INTEGRATED ANNUAL REPORT 2019/20 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 2020

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

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Contents

1. The Association's Integrated Annual Report

1.1 Introduction and scope of the report

The purpose of the Association is "Improving lives through water" and it's strategy sets out a three staged approach that not only aims to transform the Association but also to use water as a catalyst for socio-economic development in the areas where the Association operates.

The Annual Report is aimed primarily at the Members of the Lebalelo Water User Association (the Association), including the Minister of 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 2020 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 2020 and contains the audited Annual Financial Statements for the year ended 30 June 2020 and the 2021 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;

- improving 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.

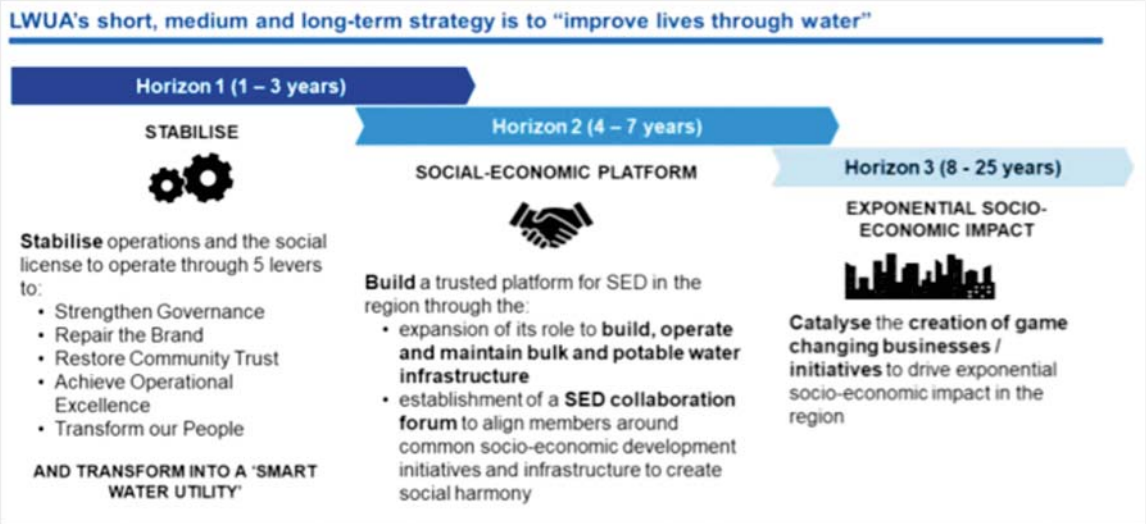
2.3 Our business model

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 providers 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 the purpose of the Association is "Improving lives through water" and its strategy setting out a three staged approach that not only aims to transform the Association into a strategic model for future water delivery in the country, but to use water as a catalyst for socio-economic development in the areas it operates in.

The three staged approach focuses on:



3 Performance Overview

3.1 Chairman's statement

3.1.1 Introduction

At the start of the reporting period on 1 July 2019 the Association was faced with a mixed political and economic outlook. On the local front, a hundred days had passed since Mr Ramaphosa's inauguration as South Africa's newly elected President and although a lot had been achieved in a relatively short period, the economic indicators were disappointing. From an international perspective, several headwinds were emerging, such as US dollar strength, rising interest rates, lower growth outside the US and emerging markets felt the worst of it.

Faced with this environment the Association was reviewing its progress in respect of the achievement of the Association's 2030 journey towards the three strategic horizons. At that point no one could have predicted the convergence of a combination of several crises of historical proportions, which is now driving change in the World, South Africa, and the Association. These crises include the emergence in March 2020 of the COVID-19 pandemic, which is discussed separately in this Annual Report, the government's response to COVID-19 and the brutal way the corona virus pandemic has exposed inconsistencies, inadequacies and contradictions in South Africa. The Minister of Finance in his supplementary budget, projected a fall in GDP of 7.2% and estimates of jobs at risk vary to as high as 2 million. Many South Africans will be plunged deeper into poverty and the need for water for communities and schools is being exposed. Furthermore, as the Nation fights the invisible COVID-19 pandemic, the highly visible epidemic of gender-based violence continues to affect women and children each day.

South Africa is facing an unprecedented crisis and in this regard the World Economic Forum has established its 'Great Reset' platform stating that "Our challenges are greater, our fragilities exposed, our system needs a reset." In this regard COVID-19 offers a chance to reset and reshape the world in more sustainable ways and that it is up to every individual and corporation to take ownership of the future. I will return to this theme later in my statement.

3.1.2 Financial and Operational Results

Whilst more detailed results are discussed in the Chief Executive Officer's Report and in the annual audited statements elsewhere in this Annual Report, it is important to highlight a few salient figures. Revenue for the period increased by 30% (2019: 16%) to R104.4 million (2019: R80.6 million) whilst Cost of Sales rose by 10.4% and Operating Expenses rose by 61.6%. The Association saw a large escalation in Operating Expenses. This can primarily be ascribed to the COVID-19 pandemic, with the National lockdown commencing on 25th March 2020 at level 5. Whilst the Association was designated as an "essential service" during this lockdown period, all the Association's Members and customers have been affected by the lockdown thus resulting in a decreased water demand.

From an operational perspective the Association, through its Members, forecast a water usage of 29.7 Mℓ/day for the financial year. The actual usage indicated a decline of 9.08 % to 27 Mℓ/day. Once again much of this decline was because of the COVID-19 pandemic lockdown regulations. It is a concern that, on average, the percentage water losses experienced by the Association were above expected norms.

Health and safety continue to be a major focus of the Association, and I am pleased to report that in terms of health and safety the Association's staff achieved 104 416 fatality free shifts by June 2020 (96 369 June 2019).

From a business perspective, a total of nine refurbishment and replacement projects were managed during the year. In terms of social development, the Association embarked on a borehole drilling- and equipping project at several communities within the Association's footprint. The total approved budget for these ten projects was R 40.1 million, and as at the end of the financial period 72.5% of the projects had been completed. Notwithstanding the good progress made by the projects team, in the second half of the year progress was hampered by the implementation of the COVID-19 lockdown regulations.

3.1.3 Stakeholder Engagement and Corporate Social Investment

During the period under review the Association made progress in building stakeholder engagements and corporate social investment within the footprint of the Association. The purpose being to have a positive influence with sustainable solutions which included maintenance to borehole motors and pumps, repairs to electricity supply for community and school boreholes as well as establishing water tanks for communities and schools. More detail on this matter will be covered later in this Annual Report.

Regarding social outreach, special mention must be made of the tremendous contribution the Members and Staff of the Association have made during the Covid-19 lockdown period. In our President's speech to the Nation, just four days after the implementation of the COVID-19 lockdown on 30th March, President Ramaphosa said "We are continuing to deliver water to areas that do not have water so that our people can maintain high levels of hygiene." Spurred on by this, the Minister and her Department of Water and Sanitation through the Water Boards and the Municipalities embarked on the roll out of water supply to communities to fight the COVID-19 pandemic, by ensuring that people wash their hands regularly and have access to drinking water. This was a national initiative funded by the Department of Water and Sanitation. It was not long after the President's announcement that the Department, in conjunction with the Sekhukhune District Municipality reached out to the Association with a request to assist with the provisioning of water tanks at identified communities within the Makhuduthamaga and Fetakgomo Tubatse Local Municipalities.

Without hesitation the Members of the Association, consisting of the mining industry and the DWS stepped in and accepted the challenge to provide the technical skills and funds for this initiative. Notwithstanding the Country being in total lockdown, the Management and staff of the Association rose to the occasion and planned, sourced, executed, delivered, installed and donated 72 water tanks to the Sekhukhune District Municipality during the latter half of April and May. This was achieved in collaboration with the Department and the Sekhukhune District

Municipality. The installation of these tanks and stands was completed at an average cost of R49 000 per installed unit, which must be a national benchmark. Over and above the tanks and stands, the Association purchased 6 water tankers to ensure that water was delivered to the community water tanks. These tankers have been made available at no charge to the Sekhukhune District Municipality to ensure the water tanks are refilled. The current arrangement is that the Sekhukhune District Municipality will take over this role from 1 October 2020 and the Association can withdraw its vehicles.

During the same time as the Association was rolling out the 72 x 10 000 litre water tanks to communities, the Minister of Basic Education was discussing the most appropriate time to gradually re-open schools after they had been closed from 25 March in terms of the national lockdown regulations. At that time the suggested date for gradual re-opening schools was 1 June, but that schools had to comply with Covid-19 safety protocols which included clean water. In discussions with the Head: Infrastructure of the Department of Basic Education, the Association offered to install 47 x 1000 litre water tanks at schools located within the service area of the Association. The detail of this project was agreed with the Department of Basic Education on Thursday 28 May including inter alia a requirement that the identified schools must be accessible to the Association's implementation team to install the tanks over the weekend of 30 and 31 May. By Monday 1 June, the water tanks had been installed at the schools and donated to the Department of Basic Education. Subsequently the Association received a letter of thanks from the Director General Department of Basic Education wherein he wrote "Organisations like the Lebalelo Water User Association is the example of the pride and hope in our beautiful country. We look forward to a continued partnership in service of the people of South Africa."

The above-mentioned initiatives emphasise the Association's commitment to the people in the area in which we operate, to ensure their safety from the virus and to support the local government in its fight against the pandemic. The Association continues to be in contact with the Department, Sekhukhune District Municipality, and other entities to develop a long-term sustainable water solution for the region.

3.1.4 Governance, Risk and Compliance

Through the work commenced in terms of the Association's Strategy Horizon 1 and 2 dealing with developing a strong governance, risk and compliance culture, COVID-19 has brought home the importance of a strong corporate governance identity that depends on the Association's long term vision and strategy, underpinned by a culture of integrity and compliance.

In terms of governance, the Management Committee and the two principal sub committees of the Management Committee, namely the Finance Committee and Social and Ethics Committee met 5 times respectively during the period under review. The composition of the Management Committee and Sub Committees including the terms of office of the Members is set out elsewhere in this Annual Report. I am satisfied that the Management Committee has fulfilled its responsibilities in accordance with its Charter during the financial year and I am satisfied that the composition of the Management Committee reflects the required knowledge, skills, and experience. In terms of enterprise risk management, the Management Committee has set the norm around risk; managing this is as much about performance as it is about mitigation and preservation. In terms of compliance, the Association continues to take a proactive approach to regulation and compliance measures.

3.1.5 Outlook and the "Great Reset"

The Association celebrates its nineteenth year in existence giving effect to our mission, objectives, purpose, vision and values. These include the Association's purpose of "improving lives through water", facilitating the building of a trusted platform for social economic development in the region, and helping catalyse the creation of game changing businesses to drive exponential social economic impact in the region.

As mentioned in my introduction, whilst the COVID-19 pandemic and the other crises are having a brutal effect on South Africans in general, one cannot ignore the opportunities to reset and reshape our immediate operating environment in a more sustainable way. In my opinion, it is up to the Association and its members to make the changes we want to see and thus make a significant difference into the lives of others into the future.

The "Great Reset" difference the Association is proposing, through its purpose of "improving lives through water", is to accelerate the implementation of the Olifants River Water Resource Development Programme (ORWRDP) and potable water infrastructure, to defined areas in the Northern and Eastern Limbs of the Bushveld Igneous Complex. It is an Integrated Water Services Model solution which has been conceptualised to address the technical, socio-economic, and financial challenges. The Integrated Water Services Model proposal to the Department of Water and Sanitation was submitted on 19 June 2020 and is set out in more detail later in this Annual Report.

The World Economic Forum stresses that tragedy doesn't have to be the legacy of this COVID-19 pandemic – indeed it is a "rare but narrow window of opportunity to reflect, reimagine and reset our world to create a healthier, more equitable, and more prosperous future." This response is premised on the three overlapping sustainability pillars namely; Equity, Environment and Economy. In terms of Equity this Integrated Water Services Model solution represents a significant opportunity for socio-economic development in the region, given the extent of the infrastructure programme across the Limpopo Province with its associated capital and operational spend. From an environmental sustainability perspective, this Integrated Water Services Model solution places the Association's business focus squarely on preserving and protecting ecosystems and natural resources, especially water, that is essential to human health. From an economic perspective this Integrated Water Services Model solution reveals that the project would likely result in 14,750 jobs being created in Limpopo Province linked to the construction spend with a further 9,580 jobs linked to the ongoing operational spend. Low income groups would receive approximately 30% of the annual capital spend and 39% of the annual operational spend in the Province.

The Association's Integrated Water Services Model solution proposal to the Department fits squarely with its three horizon strategy and it is suggested that this initiative could be showcased at the World Economic Forum Meeting in 2021 as an example of South Africa's true commitment to a post COVID-19 "Great Reset".

3.1.6 Appreciation

I would like to thank, the Minister of Water and Sanitation, the Honourable, Ms Lindiwe Nonceba Sisulu, the 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 Lebalelo Water User Association who contributed to the delivery of water to our Members and Clients in what has been a particularly difficult year.

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 its purpose of "improving lives through water".

Dean Pelser
CHAIRMAN

3.2 Chief Executive Officer's report

3.2.1 Introduction – "Improving lives through water"

In my CEO's report last year, I referred to the endorsement by the Association of its strategic journey identified as short, medium- and long-term Horizons. However, as mentioned in the Chairman's Statement a whole host of issues and crises, not the least being the COVID-19 pandemic have converged on the Association which, for all intents and purposes has called for an acceleration of the originally planned time lines in respect of the 3 strategic horizons. In respect of the COVID-19 pandemic a note on this cataclysmic event is set out elsewhere in this Annual Report.

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 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 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 continues to maintain close links with the Department at Head Office, Provincial and Catchment Management Level and various meetings have taken place between the Association and officials of the Department and Proto Catchment Management Agency. Furthermore, the Association keeps a watch on legislative and other regulatory developments as published or gazetted by the Department.

During the period under review the following documents pertaining to the Olifants Catchment Area, in respect of the National Water Act were published in the Government Gazette:

- Formal release of the National Master Plan for Water and Sanitation published on 28 November 2019;
- Comments were invited by the Department on the Installing of water measuring devices for water taken for irrigation purposes and to monitor compliance for all water users who are not members of an Irrigation Board or Water Users Association by 16 February 2020 published in Government Gazette No. 42956 GN 34 on 17 January 2020;
- The Department through the Limpopo Provincial Operations gave notice of limiting the use of water in terms of Item 6 of Schedule 3 of the Act which was published in Government Gazette No. 43136 GN 359 on 25 March 2020. This Government Notice, notwithstanding licencing arrangements, regulates the amount of water a licenced user may abstract from a resource, such as a dam, depending on various factors not the least being, water shortages in the catchment.

In my CEO's report to Members last year I referred to the intention by the Minister of Water and Sanitation to disestablish water user associations. The Association has during the year engaged with the Department on this issue, however recent correspondence from the Department tends to indicate that the issue of disestablishing water user associations is no longer a focus for the Department. In this regard the Association received a letter from the Minister dated on 23 March 2020 wherein she gave notice of her approval of a roadmap for the transformation process of

Irrigation Boards to Water User Associations in terms of the National Water Act. This correspondence was followed by a Director-General Circular 3 of 2020, dated 8 April 2020 regarding a communique on the implementation of the transformation of Irrigation Boards. This circular indicates that the Department is currently developing a transformation charter, the purpose being to define the transformation requirements of the water user associations and how they should contribute progressively to achieve transformation in the national interest.

3.2.4 Operational Results

During the period under review the Association's Operations Manager, Mr Thembane Makhubele and his Operations Team have overseen the delivery of raw water to the Association's Members and Clients. The Operations Team have kept management informed of issues on a weekly basis.

