 148 533	4 135 812	1 918 950	2 186 867	2 376 391	1 460 018
Southern Extension	1 308 324	148 000	-	-	-	-
Booyseendal	815 146	-	-	-	-	-
Movable Assets	1 935 920	1 069 975	79 453	86 003	0	82 800
Havercroft	1 935 920	1 069 975	79 453	17 003	-	-
Southern Extension	-	-	-	-	-	-
Booyseendal	-	-	-	69 000	-	82 800
Less Refurbishment Fund Contribution	-8 996 594	-8431 357	-2 098 403	-2 272 870	-2 376 391	-1 542 818
Havercroft	-6 873 124	-6 273 357	-2 098 403	-2 203 870	-2 376 391	-1 460 018
Southern Extension	-1 308 324	-548 000	0	0	0	0
Booyseendal	-815 146	-1 610 000	0	-69 000	0	-82 800
Total Capital Expenditure Requirements	-	-	-	-	-	-

D. Generic Financial Indicators/Ratios

Indicators / Ratios	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
Gross Revenue (R)	80 593 163	87 275 939	101 151 490	121 012 449	135 475 317	150 194 446
Average Water Use Charge	0.51	0.45	0.49	0.54	0.57	0.60
Operating Surplus (% of GR)	66.55%	61.65%	57.51%	59.00%	57.59%	56.91%
Total Expenditure	87 766 174	87 930 249	101 805 800	121 666 759	136 129 627	150 848 756
Operating Costs (% of GR)	75.45%	62.40%	58.16%	59.54%	58.07%	57.35%
Cost of Revenue (% of GR)	33.45%	38.35%	42.49%	41.00%	42.41%	43.09%
Finance Costs (% of GR)	0%	0%	0%	0%	0%	0%
Manpower Costs (% of GR)	28.96%	34.17%	21.77%	19.69%	18.88%	18.42%
Training Costs per employee (R/year)	8 254	14 549	6 001	8 036	7 101	8 778
Working Ratio	1.09	1.01	1.01	1.01	1.00	1.00
Rate on Return of Assets	n/a	n/a	n/a	n/a	n/a	n/a
Gross Surplus Margin	66.55%	61.65%	57.51%	59.00%	57.59%	56.91%
Current Ratio	0.64	1.00	1.00	1.00	1.00	1.00
Debt Equity Ratio	1.37	1.40	1.40	1.40	1.40	1.40
Average Debtor Days	53	49	43	39	40	44

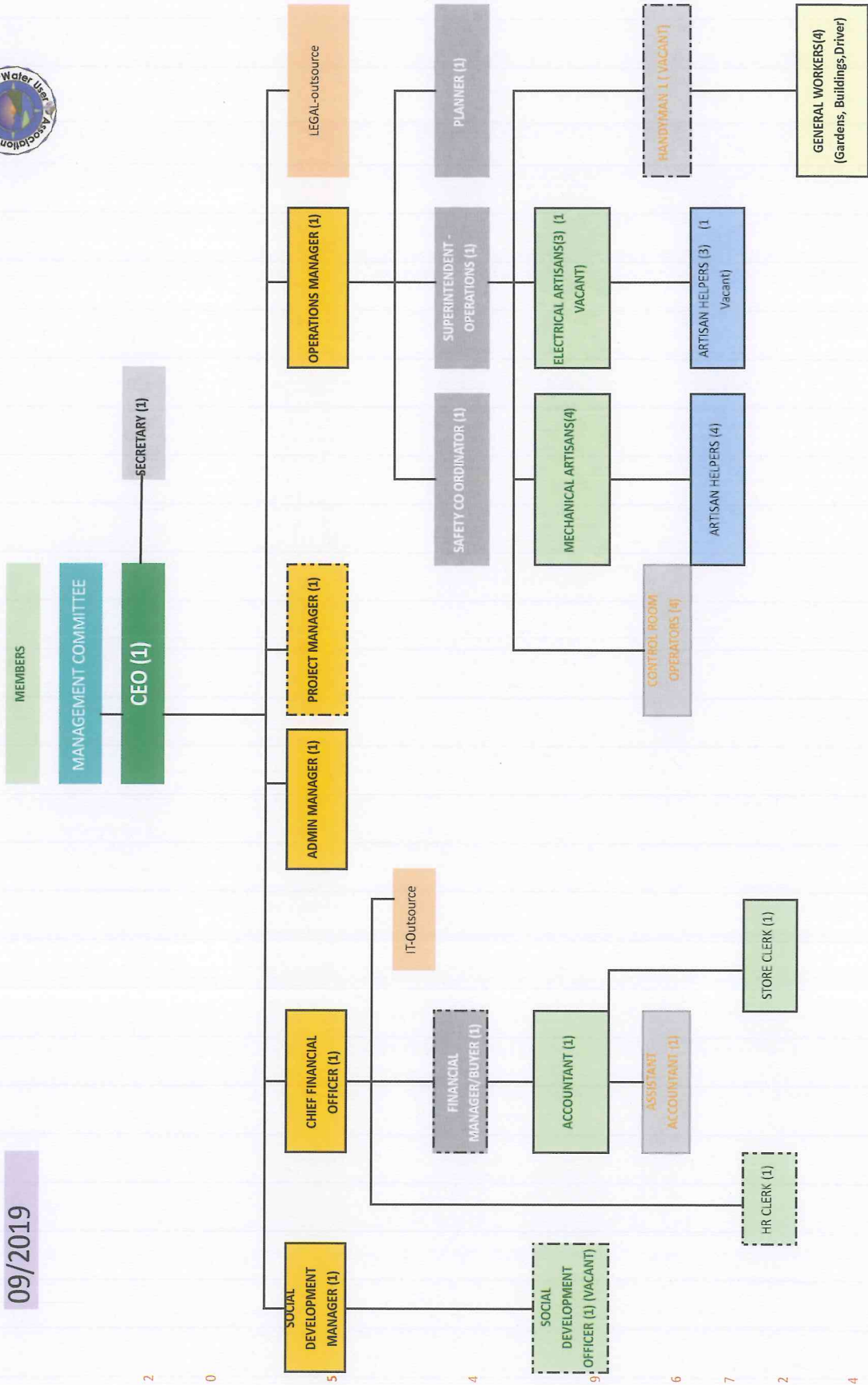
E. Definitions of Ratios

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

ANNEXURE D: ORGANISATIONAL STRUCTURE



09/2019

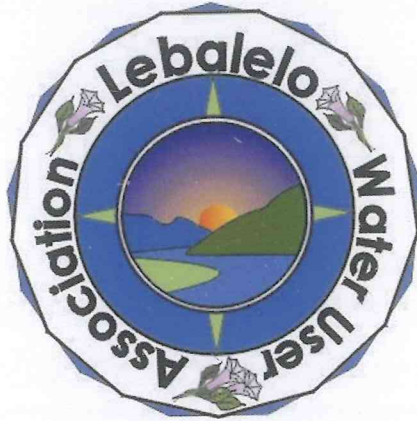


TOTAL POSITIONS 39

NOTES



**THE LEBALELO WATER USER ASSOCIATION
2019**



The Lebalelo Water User Association