In terms of the Water Report, the total volume of water delivered to Members and Clients increased in 2020 to 9 855 579 m^3 (9 428 764 m^3 2019). The Water Report also monitors Water Losses. The Association's water losses target level should be below 5%, whilst during the period under review a total of 4.91% losses were recorded (1.98% in 2019). The increase in water losses can be ascribed to rehabilitation work on valves and manholes and cleaning of dams.

During the year the electric power supply has been carefully monitored. Regrettably there have been increases in incidents of unplanned power cuts at an average 9 hours per month, increases in load shedding incidents and increased peak time pumping periods during the mornings and afternoons. Whilst much of the power cuts due to load shedding are out of the hands of the Association unplanned power cuts and peak time pumping periods can be managed. During the year, unplanned power cuts were ascribed to equipment tripping and failure whilst peak time pumping should be avoided, notwithstanding that various incidents required pumping during peak times. Due to the implementation of a new control philosophy, the rate of peak hour pumping has reduced by 2.6%.

The Association continues to monitor the water quality, especially with regards to turbidity. This is the measure of the degree to which the water loses its transparency due to the presence of suspended particulates. These suspended particles also help the attachment of heavy metals and many other toxic organic compounds and pesticides. This measurement is carried out at the Havercroft Weir before the river water is pumped into the Association's settling dams. As a guide drinking water should be below 1NTU and a maximum of 5NTU (Nephelometric Turbidity Units). The turbidity of the Olifants River at Havercroft is at an annual average of 162 NTUs. After treatment the average reduced to 18.3 NTUs.

During the year under review a great deal of effort has been put into upgrading the Association's SCADA monitoring system and telemetry communications through radio, GPRS and satellite. The effect of this has been an increased reliability in data management and surveillance of equipment from the 12 monitoring stations along the Association's pipeline. The increase in communication reliability, and the new control philosophy resulted in the system to be running 90% in "Auto Mode" with only 10% of the time running in "Manual or Operators Control Mode". The manual control of the system was mainly due to "Load Shedding" and the shut downs of the system to do important maintenance work.

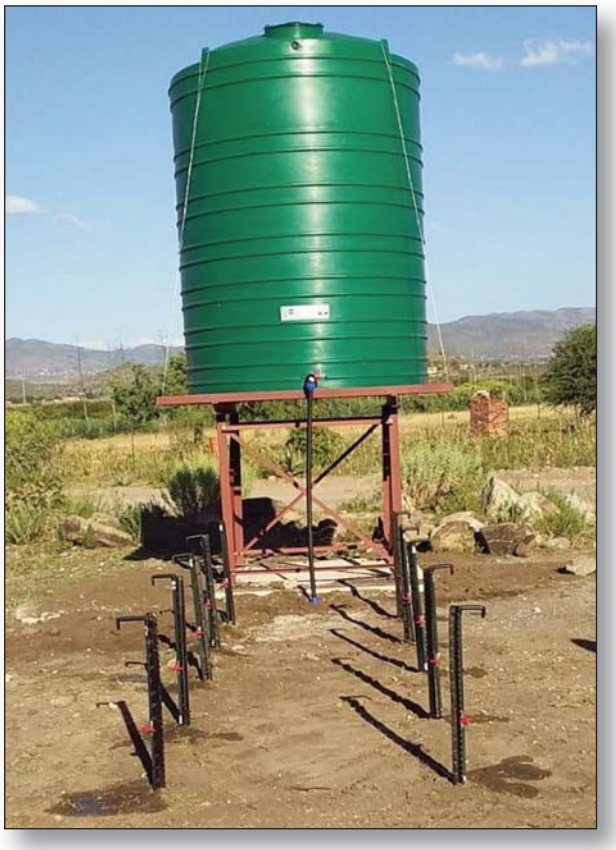
As was reported in last year's Annual Report a structured planned maintenance program was implemented which monitors maintenance actions through the job cards and is supported by a primary equipment availability report. The availability of primary or essential operational units was 100% while secondary or standby units was also 100% except for the Weir Pump station (92%) and Spitskop Pump Station (45%). The situation at the Spitskop Pump Station has been rectified and the availability is now 100%.

As referred to in the Chairman's Statement, in terms of the Projects Department managed by Mr Carel Taljaard, a total of ten projects were approved by the Management Committee to the value of R 40.1 million. As at the end of the financial period an average of 72.5% of the projects

had been completed. Notwithstanding the good progress made by the projects team, in the second half of the year, progress was hampered by the implementation of the COVID-19 lockdown regulations. In summary the major projects were:

PROJECT NAME	CONTRACT PRICE	PLANNED COMPLETION DATE
Manholes and Air Valve Refurbishment	R 1.37 million	September 2020
Package 1 – Refurbishment of Pipeline	R 6.44 million	September 2021
Package 2 – Refurbishment of Pipeline	R 5.67 million	February 2020
Twickenham Pipeline	R 3.32 million	September 2020
Security Upgrade	R 7.60 million	August 2020
Dredging of Havercroft Dams	R 4.30 million	July 2020
Maintenance Management System	R 2.16 million	November 2020
Borehole Project	R 5.10 million	November 2020
Fire Suppression System	R 4.47 million	August 2020

The Chairman has written about the emergency water tank initiative undertaken in collaboration with the Department of Water and Sanitation and the Sekhukhune District Municipality in respect of the delivery of 72 water tanks for identified communities within the Makhuduthamaga and Fetakgomo Tubatse Local Municipalities as well as the installation of water tanks at 47 schools within the area of the Association in collaboration with the Department of Basic Education.



Whilst the execution of the community and the school water tank projects involved all Management and Staff, special mention must be made of Carel Taljaard and Thembane Makhubele and their projects and operations teams in the manner this initiative was carried out.

In terms of the provision and installation of 72 x 10 000-liter JoJo Tanks, the project started on the 31st of March 2020 and the first 70 tanks were installed between 29 April 2020 and 22 May 2020. The installation consisted of a reinforced concrete base-slab, 1.6 m steel tank stand, 10 000-liter JoJo tank and taps with associated pipework. Total cost per tank including professional fees was R 48 990.80 (R49 000). As the Chairman noted, this must be a national benchmark, especially as hundreds of emergency water tanks have been installed throughout the country. In terms of this project the signing and close out of the practical completion certificate and transfer of assets took place on 4 June 2020.

On Wednesday 27 June 2020 the Association agreed to a request from the Department of Basic Education to supply 47 x 1000 litre water tanks to schools in the district of Fetakgomo/Tubatse and Makhuduthamaga ahead of the planned return of the Grades 7 and 12 learners on 1 June 2020. The project was completed within 5 days and was ready by 1 June 2020. The cost per tank installation was R 1706.00.

3.2.5 Financial Results

Notwithstanding the weak local economy, together with reduced commodity prices which has had a direct impact on most of the Association's customers and in the second half of the year, the Covid-19 pandemic and the lockdown regulations the Association has returned solid financial results.

The Association reported total expenditure of R 142.5 million (2019: R96.8 million) and income of R104.5 million (2019: R85.6 million). The total expenditure for this Financial year includes the Concept study and Covid-19 support, which contributed to the Association reporting a deficit in R16.3 million as compared to the previous financial year of a surplus of R5.9 million. Water tariffs continue to be managed at levels where cost recovery is important whilst ensuring the sustainability of the Association. The Association's average tariff is R 14.46/kℓ (2019: R10.26/kℓ) for the year under review. The main cost drivers have been the Concept study, electricity, raw water and direct labour cost. Electricity increased by 10.9% (2019:19.7%) to R 24.3 million (2019: R21.9 million).

As was reported in last year's Annual Report, the Association resolved that it would replace its decade old Farms accounting system to a totally new system (SAGE300). The Association's CFO, Ms Amanda Britz is driving this transition. After due process the Association entered into an agreement for the roll out of a comprehensive Enterprise Asset Management solution. The underlying technology in the solution is the IBM Maximo which is the best of breed Enterprise Asset Management solution in the market for the past 13 years. IBM Maximo is used in utilities in South Africa such as Eskom Distribution, Rand Water, Sedibeng Water, Bloem Water, Mhlathuze Water and Midvaal Water. The initial roll out will be focusing on the financial system which will interface with areas such as procurement management, inventory management and maintenance management.

3.2.6 Stakeholder Engagement and Corporate Social Investment

During the year the Association, through the Social Development Department, led by Mr Solly Manyaka continued to build on the work achieved in the previous financial year in respect of stakeholder engagement to nurture strong government and community relations. In this regard the various stakeholders the Association has interacted with, is set out elsewhere in this Annual Report. Of importance is the ongoing building of relationships with community leaders and communities within the footprint of the Association, and interaction with Local and District Municipality officials and Ward Councillors.

The Association's corporate social investment initiatives are designed to identify sustainable solutions, with the purpose of having a positive influence with a transformative effect. A few of the initiatives undertaken by the Association during the financial year included, the replacement and repairs of borehole motors and pumps; repairs to electricity supply for community and school boreholes; teaching aids such as smart boards; and offices for Community leadership.

Over and above the aforementioned initiatives, to further illustrate the Association's commitment to communities around the footprint of the Association it has budgeted, in the order of R29.7 million, for the provision of water tanks for communities and schools, and investment in trucks to ensure the delivery of water to those tanks. The detail in respect of this project is dealt with elsewhere in this Annual Report.

The second major initiative is the community borehole project. This project is for the investigation and development of groundwater sources at 15 communities within the Association's footprint. The purpose is for the supply of water from groundwater sources to provide a more sustainable water supply to communities with very limited or no water sources.

Fifteen communities have been identified who have a limited water supply and are dependent on water tankers for the delivery of water. The project consists of an investigation and

construction phase. The investigation phase was completed in the second week of June 2020, and the construction phase has commenced, with an estimated completion date by September 2020.

3.2.7 Governance Risk and Compliance

The issue of Governance, Risk and Compliance is dealt with in more detail elsewhere in this Annual Report.

3.2.8 Outlook and the "Great Reset:

The financial year ended on a somber note because of the Covid-19 pandemic, the lockdown regulations, the terrible consequences of the pandemic, not the least being the deaths, loss of jobs and damage to the economy. The issue of Covid-19 is discussed elsewhere in this Annual Report. Notwithstanding this spectre hanging over South Africa, the World Economic Forum has stressed that tragedy doesn't have to be the legacy of this COVID-19 pandemic – indeed it is a "rare but narrow window of opportunity to reflect, reimagine and reset our world to create a healthier, more equitable, and more prosperous future." In this regard on the 19th of June the Association tabled an Integrated solution for the ORWRDP and potable water service delivery proposal to the Department of Water and Sanitation which, in a post-COVID-19 environment underpins the Association's purpose of "Improving lives through water".

The implications of the Covid-19 pandemic will continue to impact upon the Association and its Members into the forthcoming financial year. However, I have no doubt that the Association will weather this storm. The Association is committed to its strategic course through Horizon 1 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. In this regard a decision by the Department of Water and Sanitation regarding the Association's proposal on an Integrated solution for the ORWRDP and potable water service delivery will go a long way to assist in achieving Horizon 2.

To conclude I thank the Association's Management team and staff for their commitment and dedication during a challenging year, characterised by the COVID-19 pandemic and all the associated consequences which have followed this brutal virus. Each and every employee's contribution is appreciated, and we should look forward to positively "Improving lives through water". I also need to thank the Members for their foresight and support for the COVID-19 projects that they agreed to fund.

J.A. Bierman
CHIEF EXECUTIVE OFFICER

FIVE-YEAR BUSINESS PLAN

The preparation of a Business Plan is intrenched 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 cognisance 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. The scheme was built on servitudes obtained overland that are mostly owned by the state and held in trust for the various communities along the pipeline route.

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 m^3 per annum was issued on 6 January 2004. In addition to this aforementioned quantity the Association is also authorised to

supply 3,880,000 m^3 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 1,001,462 m^3 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 18 of this Report. The CEO and certain senior staff are appointed by the Management Committee and employees through the CEO and their competence is continuously upgraded through education and training to ensure efficient water supply and strict financial control.

(d) The Association makes raw water available to the Sekhukhune District Municipality through its designated Water Service Supplier, Lepelle Northern Water to supply communities in accordance with its constitution and members agreement and the National Water Act 36 of 1998.

(e) Tariffs for water are determined annually, based on the actual cost of water supply.

(f) Funds for the capital works were contributed by the participants in the scheme and were apportioned according to the water use entitlement of each stakeholder in the capacity of the scheme position along the scheme. The schematic layout of the scheme is indicated in the diagrams set out in pages 70-71 of this report.

(g) Strict financial controls have been implemented and budgeting techniques and control has at all times been adhered to.

(h) There is continual interaction with all water users and affected parties in order to ensure effective service.

(i) The Association concludes water supply agreements with all users regarding the supply of water.

4.1.4 Strategic Review

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 purpose of "Improving lives through water" through the 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.

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 to the 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 Booysendal 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 that 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. In this regard in the CEO's Report he deals with the issue of disestablishment of the Association and the incorporation of the Association's scheme is dealt with in the proposal on an Integrated solution for the ORWRDP and potable water service delivery.

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 that the cash flow 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 72-74.

A map setting out the Association's area of operation is set out at pages 68-69, whilst a schematic layout of the Original Scheme and of the Southern Extension are set out in pages 70 and 71 respectively.

4.3.5 Statement of comprehensive income for the business plan

At page 76 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 76 of the report a schedule of the summary of capital expenditure is set out.

Financial indicators

At pages 76 of the report generic financial indicators and ratios as well as definition of the ratios are set out.

4.4 Human Resources

Human Resources is considered as 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 management and staff performance management agreements, the outcomes of these agreements translate into short-term incentives. Furthermore, internal recruitment and promotion is a natural part of our growth culture whereby employees are positioned to align their capabilities with our business plan.

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.

4.4.1 Organisational Structure

Set out at page 77 of the Report is the Association's organisational structure. This organogram comprises 39 posts as set out on the next page. In this regard transformation is still a key objective of the Association.

The contractual terms for the key executive and operational positions of Chief Executive Officer, Chief Financial Officer, Human Resource and Admin Manager and Governance, Risk,

Compliance and Legal Manager are scheduled to end in November 2021. A succession plan for these positions is in place and forms part of the Association's transformation programme and employment equity plan.

Post Description	Number of Posts
Management Committee	Five (member representatives)
Chief Executive Officer	One
Administration	Two
Operations Manager	One
Social Development Manager	One
Social Development Officer	One
Superintendent	One
Project manager	One
Planning coordinator	One
Electricians	Three (1 Vacant)
Fitters	Four
Artisan helpers	Seven (1 Vacant)
Handyman	One (Vacant)
Production operators	Four
Chief financial officer	One
Financial Manager/Buyer	One (Vacant)
Accountant	One
Accountant Clerk/Assistant	One
Store Clerk	One
Human Resources Clerk	One (Vacant)
General labourers	Four
Safety Coordinator	One
Total	**34 posts + 5 Vacant**

4.4.2 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.

4.4.3 Transformation requirements in terms of five year plan

The Association has submitted a proposal to the Department of Water and Sanitation to develop the ORWRDP and potable water systems as mentioned earlier in the report. Should DWS approve the proposal, the numbers quoted below will change significantly.

	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	2	0	0	2	0	0	0	2	0	0	6
Skilled technical and academically qualified workers, Jr management, supervisors, Foreman and superintendents	7	1	0	1	1	0	0	0	0	0	10
Semiskilled 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	20	1		4	7			3			35
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
Grand total	20	1	0	4	7	0	0	3	0	0	35

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
Semiskilled 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 spent on training (per) annum) in Rand	Actual total payroll cost spent (per annum) in %
Full Staff Complement	26 741 146	2.5	668 529	589 943	2,2
HDI (Africans, Coloureds, Indians, White females)	21 367 763	2.5	534 194	589 943	2,8

Statement on redressing inequalities

List of HDI targeted for assistance:
Our communities within in area of operation of Association. Total visits to communities = 24
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 develop and 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 = **R432 910**
Actual total amount (one and two above) spent as percentage of total amount:
100%

4.4.4 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.

4.5 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.

- The "Industrial members" or members whose principal business is mining and who would use water for industrial purposes (mining) or purposes related to mining.
- The "Ordinary members" or members who will not use water for mining but for nonindustrial or non-mining purposes.

The members/parties involved in the Association are

Institution	Represented by
Anglo-American Platinum Ltd	Mr DW Pelser
Tubatse Alloys (Pty) Ltd	Ms H Booysen
ARM Mining Consortium / African Rainbow Minerals Ltd	Mr M Bräsler
Rustenburg Platinum Mines Ltd	Mr A Mbewe
Northern Platinum Ltd	Mr Z Tsotetsi
Impala Platinum Ltd	Mr M Mashilane
Samrec (Pty) Ltd	Mr H Jones
Samancor Chrome Ltd	Ms H Booysen
Corridor Mining Resources	Mr D Maloba
Department of Water and Sanitation	Mr L Manus

4.5.1 Management control

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

4.5.1.1 Details of the management committee

The Management Committee of the Association comprises of six members elected from amongst the members, as set out in the aforementioned paragraph in accordance with the Constitution and Members' agreement. Clause 13.2 of the Constitution requires a nomination of three industrial members, clause 13.3 of the Constitution requires the nomination of one ordinary member, and clause 13.4 of the Constitution requires one nomination from provincial government.

The management committee consists of the following members:

Name	Representing	Position	Period of office
Mr D Pelser	Anglo-American Platinum Ltd	Chairman	1 July 2019 - 30 June 2021
Mr M Bräsler	ARM Mining Consortium / African Rainbow Minerals Ltd	Vice-Chairman	1 July 2019 - 30 June 2021
Mr V Townsend	Impala Platinum Ltd	Member	1 July 2019 - 31 Dec 2019
Mr M Mashilane	Impala Platinum Ltd	Member	1 Jan 2020 – 30 June 2020
Mr L Manus	DWS	Member	1 July 2019 - 30 June 2020
Mr J A Bierman	LWUA	CEO	1 July 2019 - 30 June 2020
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 m^3 / 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
Tubatse Alloys (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	**76,725**	**100**	**10,000**

4.6 Safety, Health and the Environment

The Association continues to strive for a target of zero incidents. In this regard the Association continues to ensure the provision of a healthy and safe working environment for its employees, by adhering to high safety standards, and ensuring that the appropriate policies, procedures, and controls are in place. To re-enforce this principle the Association has appointed an external third party to monitor and review that Association's safety 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 Subcommittee responsible for Audit and Risk.

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 and/or manufacturing activities are recorded, reported and acted on. As at the end of the financial year of 30 June 2020 (2019: 96 368) the Association recorded 104 416 fatal free shifts and 6308 accident free shifts.

5 Governance Risk and Compliance

Governance, risk, and compliance processes continued to be a focus of the Association. Furthermore, with the implementation of the Covid-19 lockdown provisions more and more companies, including the Association are relying on virtual meetings. Given the nature of virtual meetings, closer scrutiny needs to be present in terms of governance, risk and compliance.

5.1 The Management Committee (MANCOM)

During the year under review the Management Committee reviewed its Governance Charter and after due process the Management Committee Charter was signed off. The Charter sets out the scope for the Committee, its governance framework, responsibilities including but not limited to the performance and affairs of the Association, financial, risk, governance corporate citizenship and stakeholder management and disclosure.

During the financial year the Management Committee met on 5 occasions

DATE OF MEETING	GENERAL PURPOSE OF MEETING
17 July 2019	Management Committee Meeting
17 October 2019	Management Committee Meeting
14 November 2019	Management Committee Meeting
3 December 2019	Annual General Meeting
29 January 2020	Management Committee Meeting
21 May 2020	Special Members' Meeting
18 June 2020	Management Committee Meeting

In respect of risk, MANCOM has reviewed the risk management policy and framework, and this forms the enabling process that supports management and the Management Committee in meeting its strategic & business objectives. Whilst the strategic risk oversight remains with MANCO the remaining risks are reviewed by the Association Sub Committees.

Risk No	Value Driver	Strategic Objective	Risk Name	Risk Owner
1	Achieve Association strategy	Achieve operational excellence	Long term sustainability of the Association	ManCom

5.2 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.

5.2.1 The Finance, Audit, IT, Remuneration and Risk Sub-Committee (FINCOM)

During the year under review the FINCOM reviewed its Governance Charter and after due process signed off their Charter. 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 Charter sets out its primary role and function.

The Members of the FINCOM as approved by MANCOM for the financial year were Mr M Bräsler Chairperson of the FINCOM, Mr Z Tsotetsi, Mr L Manus, Mr B Bierman the CEO and Ms A Britz the CFO. Invitations to attend meetings were extended to Chairperson of the Management Committee, Operations Manager and GRC Manager. The Administrations Manager or his/ her nominee acted as secretary of the Committee.

The FINCOM met on 5 occasions during the year under review.

DATE OF MEETING	GENERAL PURPOSE OF MEETING
17 July 2019	Finance Committee Meeting
21 August 2019	Finance Committee Meeting
28 February 2020	Finance Committee Meeting
23 April 2020	Finance Committee Meeting
12 May 2020	Finance Committee Meeting

In terms of the risk profile of the Association the following risks have been identified by the Committee:

Risk No	Value Driver	Strategic Objective	Risk Name	Risk Owner
10	Motivated workforce	Transform our people	People	FINCOM
11	Achieve operational and liquidity objectives	Achieve operational excellence	Financial discipline	FINCOM
12	Achieve operational and liquidity objectives	Achieve operational excellence	Debtors and Revenue	FINCOM
13	Achieve operational and liquidity objectives	Achieve operational excellence	Purchase of water	FINCOM
14	Achieve operational and liquidity objectives	Achieve operational excellence	Supply chain	FINCOM
15	Achieve operational and liquidity objectives	Achieve operational excellence	IT	FINCOM
16	Comply with legislation and governance requirements	Strengthen governance	Regulatory compliance	FINCOM
17	Accurate and timely reporting	Strengthen governance	Reporting	FINCOM

The Renumeration Committee is a subcommittee of the Finance Committee and comprises of the Chairman of FINCOM Mr M Bräsler, Mr D Pelser and Mr V Townshend. Mr Townshend stepped down during the course of the year and Mr M Mashilane filled that position. The role of the Committee is to review and recommend to the Management Committee matters relating to: Human Resources policies, organisational structure and compliance with the Employment Equity Act, (Act 55 of 1998) and other labour legislation; Conditions of employment of Executive Management; Appointment of the Chief Executive Officer and members of Executive Management; Remuneration packages of the Chief Executive Officer, members of Executive Management and staff; Succession planning for Executive Management; Policies and practices for Performance Management; Strategic Human Resource related matters; and Special rewards recommended by the Chief Executive.

The remuneration committee met on 3 occasions during the year under review;

DATE OF MEETING	GENERAL PURPOSE
17 July 2019	Conditions of Employment
12 November 2019	Performance Management
18 June 2020	Conditions of Employment

5.2.2 The Social and Ethics Sub-Committee (SECOM)

During the year under review the SECOM reviewed its Governance Charter and after due process have signed off their Management Committee Charter. The SECOM 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; The protection of the Association's brand and reputation; Reputation and ethics management; Social mandate and community development; and Stakeholder engagement and relationship management.

The Members of the SECOM as approved by MANCOM for the financial year were Mr V Townsend as chairperson of the SECOM, Mrs H Booysen, Mr A Mbewe, and Mr B Bierman as CEO and Mr S Manyaka as Social Development Manager. During the period under review Mr Townsend stepped down as Chair and member of SECOM and his position was filled by Mr M Mashilane. Invitations to attend meetings were extended to Chairperson of the Management Committee, Operations Manager and GRC Manager. The Administrations Manager or his nominee acted as secretary of the Committee.

The SECOM met on 5 occasions during the reporting period.

DATE OF MEETING	GENERAL PURPOSE OF MEEETING
17 July 2019	Sub Committee Meeting
21 August 2019	Sub Committee Meeting
17 October 2019	Sub Committee Meeting
28 February 2020	Sub Committee Meeting
28 April 2020	Sub Committee Meeting
18 May 2020	Postponed to 23 July 2020

In terms of the risk profile of the Association the following risks have been identified by the Committee:

Risk No	Value Driver	Strategic Objective	Risk Name	Risk Owner
2	Safe operating conditions	Achieve operational excellence	Safety	SECOM
3	Healthy workforce	Achieve operational excellence	Health incidents	SECOM
4	Environmentally responsible operations	Achieve operational excellence	Environ-mental	SECOM
5	Social mandate to operate	Repair the brand	Social license	SECOM
6	Effective social stakeholder relations	Restore community trust	Social stakeholders	SECOM
7	Effective commercial and other stakeholder relations	Achieve operational excellence	Key stakeholders	SECOM
8	Sound brand, reputation and ethics	Repair the brand	Reputation and brand	SECOM
9	Sound brand, reputation and ethics	Repair the brand	Ethics	SECOM

5.2.3 Operations Committee (OPSCOM)

The OPSCOM is 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, report to the Operations Committee through the managers on various issues pertaining to their responsibilities. The Committee consists of the Chief Executive Officer, Mr B Bierman, the Operations Manager, Mr T Makhubele, the Projects Manager, Mr C Taljaard, the Chief Financial Officer, Ms A Britz, the Social Development Manager, Mr S Manyaka, the Administrations Manager, Mr P de Wet, and Governance, Risk, Compliance and Legal Manager, Mr A Collier. During the financial year invitations were extended to several persons who have assisted the OPSCOM in its efficient workflow or to add value regarding reports.

5.3 Association Sub-Committees

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 P de Wet currently holds this position.

5.4 Management Committee's report

The Management Committee's report is included with in the annual financial statements at pages 48 to 66.

Proposal for the Integrated solution for ORWRDP and potable water service delivery submitted to the Department of Water and Sanitation on 24 June 2020

6. Lebalelo Project

6.1 Introduction

Lebalelo Water Users Association (The Association) has conceptualised a proposal to accelerate the implementation of the Olifants River Water Resource Development Programme (ORWRDP) and potable water infrastructure, to defined areas in the Northern and Eastern Limb of the Bushveld Igneous Complex. The purpose of this proposal is to provide an overview of the intended Programme and obtain approval from the Department of Water and Sanitation (DWS) to continue with the next phase and appoint the Association as the preferred implementing agent.

6.1.1 Background

The DWS conceptualised in the late 1990's the ORWRDP to address the water needs of the middle Olifants river catchment area in the Limpopo Province. The aim of the project was to release pressure from Flag Boshielo dam, the key regional source of water in the area, to provide water to the water-stressed city of Polokwane, and, in doing so, free up water for the water-stressed Mogalakwena municipal area.

The main components of the project are the large dam at De Hoop farm on the Steelpoort River and the required bulk distribution infrastructure. The project comprises of two phases as follows:

- Phase 1 which was the first phase to have been completed and involved the raising of the Flag Boshielo dam by five (5) metres;
- Phase 2 is segmented into nine (9) parts, Phase 2A through to Phase 2I. Phase 2A entails the construction of the De Hoop dam and the realignment of the provincial road between Steelpoort and Stoffberg (the R555). Phases 2B to 2I entails the construction of a bulk distribution system.

The project consists of over 300km of pipeline with several pump stations and storage reservoirs. DWS has to date completed the construction of the De Hoop dam (ORWRDP Phase 2A)

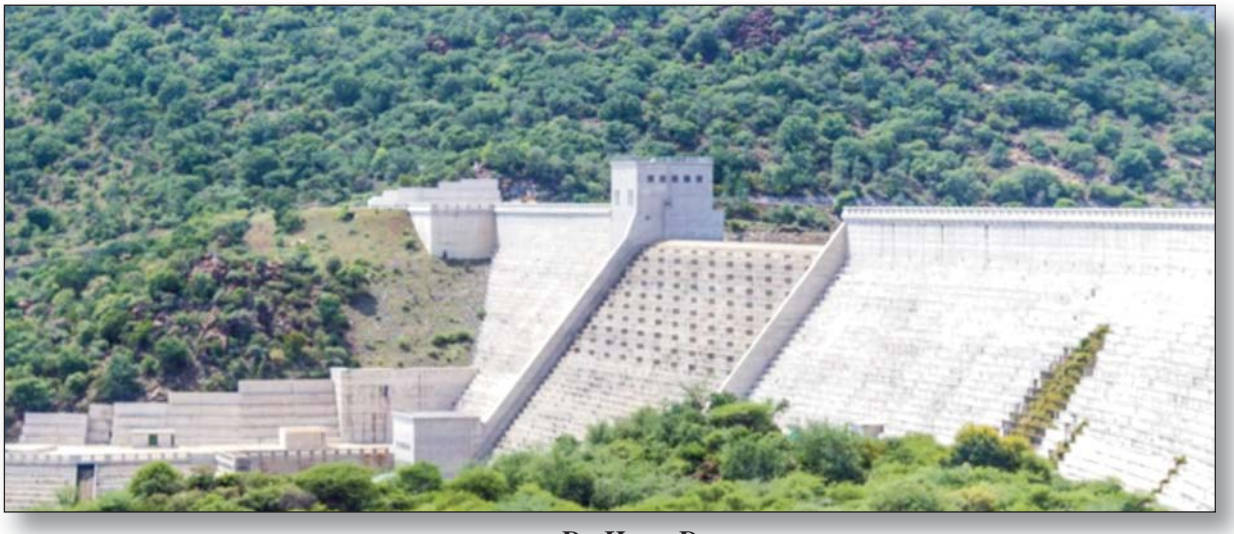
and the bulk water pipeline from De Hoop dam to Steelpoort (ORWRDP Phase 2C) including the Steelpoort pump station. The remainder of the project has been delayed primarily due to funding constraints and reprioritisation of other water and infrastructure services projects.

The project is critical to ensure that the water demands of both commercial and social users are met. Significant delays have already been experienced in its implementation and a resolution is required to provide water security in Limpopo supplying this critical resource for water-stressed local communities while simultaneously unlocking economic activities.

6.1.2 Industrialisation

Besides providing much needed potable water to communities, the Programme would also assist in unlocking the enormous strategic mineral and industrialisation potential of the region. This is in line with the President's call for 'a new social compact among all role-players… to restructure the economy and achieve inclusive growth'. The development of this much needed water infrastructure would align with the development of the region into a Green Energy manufacturing hub and create much needed jobs in the region. This aligns with economic growth policy and industrialisation objectives and supports the National Water and Sanitation Master Plan.

The purpose of this document is to outline a proposal for accelerating bulk and potable water delivery in the ORWRDP project area through a collaboration model between Government and private sector.



De Hoop Dam

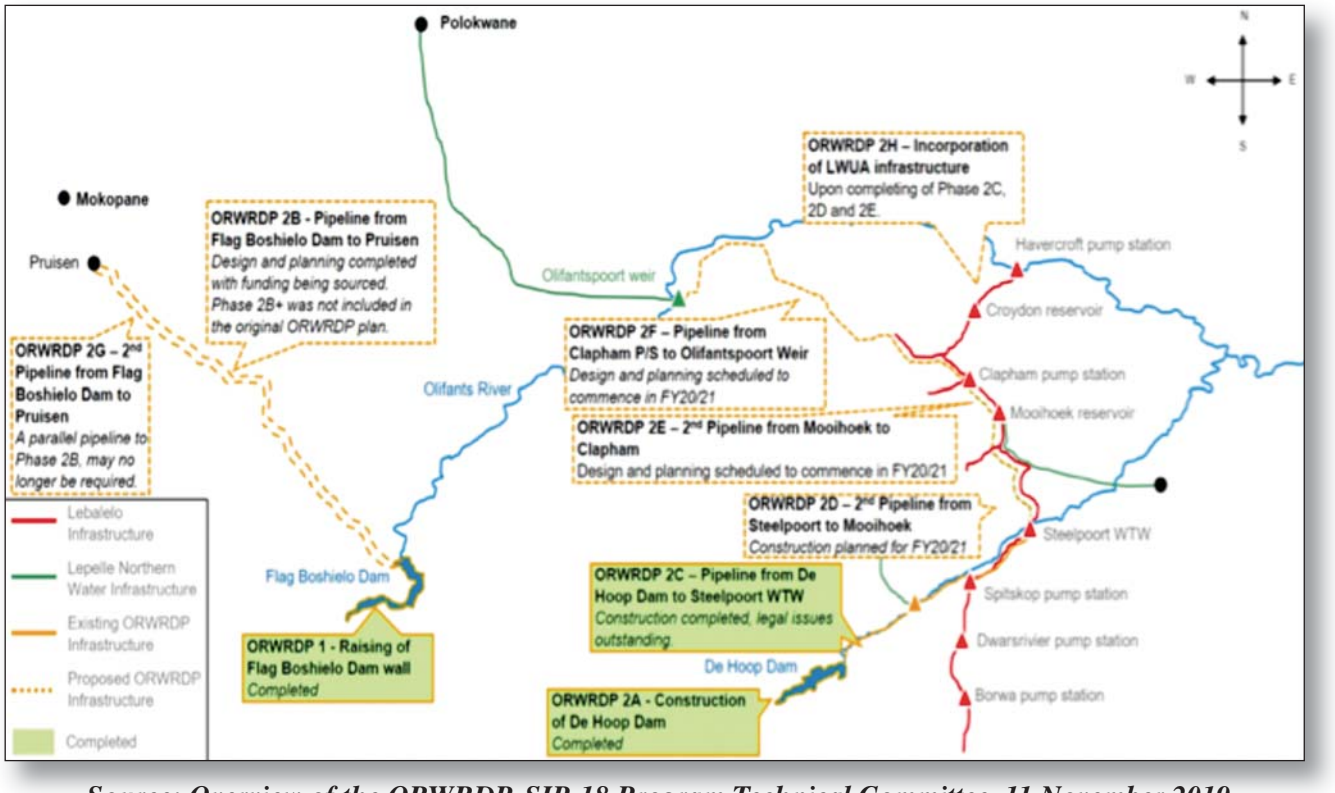
6.2 Problem Statement

The ORWRDP has only partially been implemented over the past two decades placing increasing pressure on DWS to meet social and industry expansion water needs. Additionally, potable water infrastructure development has been very slow in the Eastern Limb despite bulk raw water having been available since 2002 through the Association's Scheme. The delivery of potable water services in the Northern Limb area of Mogalakwena has also been hindered due to delays in the ORWRDP implementation and through design omissions.

Levels of social unrest and incidences of asset destruction have increased due to the slow progress in delivery of water services to communities together with unmet expectations of job creation from mines. This has resulted in vandalism of water infrastructure and mining operations being disrupted, particularly in the Eastern Limb.

Government also had funding constraints with competing priorities for water and other infrastructure services and the outbreak of Covid-19 has placed additional financial and organisational pressure on DWS to fast track water supply to communities to prevent the spread of the disease.

The design of the ORWRDP commenced in 2009 with construction of part of the network commencing in 2012. The schematic below provides an illustration of the different phases of ORWRDP and the current status of the phases.



Source: Overview of the ORWRDP, SIP-18 Program Technical Committee, 11 November 2019

The current ORWRDP plan, from a technical, financial and socio-economic perspective, is no longer optimal nor fit-for-purpose requiring amendment for the following reasons:

- The ORWRDP plan does not include the construction of Phase 2B+, a pipeline from Pruissen to Mokopane and Sekuruwe which is required to meet social and commercial users' requirements;
- Flag Boshielo dam is already over allocated and Phase 2B and 2B+ would place additional pressure on the system. This pressure could be released through augmentation strategies;
- and the abstraction of water from De Hoop dam to meet Eastern Limb requirements allowing water from Flag Boshielo dam to support the Northern Limb requirements;
- the current plan to construct Phase 2D and 2E will provide no additional water to water stressed Polokwane. The construction of Phase 2F, before these two phases, would however significantly accelerate the provision of additional water to Polokwane;
- the Association's scheme infrastructure remains under-utilised and, with some minor modifications it can be used to link the De Hoop dam to Polokwane;
- technical specifications have not been revised to account for the reduced dam yields (De Hoop dam and Flag Boshielo dam) highlighting concerns over estimated cost; and
- the synchronisation of bulk raw water infrastructure development with potable water infrastructure development has not occurred. This is a critical consideration to deliver potable water and requires an integrated approach.

The mandate of Water Services Authorities such as Sekhukhune District Municipality (SDM) and Mogalakwena Local Municipalities (MLM) is potable water services delivery. Potable water infrastructure development in the Eastern Limb has been very slow despite the availability of the Association's bulk raw water. There are three areas currently being serviced with potable water in the Eastern Limb, one being Burgersfort from the Mooihoek Water Treatment Works (WTW), a second potable line running west from the Mooihoek WTW and the Jane Furse potable line from the Steelpoort WTW.

Potable water service delivery in the Northern Limb area of Mogalakwena is being limited as the Doorndraai dam is the only resource. Water supply is hampered as there is currently no bulk raw water infrastructure in place from Flag Boshielo dam to these areas. The region has been identified as the next mining belt for South Africa with water being key for the realisation of this and significant related industrialisation opportunities. The regional mining activities have been limited by the restrictions in water supply with the industry unable to take advantage of favourable global commodity cycles which would contribute to regional economic growth and job creation

In the past, some mines in the region have resorted to meeting their water requirements by establishing their own infrastructure. However, these water and infrastructure development strategies have not included the provision of potable water to communities with local communities continuing to experience frustration at not being able to access the resource as well.

6.3 Proposed Integrated Solution

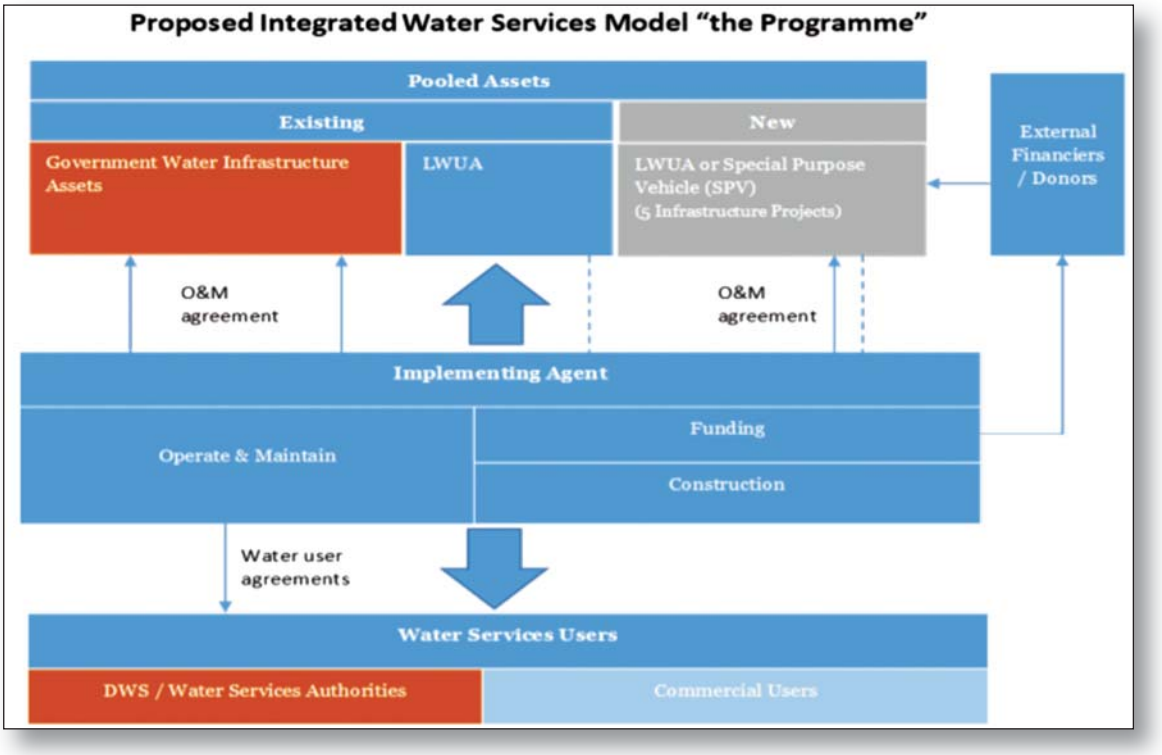
An Integrated Water Services Model solution ("the Programme") has been conceptualised to address the technical, socio-economic and financial challenges. The solution comprises:

1. Abstracting the current Association scheme water primarily from De Hoop dam instead of the Olifants River to relieve pressure on the already over-allocated Flag Boshielo dam;
2. Re-sequencing the construction of ORWRDP, commencing with Phase 2F, then 2B and 2B+, while deferring Phases 2D and 2E. Constructing a gravitational potable pipeline from Steelpoort Water Treatment Works (WTW) to Burgersfort to defer the construction of Phase 2D and to reduce operating expenditure (OPEX) costs. Phase 2D and 2E can be deferred until needed when the full capacity of the current Association infrastructure is reached;
3. Supporting existing potable water services authorities and developing and operating potable water infrastructure in defined areas in the Northern and Eastern Limb to address immediate and long-term social water needs;
4. Constructing five new infrastructure projects as part of the Programme, namely
    a. Bulk raw water: ORWRDP phase 2F – steel pipeline from Clapham pump station to Olifantspoort weir;
    b. Bulk raw water: ORWRDP phase 2B & 2B+ – steel pipeline from Flag Boshielo dam to Sekuruwe Water Treatment Works (WTW) in the Northern Limb;
    c. Bulk raw water: new pump station between Steelpoort pump station and Mooihoek reservoir;
    d. Potable water Eastern Limb: potable pipelines, reservoirs, water treatment works, pump stations and associated infrastructure, reticulation network and yard connections in the Eastern Limb – community areas A, B, C, and D; and
    e. Potable water Northern Limb: potable pipelines, reservoirs, water treatment works, pump stations and associated infrastructure, reticulation network and yard connections in the Northern Limb – community area E.
5. Pooling existing Government and Association water infrastructure assets by reaching agreement on the management and operation of these assets. These assets would earn a prescribed return on asset (RoA) with Government and contributing commercial members receiving recognition for their previous capital contributions through a capital credit mechanism to reduce their water tariffs; and

6. The Association would propose to act as implementing agent on behalf of DWS to operate agreed assets of DWS on an arms-length basis as part of the Programme. Should DWS agree that the Association operates the dams, these assets will also earn a RoA. New assets would be incorporated into the Association or a special purpose vehicle (SPV).
7. The Association would establish a predictable and efficient water tariff over the prescribed contract period for DWS, NT and all commercial users, in the defined areas of collaboration;
8. The Association to obtain timely access to funding at an efficient financing cost based on the quality of commercial off-take agreements and the availability of in-house construction and operational capability; and
9. A socio-economic development plan will be implemented as part of the Programme to focus on three outcomes; namely the acceleration of:
   a. Potable water to communities to address the pressing water needs in the region;
   b. Creation of jobs, skills development and use of local skills (including within the Association) through the associated Programme spend; and
   c. Enterprise development.

The combination of these three outcomes will help establish a platform for stability and sustained socio-economic development in the region. Timely community engagement and community readiness programmes are to be planned to ensure inclusive participation in the Programme.

An overview of the proposed integrated water services model is set out in the diagram below.

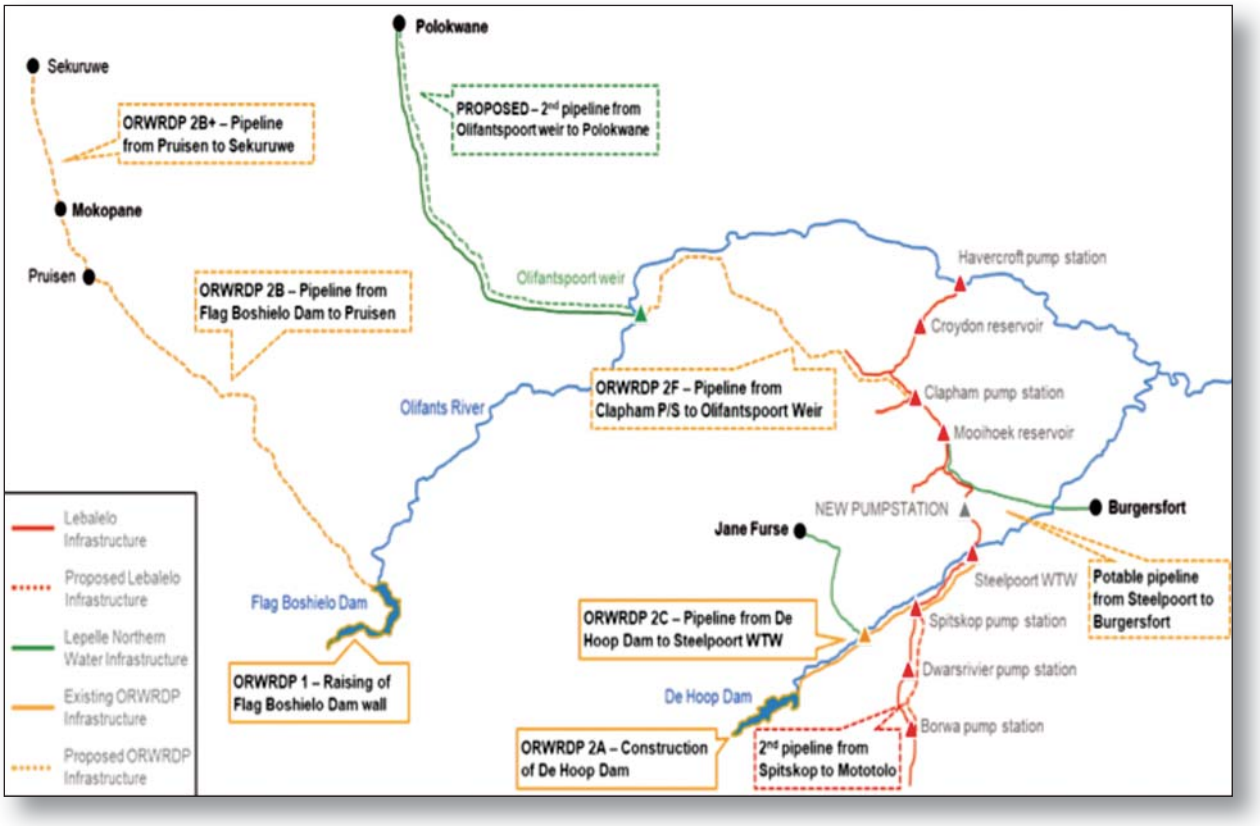


6.4 Proposed Technical Solution

The proposed Programme has been conceptualised to address the technical challenges of the current ORWRDP implementation plan. The solution also importantly includes the delivery of potable water services in the surrounding communities in the Northern and Eastern Limb of the Bushveld Igneous Complex. Highlights of the proposed technical solution are as follows:

- Abstract Lebalelo Scheme water primarily from De Hoop dam instead of Olifants River to relieve pressure on Flag Boshielo dam;
- Re-sequence construction of ORWRDP:
  - o Commence with Phase 2F first, then 2B and 2B+;
  - o Construct a gravitational potable water pipeline from Steelpoort WTW to Burgersfort;
  - o This allows for phase 2D and 2E to be deferred until needed;
  - o 2nd pipeline from Olifantspoort weir to Polokwane will need to be synchronised with Phase 2F (not included in this proposal);
- Develop potable water infrastructure for Northern and Eastern Limb to support existing Water Service Authorities (WSAs).

The illustration below provides a schematic of how the proposed solution changes the current plan.



Infrastructure projects

Five infrastructure projects were identified and proposed that constitute the proposal, these are:

- Bulk raw water: ORWRDP phase 2F – steel pipeline from Clapham pump station to Olifantspoort weir;
- Bulk raw water: ORWRDP phase 2B & 2B+ – steel pipeline from Flag Boshielo dam to Sekuruwe Water Treatment Works (WTW) in the Northern Limb;
- Bulk raw water: new pump station in the Association pipeline between Steelpoort pump station and Mooihoek reservoir;
- Potable water Eastern Limb: potable pipelines, reservoirs, water treatment works, pump stations and associated infrastructure, reticulation network and yard connections to the Eastern Limb – community areas A, B, C, and D;

- Potable water Northern Limb: potable pipelines, reservoirs, water treatment works, pump stations and associated infrastructure, reticulation network and yard connections to the Northern Limb – community area E.

The proposal of these five projects in the Programme was premised on how best to maximise current DWS and Association assets and to deliver new assets in the most efficient manner to achieve short term benefits, whilst maximising total life cycle cost efficiencies. Details on the five projects are set out below.

6.4.1 Bulk raw water project ORWRDP Phase 2F

The proposed bulk raw water ORWRDP Phase 2F project provides for a gravity feed water with a hydraulic head from the Mooihoek reservoir utilising the current Association pipeline (i.e. reverse the current water flow in a south to north direction), but bypassing Clapham pump station to Olifantspoort WTW. This project is a key link in relieving capacity constraints on the Olifants river by pumping water that originated in the De Hoop dam northwards in order to eventually supply Polokwane. It will include the constructing of a new 5.5km line from the Clapham pump station towards Clapham junction, as well as constructing a new pipeline from the Clapham junction area to the Olifantspoort WTW (52km), with the total length of new pipeline of 58km.

Currently an estimated construction time frame of 38 months is expected, with early works estimated from February 2022 to March 2023 and the main works estimated to be contracted and constructed from June 2022 to September 2025.

The capital cost estimate as at 1 May 2020 for the project is ZAR1,3 billion in real terms, including contingencies. Taking inflation into consideration the nominal cost estimate for this project is expected to be ZAR1,6 billion over the period of construction.

6.4.2 Bulk raw water project ORWRDP Phase 2B & 2B+

The proposed bulk raw water ORWRDP phase 2B & 2B+ project provides for a 121km medium and high-pressure steel pipeline including three associated pump stations from the Flag Boshielo dam to the proposed Sekuruwe Water Treatment Works. The primary objective of the project is to feed bulk raw water from the Flag Boshielo dam to three new Water Treatment Works (WTWs) and four mines in the Northern Limb of the Bushveld Igneous Complex.

Aside from providing raw water to four mines, this project is key to providing water to Mokopane and water stressed communities in the Northern Limb. Currently an estimated construction timeline of 38 months is assumed, with early works estimated from February 2022 to March 2023 and the main works estimated from June 2022 to September 2025.

The capital cost estimate for this project as at 1 May 2020 is ZAR6,0 billion in real terms, including contingencies. Taking inflation into consideration the nominal cost estimate for this project is ZAR7,5 billion over the period of construction.

6.4.3 New pump station between Steelpoort and Mooihoek

The proposed new pump station and associated reservoir project is situated between Steelpoort and the current Mooihoek reservoir. The primary objective of the project is to augment the supply of bulk raw water to Mooihoek reservoir through reverse pumping water in a northerly direction from Steelpoort utilising the current Association pipeline. This project is key to increasing the supply of bulk raw water to the proposed new 2F pipeline and deferring ORWRDP phase 2D and 2E.

Currently an estimated construction time frame of 24 months is expected, with early works estimated from February 2022 to March 2023 and the main works scheduled from June 2022 to May 2025.

The capital cost estimate for this project as at 1 May 2020 is ZAR126,3 million in real terms, including contingencies. Taking inflation into consideration the nominal cost estimate for this project is ZAR155,0 million.

6.4.4 Potable water – Eastern Limb

The proposed potable water Eastern Limb project is a bulk and internal network reticulation project for the supply of potable water to certain communities along the Eastern Limb of the Bushveld Igneous Complex. The primary objective of the project is to provide 63 Mℓ/d potable water to approximately 233,000 people. This project sets out to serve communities generally along the pipeline routes of current Association infrastructure and DWS infrastructure, as well as routing an additional 4 Mℓ/d water towards the town of Burgersfort. Note that the additional water to Burgersfort is regarded as out of scope to the proposed Association Programme. This constitutes a significant investment into the communities by augmenting the supply of potable water ordinarily delivered by the relevant Water Services Authorities (WSA).

Similarly, to the Northern Limb Potable Project, this project is ideal for socio-economic development. The project includes the construction of bulk pipelines, reticulation pipelines, pump stations, new water treatment plants, reservoirs, water towers and yard connections. Existing bulk water pipelines, water towers, reservoirs and water reticulation systems are currently providing potable water to parts of the region. Utilising this infrastructure was taken into consideration in the costing of this project.

Currently an estimated construction timeline of 60 months is expected, with early works estimated from February 2022 to March 2023 and main works estimated from June 2022 to January 2028.

The capital cost estimate for this project as at 1 May 2020 is ZAR4,8 billion in real terms, including contingencies. Taking inflation into consideration the nominal cost estimate for this project is ZAR6,2 billion over the construction period.

6.4.5 Potable Water - Northern Limb

The proposed potable water Northern Limb project is a bulk and internal network reticulation project for the supply of potable water to community areas along the Northern Limb of the Bushveld Igneous Complex. The primary objective of the project is to provide 30 Mℓ/d potable water to approximately 121,000 people. Consequently, this project sets out to serve the communities generally situated along the route of the proposed 2B+ pipeline project and the communities surrounding the commercial users in the area between Mokopane and Sekuruwe. The treatment of the raw water at Mokopane is not included in the scope of this solution. This constitutes a significant investment into the communities by augmenting the supply of potable water ordinarily delivered by the relevant Water Services Authority (WSA). This project is ideal to enable socio-economic development through skills and enterprise development. (see SED section)

The project includes the construction of bulk pipelines, reticulation pipelines, pump stations, new water treatment plants, reservoirs, water towers and yard connections. Currently this proposed project does not allow for the utilisation of existing infrastructure, as the current condition and sizes are unknown.

Currently an estimated construction timeline of 60 months is expected, with early works estimated from February 2022 to March 2023 and main works estimated from June 2022 to January 2028.

The capital cost estimate for this project as at 1st May 2020 is ZAR3,8 billion in real terms, including contingencies. Taking inflation into consideration the nominal cost estimate for this project is ZAR5,1 billion over the construction period.

6.4.6 Summarised Cost

The total capital cost estimate for all the projects as at 1st May 2020 is ZAR15,9 billion in real terms, including contingencies. Taking inflation into consideration the nominal cost estimate for all the projects is ZAR20,5 billion over the construction period.

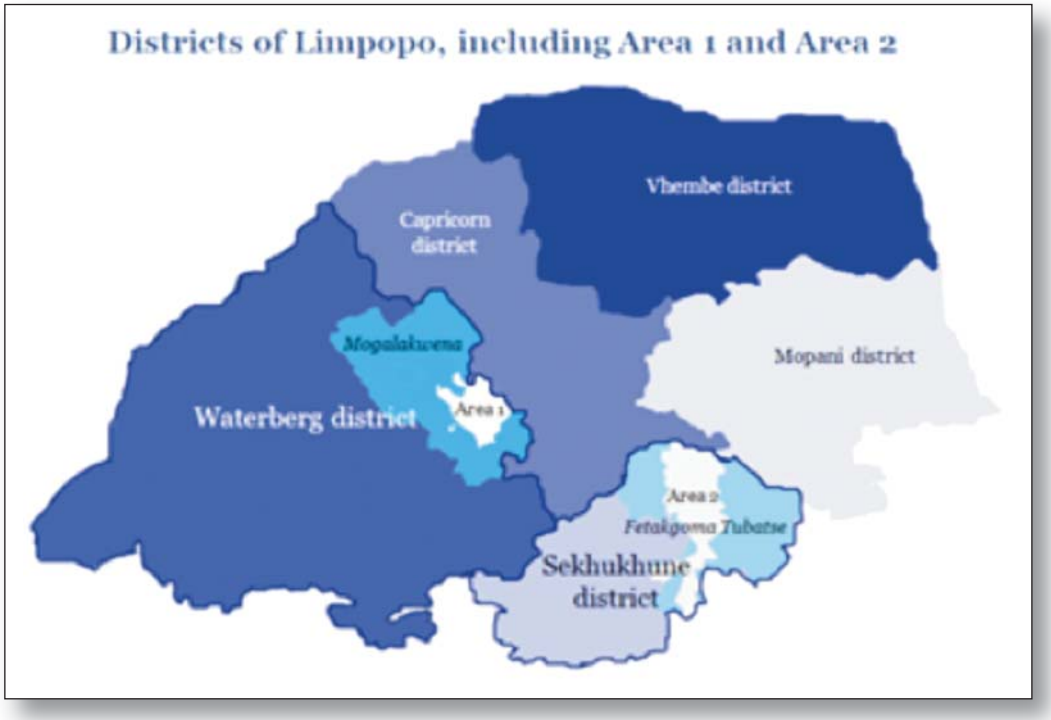
6.4.7 Basis of capital cost estimates

Within the cost estimate for each project a construction contingency of 10% was included by the technical consultants. A further programme contingency was determined relative to the level of development on the project and is an allowance for the uncertainty and risk that the owners of the project must accept. The proposed estimates are based on an accuracy assessment benchmarked to the AACE International (Association for the Advancement of Cost Engineering International) Class 5 Estimate Classification Matrix, and therefore the accuracy of the estimate is assessed as being -50% to +100%. Given practical considerations, this was assessed by applying a widely accepted industry practice contingency range of between 25% and 40% to each project. All contingencies are included in above mentioned cost estimate totals for each project.

6.5 Proposed Socio-Economic Development Solution

The Programme represents a significant opportunity for socio- economic development in the region given the extent of the infrastructure programme across the Limpopo Province and its associated capital and operational spend.

Two demarcated areas (identified in the map below) form part of the Bushveld Igneous Complex, specifically Area 1 and Area 2:



Area 1 is a 727 km^2 area in the Northern Limb of the Bushveld Igneous Complex of approximately 127,000 inhabitants. It is located within a part of the Mogalakwena Local Municipality (Waterberg District, Limpopo Province). Area 1 covers approximately 12% of the surface area of Mogalakwena municipality.

Area 2 is a 2073 km^2 area in the Eastern Limb of approximately 246,000 people within a part of Fetakgomo Tubatse Local Municipality (Greater Sekhukhune District, Limpopo Province). Area 2 covers approximately 36% of the surface area of Fetakgomo Tubatse municipality.

There are three outcomes the SED strategy aims to achieve through the Programme:


Provision of potable water to communities in the defined areas;


Create jobs through the associated capital and operational spend of the Programme; and


Enterprise development.

To inform the SED strategy two baseline studies were initiated namely, a study of the socio-economic conditions in the Northern and Eastern Limbs and a study on the potential economic impact of the Programme in the region.

These studies revealed the dire need for potable water, jobs and socio-economic upliftment as the areas impacted are amongst the poorest areas in the Limpopo Province. Fetakgomo Tubatse generally fares worse than both Limpopo Province on average and Mogalakwena Municipality on the majority of indicators with an unemployment rate of 60%.

The planned expenditure of R4.37 billion per annum on constructing the water infrastructure will make a significant contribution of around R2 billion per annum to Limpopo's GDP. Due to the planned operational activities of R3.95 billion per annum, the Association will contribute around R2.6 billion per annum to Limpopo's GDP. In addition, mining activity will become possible as a result of increased water provision, which in turn will significantly contribute to the economy. It needs to be mentioned the tax that will be generated through these projects and the associated mining and other developments is significant.

The economic impact assessment revealed that the Programme would likely result in 14,750 jobs being created in Limpopo Province linked to the construction spend with a further 9,580 jobs linked to the ongoing operational spend. Low income groups would receive approximately 30% of the annual capital spend and 39% of the annual operational spend in the Province. This is without any specific SED intervention on the part of the Programme.

To maximise the socio-economic impact on the region, guiding principles and key performance indicators were established and an implementation approach and plan conceptually developed.

The plan involves several aspects to be further developed and/or implemented during the pre-feasibility and feasibility study phases; including:

- Establishing a strong governance structure over the SED activities, budget and expenditure;
- Recruitment of additional organisational SED capability;
- Continued development of baseline studies, surveys, and community risk assessments;
- Regular and timely engagement with communities across several levels;
- Development of school and community level behavioural programmes;
- Creation of jobs during the various phases of the Programme through procurement policy and other strategies;
- Establishment of self-funding skills and enterprise development structures using procurement policy;
- Formation of a SED Collaboration Forum to explore ways in which members and others can collaborate around common themes to accelerate SED in the region;
- Regular tracking of progress and refinement of the plan.

It is important to note that additional and much greater opportunities will arise from the mining and industrialisation developments enabled by the supply of water.

6.6 Proposed Financial Solution

6.6.1 Finance Model

The proposed Programme encompasses the pooling of a considerable amount of new infrastructure alongside with existing bulk raw water and potable water infrastructure. Additionally, given the size of the Programme there are project development costs such as the feasibility study and operational readiness costs that need to be capitalised into the Programme.

The capital cost of the new infrastructure will require ZAR15,9billion (real) and ZAR20,5billion (nominal) of external financing.

An innovative financial model was developed which collated all information on the proposed infrastructure, existing infrastructure, and upfront costs for capitalisation. The financial model is designed to not only calculate the repayments and internal capital credits due against new and previous capital expenditure, but also to model the ongoing operational expenditure of the entire Programme. The model calculates the annual tariffs due by each member in the proposed Programme from the first 'early-works' capital payment in 2022 until the year 2050.

In the case of bulk raw water infrastructure, the repayment of capital expenditure would be split 49:51 between DWS/ NT and the commercial users and charged on a take-or-pay basis. The same 49:51 principle will be applied to the fixed operational and maintenance expenditure. Variable operational and maintenance expenditure has been allocated based on members' actual usage in any given year.

In respect of potable water for the identified geographical locations, the commercial users would contribute 25% of the defined potable water infrastructure capital repayments with DWS/ NT contributing 75%. In the case of operational and maintenance expenditure, the commercial users would contribute 25% of the expenditure relating to the defined potable water infrastructure with DWS/NT contributing 75%.

Key principles applied in the model included that of equitability and consistency of treatment. This applied to both the individual members that make up the commercial user group, but also towards the treatment of the commercial users versus the Government users in the Programme.

6.6.2 Funding of the Programme

The debt raising process for a Programme of this nature will need to be bespoke as well as dynamic and may require multiple iterations with the prospective debt funding partners in order to finalise the ultimate funding structure. Although the Programme is currently at the concept phase, it needs to be noted that the effective preparation and marketing of the Programme needs to be considered from the early development stages in anticipation of the future requirements of the fund-raising process. This is not just about attracting as many funders as possible, but rather attracting funders with the right experience, skills, and capacity as well as a mandate to participate in the Programme; quality is as important as quantity.

It is anticipated that for this Programme the Multilateral Lending Agencies ("MLAs"), Development Finance Institutions ("DFIs") and the Government will play a key role in setting up the framework for the funding structure, followed by commercial banks assuming the Programme will be sufficiently de-risked to facilitate their participation. Specific consideration will also be given to the potential roles of foreign development lenders such as the African Development Bank ("AFDB"), International Finance Corporation ("IFC"), KfW (German state owned development bank), FMO (Dutch development bank) or Proparco (French Development agency), particularly as these entities are active in South Africa and may have sector interests to promote water infrastructure developments due to the underlying economic and social upliftment potential.

As a minimum it is expected that the support of at least one of the DFIs or MLAs through the provision of debt financing and/or political risk guarantees which may be advantageous given the current macro-economic outlook and Government budget constraints in South Africa. Further A/B loan structures have successfully been used in other large infrastructure developments and is a means to potentially leverage additional commercial financing. The level of imported machinery or equipment should be considered as an Export Credit Agency ("ECA") could also play a role in the financial structure to either provide direct funding or loan guarantees to other lenders in order to expand funding options for the Programme.

In order to meet the potential nominal funding requirement of circa ZAR20.5billion for the Programme a consortium of financiers may be required. It will be important to establish quickly, through soft market sounding during the pre-feasibility phase, how deep the market is likely to be for this specific Programme and tailor the funding plans accordingly.

The ultimate financing structure of the Programme will be dependent on the commercial metrics, the strength of the proposed Water Supply arrangements with the various private and public parties and the proposed risk allocation and available mitigation strategies. The allocation of risk will be at the heart of the successful development and financing of the Programme, the risk profile will ultimately drive the appetite from prospective financiers to support the Programme and influence the financing terms and ultimate capital structure.

The solution being proposed addresses the limitations of the existing plan for the ORWRDP implementation. The primary objective is to implement a technically viable solution that enables the provision of water for commercial users and local communities with minimal impact on the national fiscus. Given the contribution of infrastructure towards addressing South Africa's socio-economic challenges, the solution needed to make a significant socio-economic contribution to the region.

6.6.3 The Benefits of the Programme.

The benefits associated with the implementation of the solution are premised on four main pillars, namely technical, social, economic and fiscus.

a. Technical

- Provide a holistic integrated solution to the accelerated implementation of the ORWRDP inclusive of potable water service;
- Relieve pressure on the already over-allocated Flag Boshielo dam;
- Accelerate provisioning of water to distressed areas and communities;
- Allows for the optimal utilisation of existing infrastructure; and
- Utilises gravity fed pipeline, where possible, to save OPEX costs.

b. Social

- Accelerates potable water delivery to water stressed communities in the Northern and Eastern Limb;
- Accelerates socio-economic development in the Limpopo Province through infrastructure spend;
- Assists in addressing social unrest, unlocking economic potential and creating more than 24 000 directly linked jobs in the region; and
- Creates employment opportunities through enabled mining developments.

c. Economic

- Accelerates the provisioning of bulk raw water for economic expansion to take advantage of a favourable commodity cycle and industrialisation of the region; and
- Provides a predictable, cost-effective tariff to encourage investment in the region.

d. Fiscus

- Uses capital more efficiently by fully utilising existing infrastructure (the Association scheme is currently operating at 30% of its capacity) and the revised specifications and implementation schedule will be a better fit for purpose (i.e. the primary objective of the Programme and the ORWRDP);
- Contributes an additional ZAR1.2 billion per annum of tax revenue during the construction phase and ZAR1.8 billion per annum once the infrastructure is fully operationalised;
- Significant potential fiscus savings:
  - o through resequencing, revision of capital cost and cost control; and
  - o through private sector contribution to bulk and potable capital spend.
- Creates funding leverage through the deployment of an innovative non-profit Build-Own-Operate-Transfer (BOOT) funding model.

6.7 Institutional Arrangements

6.71 Approval Process

The Association would need to be appointed in writing by the Department as its implementing agent for the Programme. Once appointed the following will be required:

- Signing of an MoU: A MoU between the Department, National Treasury and LWUA and its commercial users would need to be signed to give intent to the Programme.
- Expansion of existing mandate: The institution would continue to remain operating under the existing National Water Act until legislative changes occur.
- Appointment as a water services provider: LWUA would need to be registered as a water service provider on behalf of the two Water Service Authorities (WSA) in the Northern and Eastern Limb for the specific areas.
- Withdrawal of disestablishment notice: The Department would need to formally gazette the withdrawal of the notice to disestablish LWUA.

More detailed institutional arrangements to be developed by the Association, DWS and National Treasury.

6.7.2 The Association as an Implementing Agent

It is considered that the Association is best suited to implement the Programme, given that:

- the Association has conceptualised an alternative solution that not only accelerates the implementation of the ORWRDP through public private participation but also addresses potable water infrastructure for communities in the Northern and Eastern Limb;
- the proposed solution importantly also includes a 25% contribution from commercial users to the capital and operational expenditure of potable water for defined communities in the Northern and Eastern Limb over the next 25 years;
- the Association has a proven track record in delivering bulk raw water cost effectively, safely, and on time for over 18 years. This has recently been evidenced through the COVID-19 emergency water supply programme, where the Association has demonstrated that their procurement and organisational processes allow them to act immediately and effectively in time critical situations;
- the Association has made significant progress over the past eight months in aligning commercial users to the Programme and will sign commitment letters if this proposal is approved by the Department;

- project development studies have been structured to accommodate DWS current funding constraints and will be funded by commercial users until the Financial Investment Decision is made;
- the Association will have access to cheaper financing given its strong financial base and credit rating of key commercial users;
- approval processes are unlikely to be delayed given the existing strong governance and procurement processes;
- commercial users have committed to provide technical and management expertise in support of this Programme; and
- the Association is one of few organisations that can successfully implement the financial, technical and socio-economic solutions because of their relationship with Government and commercial users.

6.8 Recommendations

The following is recommended:

- DWS approves the Association's proposal;
- DWS withdraws the notice to disestablish the Association;
- DWS and NT consider the proposed cost recovery model for the Programme;
- DWS agree in principle to appoint the Association as implementing agent for the Programme; and
- DWS signing an MoU to give effect to the proposed Programme.

7. What is COVID-19

7.1 Introduction

A coronavirus is a kind of common virus that causes an infection of the nose, sinuses, and upper throat. Most coronaviruses are not dangerous. In early 2020, after a December 2019 outbreak in China, the World Health Organisation identified SARS-CoV-2 is a new type of coronavirus. This outbreak quickly spread around the world.

Covid-19 is a disease caused by SARS-CoV-2 that can trigger what doctors call a respiratory tract infection. It can affect your upper respiratory tract, (sinuses, nose, and throat) or lower respiratory tract (windpipe and lungs).

It spreads the same way other coronaviruses do, mainly through person-to-person contact. Infections range from mild to deadly. SARS-CoV-2 is one of seven types of coronavirus, including the ones that cause severe diseases like Middle East respiratory syndrome (MERS) and sudden acute respiratory syndrome (SARS). The other coronaviruses cause most of the colds that affect us during the year but is not a serious threat for otherwise healthy people.

7.2 How does Covid 19 compare to past pandemics?

Most of the pandemics in the 20th and 21st centuries, have either been caused by an influenza virus or a coronavirus. The 2003 SARS coronavirus pandemic had a much smaller impact then this current corona virus pandemic and killed fewer than 1000 people.

In terms of the number of deaths Covid-19 has caused, as at end of the reporting period (30 June 2020) global numbers included 10.1 million reported cases and 511 000 deaths. In South Africa the total number of Covid-19 reported cases was 138 134 whilst the total of 2 456 Covid-19 related deaths, it is actually more comparable with previous flu pandemics. The Asian flu in 1957-1958 killed an estimated 1.1 million people, close to the 1 million people thought to have been killed by the Hong Kong flu pandemic of 1968 – 1970. In contrast, the 2009 - 2010 swine flu pandemic and the H1N1 like Spanish flu, seem

to be relatively mild as it did not require most infected people to be hospitalised. By the end of the pandemic in 2010, the World Health Organisation (WHO) reported around 18,500 confirmed deaths, although with many deaths going unreported the figure was believed to be considerably higher. The US Centres for Disease Control and Prevention (CDC) estimated that it had probably killed 151,700 to 575,400 people. And in 2013 through statistical modelling of mortality data from multiple countries, researchers sharpened the estimate. They calculated that from 1 April to 31 December 2009, the virus had killed between 123,000 and 203,000 people globally.

Like Covid-19, Asian flu killed mostly people older than 65. Spanish flu was different in that it hit young and healthy people particularly hard. Half of everyone who died were aged between 20 and 40 years, and 99% were younger than 65 years. Similarly, 87% of deaths in the 2009 swine flu pandemic were in those younger than 65 years.

The economic impact from the Covid-19 pandemic has been particularly brutal. Apart from the devastating loss of life, the sheer disruption to normal life means that pandemics have long been predicted to damage the economy. Yet each successive pandemic seems to affect the economy more. Largely, responses to previous pandemics relied on hygiene and sanitation measures such as hand washing, but not lockdown's, physical distancing or other measures that disrupt economies. The Spanish flu pandemic was followed by a recession, caused by the First World War. In the subsequent Asian flu and Hong Kong pandemics they were short economic downturns that recovered fairly quickly. No pandemic is likely to have had such a brutal impact on the economy as Covid-19 which has triggered a near total shutdown of social and economic activity. The International Monetary Fund (IMF) predicts that the global economy will shrink by 3% in 2020.

As stated above the economic impact of the Covid-19 pandemic is being felt in South Africa. In terms of unemployment figures, Statistics South Africa (Stats SA) published the Quarterly Labour Force Survey (QLFS), which showed that the official unemployment rate increased to 30.1% in Q1 2020. Interestingly the latest QLFS process experienced data collection disruptions after Stats SA suspended face-to-face methodologies for all its surveys from 19 March 2020 because of the COVID-19 pandemic and the subsequent restrictions to mobility.

The economic outlook is that unemployment is expected to deteriorate further due to COVID-19 containment measures and that the ravaging effects of the coronavirus pandemic on the already embattled local economy can also be seen in the deep contractions projected in real GDP for 2020

7.3 How will Covid-19 evolve

Although it is far from certain how long we will live with Covid-19, it is possible that we will live with a seasonal version of the virus for many years to come. The H1N1 flu virus that caused a pandemic a century ago and swine flu in 2009 continues to circulate as a seasonal virus causing infections and deaths every year as does the Hong Kong flu virus.

As at the end of the Association's reporting period the current Covid-19 pandemic seems unlikely to be over any time soon, with various scenarios for the future estimating either several overlapping outbreaks or another ferocious wave later in 2020. What should sound a note of caution to the world is that the second wave of Hong Kong flu was also much more fierce than the first one, potentially because it mutated to become more deadly.

Sources: GAVI the vaccine alliance works with partners including the World Health Organisation, UNICEF the World Bank and the Bill and Melinda Gates Foundation: Stats SA

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 2020

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

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 2020

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 M. Mashilane
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 First National Bank a division of First Rand Bank Limited
Auditors	Diemont, Zimmerman & Bolink Chartered Accountants (S.A.) Registered Auditors
Preparer	The annual financial statements were independently compiled by: Y. Oerlemans CA(S.A.)

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 2020

Accounting Policies

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

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
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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 24, which comprise the Statement of Financial Position as at 30 June 2020, 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 2020, and its financial performance and 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.

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 Association 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 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

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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 2020

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 for such internal control as the Management Committee determine is necessary to enable the preparation of Financial Statements that are free from material misstatements, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Committee.
- Conclude the approriateness 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 commuicate with the Management Committe 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

Diemont, Zimmerman & Bolink
Chartered Accountants (S.A.)
Registered Auditors
I.O. Jannasch CA (S.A.), RA

7 October 2020
Polokwane

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 2020

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 2021 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

6 October 2020

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 2020

Report of the Management Committee

The Management Committee submits its report for the year ended 30 June 2020.

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 (Resigned 31 December 2019)
M. Mashilane	Chairperson - Social and Ethics Committee (Appointed 01 January 2020)
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.

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 2020

Statement of Financial Position as at 30 June 2020

Amount in Rands	Note(s)	2020	2019
Assets			
Non-current Assets			
Property, plant and equipment	2	341 201 214	319 948 677
Long term pre-payments	3	102 043 933	111 684 640
Other financial assets	4	2 357 228	162 506 684
		445 602 375	**594 140 001**
Current Assets			
Consumer stock	5	1 742 451	2 064 094
Trade and other receivables	6	28 649 406	22 239 012
Other financial assets	4	173 682 251	39 025 664
Cash and cash equivalents	7	10 334 264	3 571 255
		214 408 372	**66 900 025**
Total Assets		**660 010 747**	**661 040 026**
Equity and Liabilities			
Equity			
Reserves		397 327 896	397 327 896
Retained income		67 583 091	83 954 471
		464 910 987	**481 282 367**
Liabilities			
Non-current Liabilities			
Deferred income	9	87 626 700	96 614 054
Current Liabilities			
Trade and other payables	8	28 582 507	9 308 089
Deferred income	9	8 987 354	8 987 354
Provisions	10	10 657 851	9 836 910
Long term payables	11	59 245 348	55 011 252
		107 473 060	**83 143 605**
Total Liabilities		**195 099 760**	**179 757 659**
Total Equity and Liabilities		**660 010 747**	**661 040 026**

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 2020

Statement of Financial Performance

Amount in Rands	Note(s)	2020	2019
Revenue	12	104 447 213	80 593 163
Cost of sales		(29 758 552)	(26 956 990)
Gross surplus		**74 688 661**	**53 636 173**
Other income		10 450 992	9 769 077
Operating expenses		(112 791 050)	(69 795 580)
Operating surplus (deficit)		**(27 651 397)**	**(6 390 330)**
Investment revenue	13	15 451 993	16 487 715
Finance costs	14	(4 171 976)	(4 135 956)
Surplus (deficit) for the year		**(16 371 380)**	**5 961 429**
Other comprehensive income		-	-
Total comprehensive surplus (deficit) for the year		**(16 371 380)**	**5 961 429**

Lebalelo Water User Association

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Annual Financial Statements for the year ended 30 June 2020

Statement of Changes in Equity

Amount in Rands	Capital Reserve 2020	Retained Income 2020	Total Equity 2020
Balance at 01 July 2018	**397 327 896**	**77 993 042**	**475 320 938**
Changes in equity	-	5 961 429	5 961 429
Surplus/(deficit) for the year	-	-	-
Total changes	**-**	**5 961 429**	**5 961 429**
Balance at 30 June 2019	**397 327 896**	**83 954 471**	**481 282 367**
Changes in equity	-	(16 371 380)	(16 371 380)
Surplus/(deficit) for the year	-	-	-
Total changes	**-**	**(16 371 380)**	**(16 371 380)**
Balance at 30 June 2020	**397 327 896**	**67 583 091**	**464 910 987**

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 2020

Statement of Cash Flows

Amount in Rands	Note(s)	2020	2019
Cash flows from operating activities			
Cash receipts from customers		98 036 819	76 535 213
Cash paid to suppliers and employees		(102 900 956)	(80 308 705)
Cash generated from (used in) operations	16	(4 864 137)	(3 773 492)
Interest income		15 451 993	16 487 715
Finance costs	14	(4 171 976)	(4 135 956)
Net cash from operating activities		**6 415 880**	**8 578 267**
Cash flows from investing activities			
Additions to property, plant and equipment	2	(29 379 836)	(8 996 594)
Disposals and profit of property, plant and equipment	2 + 16	-	243 473
Movement in investments		25 492 869	(12 681 041)
Net cash from investing activities		**(3 886 967)**	**(21 434 162)**
Cash flows from financing activities			
Movement in other liability		4 234 096	(319 317)
Net cash from financing activities		**4 234 096**	**(319 317)**
Total cash movement for the year		**6 763 009**	**(13 175 212)**
Cash at the beginning of the year		3 571 255	16 746 467
Total cash at end of the year	7	**10 334 264**	**3 571 255**

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 2020

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

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.2 Long term pre-payments

An intangible asset is recognised when -

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

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

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

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

1.3 Financial instruments

Initial recognition and measurement

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

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

Subsequent measurement

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

Impairment of financial assets

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

Impairment lossses are recognised in surplus or deficit.

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

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

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

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

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 2020

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.

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 2020

Notes to the Annual Financial Statements

Amount in Rands

2. Property, plant and equipment

	2020			2019		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Plant and equipment - Existing scheme	262 608 145	(64 866 915)	197 741 230	240 643 589	(61 341 141)	179 302 448
Furniture and fixtures	599 279	(509 000)	90 279	527 356	(491 520)	35 836
Motor vehicles	12 771 217	(4 794 889)	7 976 328	5 857 410	(4 416 438)	1 440 972
IT equipment	3 139 053	(1 987 899)	1 151 154	3 259 566	(2 060 705)	1 198 861
Tools and equipment	4 162 744	(3 450 073)	712 671	4 000 109	(3 353 598)	646 511
Plant and equipment - Southern Extension	172 113 203	(39 904 439)	132 208 764	172 050 707	(36 890 102)	135 160 605
Plant and equipment - Booysendal Platinum	1 598 098	(277 310)	1 320 788	1 526 252	(151 479)	1 374 773
Capital work in progress	-	-	-	788 671	-	788 671
Total	**456 991 739**	**(115 790 525)**	**341 201 214**	**428 653 660**	**(108 704 983)**	**319 948 677**

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Depreciation	Closing balance
Plant and equipment - Existing scheme	179 302 448	21 180 948	(1)	788 671	(3 530 836)	197 741 230
Furniture and fixtures	35 836	71 923	-	-	(17 480)	90 279
Motor vehicles	1 440 972	7 152 401	(1)	-	(617 044)	7 976 328
IT equipment	1 198 861	547 020	(53 962)	-	(540 765)	1 151 154
Tools and equipment	646 511	288 390	(2)	-	(222 228)	712 671
Plant and equipment - Southern Extension	135 160 605	65 446	(1 325)	-	(3 015 962)	132 208 764
Plant and equipment - Booysensdal Platinum	1 374 773	73 708	(1 463)	-	(126 230)	1 320 788
Capital work in progress	788 671	-	-	(788 671)	-	-
	319 948 677	**29 379 836**	**(56 754)**	**-**	**(8 070 545)**	**341 201 214**

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	1 048 547	(3)	(235 497)	1 198 861
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 - Booysendal 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**

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 2020

Notes to the Annual Financial Statements

Amount in Rands

3. Long term pre-payments

	2020			2019		
	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	(7 404 877)	3 697 465	11 102 342	(6 876 667)	4 225 675
ESKOM POD Cost	3 168 837	(2 286 130)	882 707	3 168 837	(2 160 029)	1 008 808
Exemption from Water Resource Development Charge as per clause 7.2 (refer to note 8)	224 730 097	(128 126 336)	96 603 761	224 730 097	(119 139 940)	105 590 157
Total	**246 861 276**	**(144 817 343)**	**102 043 933**	**246 861 276**	**(135 176 636)**	**111 684 640**

Reconciliation of long term pre-payments - 2020

	Opening balance	Amortisation	Total
Servitudes	860 000	-	860 000
Capital Costs - ESKOM Powerline	4 225 675	(528 210)	3 697 465
ESKOM POD Cost	1 008 808	(126 101)	882 707
Exemption from Water Resource Development Charge as per clause 7.2 (refer to note 9)	105 590 157	(8 986 396)	96 603 761
	111 684 640	**(9 640 707)**	**102 043 933**

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**

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 2020

Notes to the Annual Financial Statements

Amount in Rands	2020	2019
4. Other financial assets		
At amortised cost		
Longterm Investment (Fixed deposit) - ABSA - ESKOM Guarantees Interest rates ranging from 5.30% to 7.75% (2019: 7.38% to 8.60%) per annum	2 357 228	2 357 228
Fixed deposits - ABSA Interest rates ranging from 4.18% to 7.70% (2019: 8.11% to 8.58%) per annum	69 702 521	97 234 784
Fixed deposits - ABSA (Designated funds) Interest rates ranging from 3.88% to 4.19% (2019: 8.11% to 8.58%) per annum Refer to note 11	48 099 658	52 801 402
Fixed deposits - ABSA (Public benefit and social development) Interest rates ranging from 7.00% to 7.86% (2019: 8.11% to 8.58%) per annum Refer to note 10	10 657 851	9 836 910
Fixed deposits - FNB Interest rates ranging from 4.12% to 7.27% (2019: 7.23% to 7.92%) per annum	30 263 043	28 113 270
Depositor Plus - ABSA Interest rates ranging from 3.00% to 6.00% (2019: 6.60% to 6.90%) per annum	14 959 178	11 188 754
	161 080 301	190 343 594
	176 039 479	**201 532 348**
Non-current assets At amortised cost	2 357 228	162 506 684
Current assets At amortised cost	173 682 251	39 025 664
	176 039 479	**201 532 348**
5. Consumer stock		
Consumable stock	1 742 451	2 064 094
6. Trade and other receivables		
Trade receivables	12 855 023	11 581 858
Deposits	288 976	41 474
VAT	6 327 314	1 437 587
Sundry debtors	9 178 093	9 178 093
	28 649 406	**22 239 012**

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 2020

Notes to the Annual Financial Statements

Amount in Rands	2020	2019
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	14 765	6 391
Bank balances	14 412	13 519
Short-term deposits	10 305 087	3 551 345
	10 334 264	**3 571 255**
8. Trade and other payables		
Trade payables	21 635 621	4 154 088
Raw water payables	1 559 870	1 559 870
Other payables	5 387 016	3 594 131
	28 582 507	**9 308 089**
9. Deferred income		
Non-current liabilities	87 626 700	96 614 054
Current liabilities	8 987 354	8 987 354
	96 614 054	**105 601 408**

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 - 2020

	Opening balance	Additions	Total
Community support services and social development	9 836 910	820 941	10 657 851

Reconciliation of provisions - 2019

	Opening balance	Additions	Total
Community support services and social development	9 105 905	731 005	9 836 910

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	18 207 382	20 303 068
Payables due to members - Southern Extension 2 Project	5 873 010	-
Payables due to members - Northern Extension Mogalakwena	35 164 956	34 708 184
	59 245 348	55 011 252

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 2020

Notes to the Annual Financial Statements

Amount in Rands	2020	2019
12. Revenue		
Variable operating costs	31 623 928	31 476 910
Fixed operating costs	68 646 993	49 116 253
Covid-19 Project Levy	4 176 292	-
	104 447 213	**80 593 163**
13. Investment revenue		
Interest revenue		
Bank	271 199	315 988
Interest charged on trade and other receivables	1 093 857	609 683
Other financial assets	14 086 937	15 562 044
	15 451 993	**16 487 715**
14. Finance costs		
Bank	12 080	5 770
Interest paid on designated funds	4 159 896	4 130 186
	4 171 976	**4 135 956**
15. Auditors' remuneration		
Fees	339 174	370 651
16. Cash generated from (used in) operations		
Surplus	(16 371 380)	5 961 429
Adjustments for:		
Depreciation and amortisation	17 711 251	17 005 411
Loss / (profit) on sale of assets	56 754	(148 647)
Interest received	(15 451 993)	(16 487 715)
Finance costs	4 171 976	4 135 956
Movements in provisions	820 941	731 005
Changes in working capital:		
Consumer stock	321 643	(642 146)
Trade and other receivables	(6 410 394)	(5 174 996)
Trade and other payables	19 274 419	(166 435)
Deferred income	(8 987 354)	(8 987 354)
	(4 864 137	**(3 773 492)**

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 2020

Notes to the Annual Financial Statements

Amount in Rands

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 the 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 R54 375 864.66 due by the Association. The basis of the calculation, assumptions used and invoices issued has been the subject of a joint review process by the Department and the Association. This review process has indicated that the Department has charged the Association operational costs on four off-take points, namely on the 16 000 000 m^3, the 3 880 000 m^3 and the 1 001 462 m^3 at an assumed metered point at Havercroft, whilst in reality the Association has only one metered off-take point. In order to rectify the matter the Department has undertaken to write back the operational cost charges raised and the interest charged on these invoices on the three assumed off-take points. The Association would only be liable for the actual usage measured at the metered points at Havercroft which has been paid since commencement of operations. Furthermore 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. Through the review process this sum calculated by Mazars has been accepted by the Department as correct and is due to the Department upon receipt of appropriate Tax Invoices.

18. Commitments

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

19. 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).

20. Other matters

It is noted that the Association has submitted a proposal to the Department: Human Settlements, Water and Sanitation (DWS) to develop the Olifants River Water Resources Development Programme (ORWRDP) and potable water systems as discussed in the Annual Report and Business Plan. Should DWS approve the project, it will have a major impact upon the Association.

It is further noted that the contractural terms for the key executive and operational positions of Chief Executive Officer, Chief Financial Officer, Human Resource and Admin Manager and Governance, Risk, Compliance and Legal Manager are scheduled to end in November 2021. The Association’s succession plan for these positions is dependent on the approval of the ORWRDP, the employment equipty plan and transformation programme.

Financial Risk

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.

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 2020

Notes to the Annual Financial Statements

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

At 30 June 2020	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Trade and other payables	39 240 355	-	-	-
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	-	-	-

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.

Lebalelo Water User Association

Detailed Statement of Comprehensive Income
for the year ended 30 June 2020

	Notes	2020 R	2020 R	2020 R	2020 R	2020 R
		Havercroft to Maandagshoek	Southern Extension	Booysendal Platinum	Other	Total
Gross Revenue		**90 340 478**	**11 454 187**	**2 652 548**	**-**	**104 447 213**
Fixed operating costs		53 917 024	8 615 540	1 290 382	-	63 822 946
Fixed electricity		3 253 086	801 591	336 460	-	4 391 137
Variable electricity		11 994 675	2 037 056	1 025 706	-	15 057 437
Raw water		16 123 713	-	-	-	16 123 713
Water research fund		442 778	-	-	-	442 778
Covid-19 support (Contributions by members)		4 176 292	-	-	-	4 176 292
Maintenance: Potable water infrastructure		432 910	-	-	-	432 910
Cost of revenue		25 450 419	3 427 566	1 313 476	-	30 191 462
Fixed electricity		3 253 217	587 100	350 498	-	4 190 816
Variable electricity		16 343 161	2 840 466	962 978	-	20 146 605
Raw water		4 797 943	-	-	-	4 797 943
Water research fund		623 187	-	-	-	623 187
Maintenance: Potable water infrastructure		432 910	-	-	-	432 910
Gross surplus		64 890 059	8 026 620	1 339 072	-	74 255 751
Other income		-	-	-	21 731 009	21 731 009
Profit on disposal of fixed assets		-	-	-	-	-
Interest received		-	-	-	15 451 993	15 451 993
Finance costs		-	-	-	(4 171 976)	(4 171 976)
Other income		-	-	-	1 376 138	1 376 138
Rent received		-	-	-	87 500	87 500
Amortisation-deferred income		-	-	-	8 987 354	8 987 354
Total income		64 890 059	8 026 620	1 339 072	21 731 009	95 986 760
Fixed operating expenses (Refer to next page)		96 027 059	6 051 267	1 293 418	8 986 396	112 358 140
Retained surplus/(deficit) for the year		(31 137 000)	1 975 353	45 654	12 744 613	(16 371 380)
Transfer of interest to non-distributable reserve		-	-	-	-	-
Accumulated surplus/(deficit) at the beginning of year		(20 787 644)	4 056 694	10 899 550	94 926 163	83 954 471
Accumulated surplus/(deficit) at the end of the year		**(51 924 644)**	**6 032 047**	**10 945 204**	**107 670 776**	**67 583 091**

Lebalelo Water User Association

Detailed Statement of Comprehensive Income
for the year ended 30 June 2020

	Notes	2020 R	2020 R	2020 R	2020 R	2020 R
		Havercroft to Maandagshoek	Southern Extension	Booysendal Platinum	Other	Total
Fixed operating costs		**96 027 059**	**6 051 267**	**1 293 418**	**8 986 396**	**112 358 140**
Administrative expenses		6 210 564	148 024	254 566	-	6 613 154
Consultant fees		4 901 310	-	-	-	4 901 310
Concept study		20 805 663	-	-	-	20 805 663
Covid-19 support		7 669 069	-	-	-	7 669 069
Depreciation		5 456 562	3 015 962	126 230	-	8 598 755
Amortisation		126 101	-	-	8 986 396	9 112 497
Strategy		7 324 307	-	-	-	7 324 307
Personnel costs		26 741 146	-	-	-	26 741 146
Loss on disposal of assets		56 754	-	-	-	56 754
Transport		774 829	-	-	-	774 829
Security and safety		8 190 103	1 322 659	420 600	-	9 933 361
Software development and training		121 118	-	-	-	121 118
Social Responsibility		2 144 178	-	-	-	2 144 178
MAINTENANCE						
Abnormal maintenance		289 400	-	-	-	289 400
Access roads		11 525	-	-	-	11 525
Air conditioners		8 808	-	-	-	8 808
Civil		5 823	-	-	-	5 823
Cleaning		33 226	-	-	-	33 226
Cranes		-	-	-	-	-
Dams		277 152	-	-	-	277 152
Electrical		482 824	84 095	38 340	-	605 259
Environment		35 645	-	-	-	35 645
Fabrication		30 472	-	-	-	30 472
Gardens and irrigation		16 605	-	-	-	16 605
Herbicide		113 371	343 352	9 322	-	466 045
Instrumentation		1 367 170	490 165	323 345	-	2 180 680
Lubricants and workshop consumables		121 821	2 353	1 554	-	125 727
Mechanical		941 433	24 994	116 618	-	1 083 045
Offices and workshop		75 208	110 028	-	-	185 236
Pest control		673 342	2 843	2 843	-	679 028
Pipe lines		495 957	506 794	-	-	1 002 750
Personnel housing		344 946	-	-	-	344 946
Plant hire		70 900	-	-	-	70 900
Safety ropes		520	-	-	-	520
Telemetry		46 712	-	-	-	46 712
Tools and equipment		30 647	-	-	-	30 647
Water quality (purification)		31 851	-	-	-	31 851

Lebalelo Water User Association

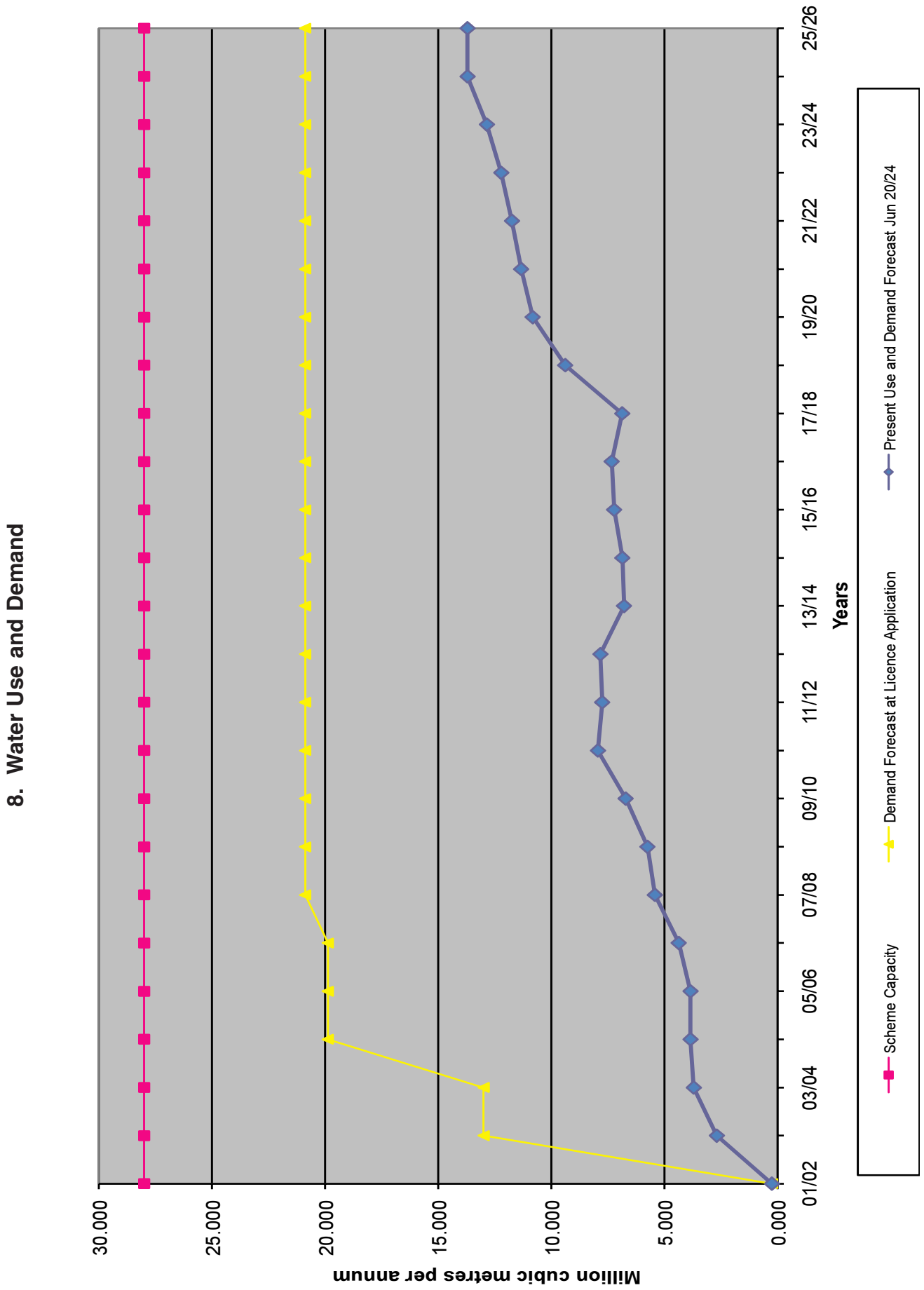
Detailed Statement of Comprehensive Income
for the year ended 30 June 2020

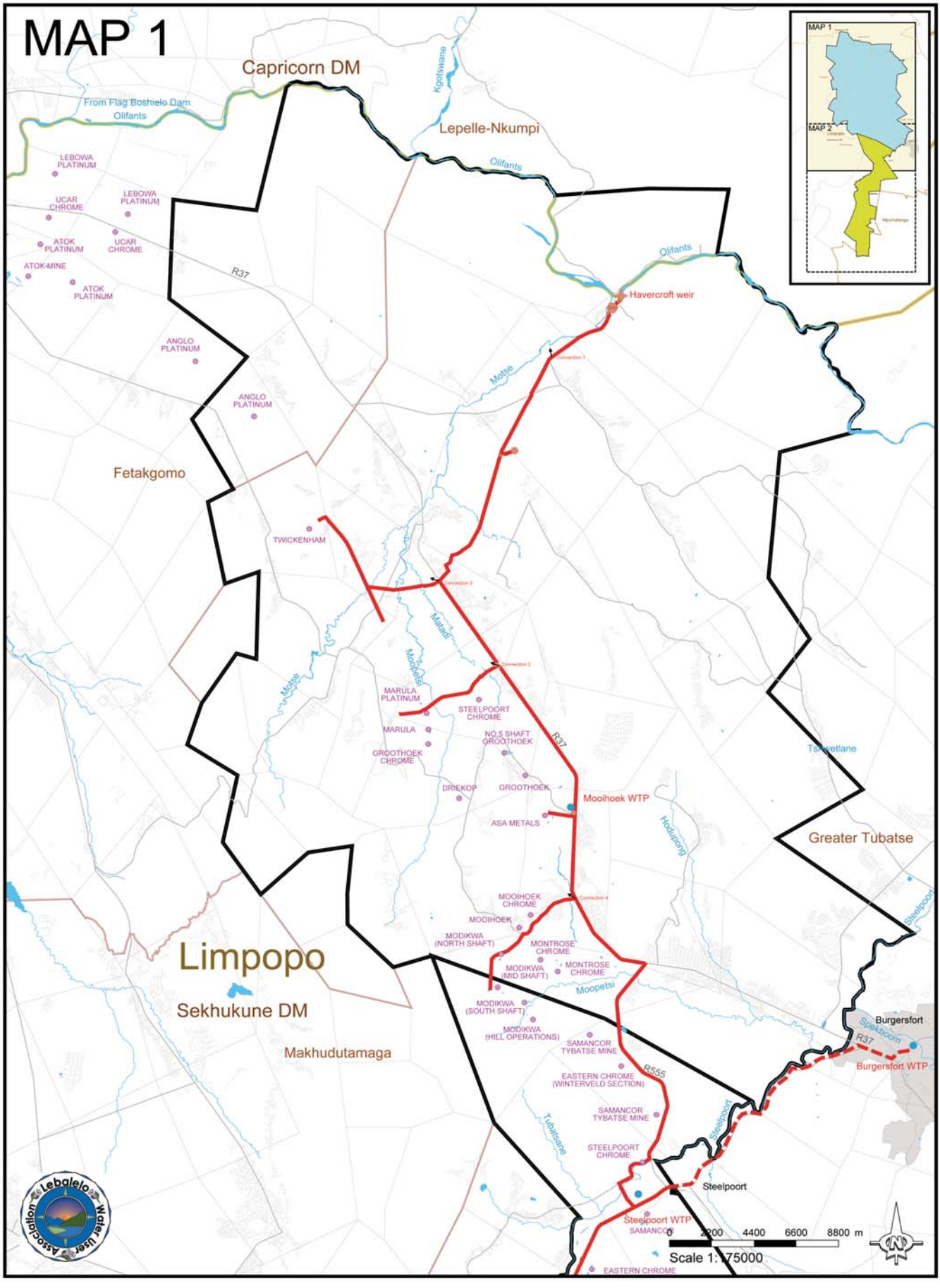
	Notes	2019 R	2019 R	2019 R	2019 R	2019 R
		Havercroft to Maandagshoek	Southern Extension	Booysendal Platinum	Other	Total
Gross Revenue		**68 366 297**	**9 969 084**	**2 257 782**	**-**	**80 593 163**
Fixed operating costs		37 249 359	6 948 624	893 595	-	45 091 578
Fixed electricity		2 846 303	578 230	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
Maintenance		-	-	-	-	-
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		46 184 876	6 363 337	1 087 961	-	53 636 174
Other income		-	-	-	22 120 837	22 120 838
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		46 184 876	6 363 337	1 087 961	22 120 837	75 757 011
Fixed operating expenses (Refer to next page)		55 036 703	4 945 346	827 135	8 986 396	69 795 582
Retained surplus/(deficit) for the year		(4 224 673)	1 713 641	478 311	13 134 441	5 961 429
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		**(20 787 644)**	**4 056 694**	**10 899 550**	**94 926 163**	**83 954 471**

Lebalelo Water User Association

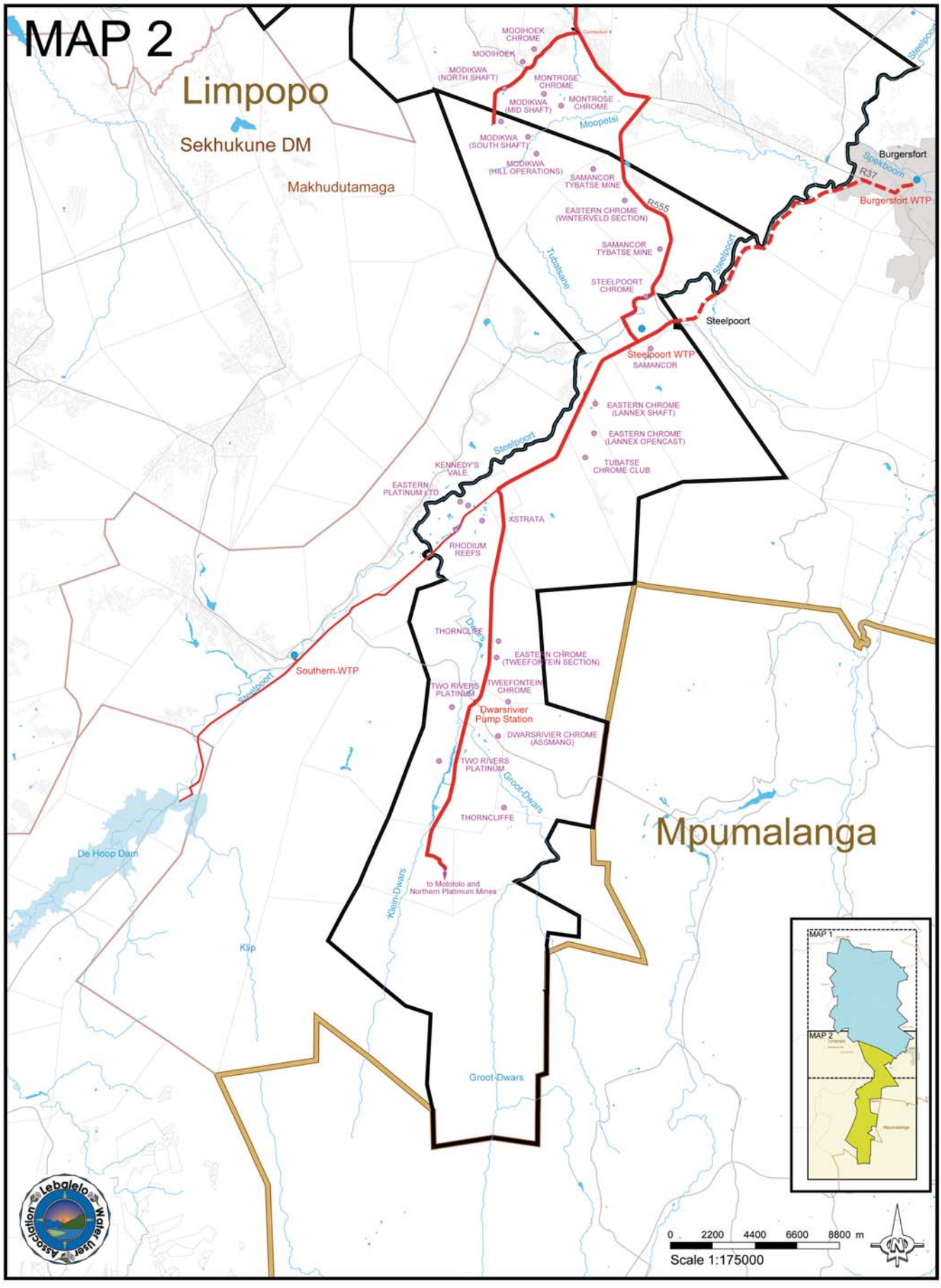
Detailed Statement of Comprehensive Income
for the year ended 30 June 2020

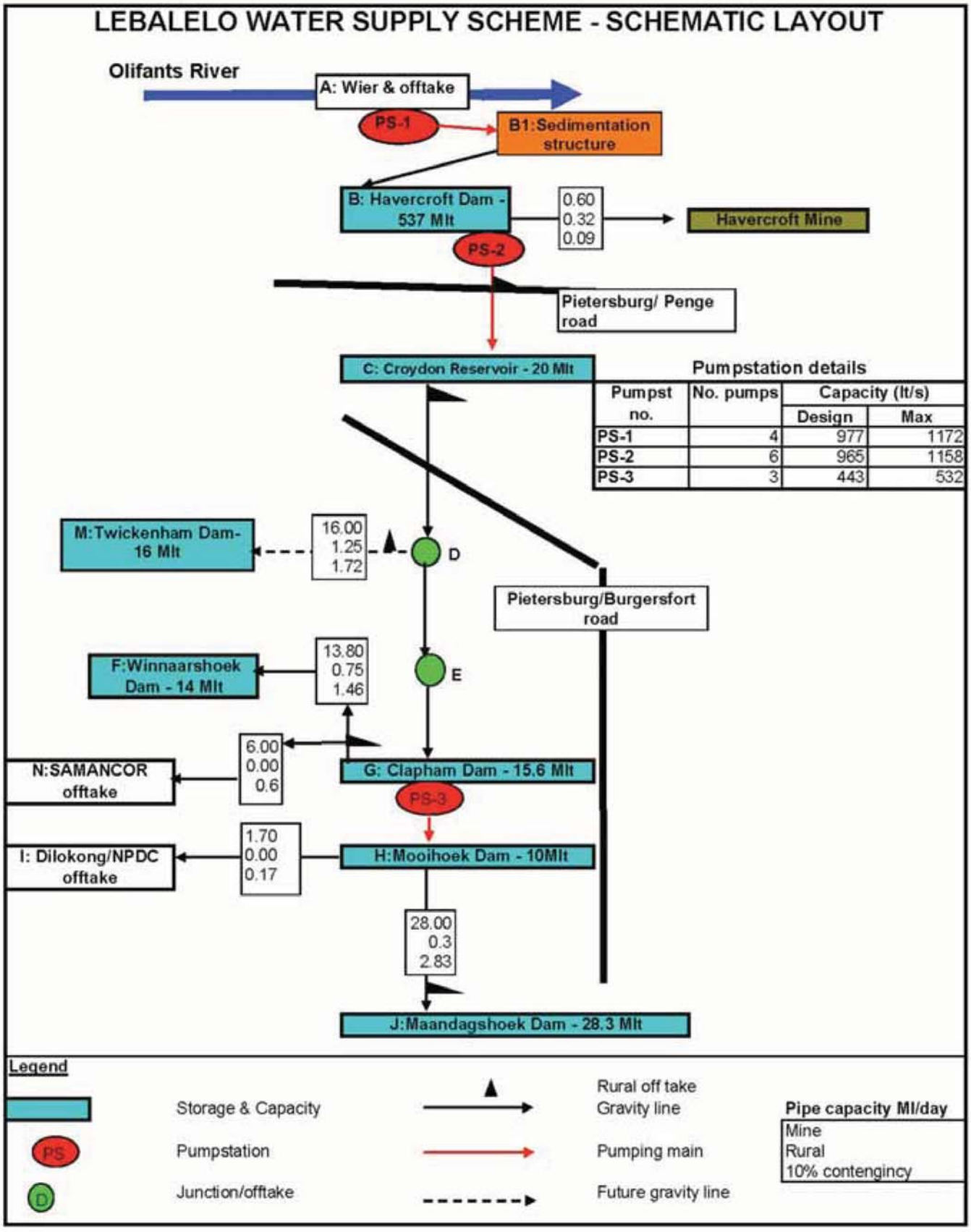
	Notes	2019 R	2019 R	2019 R	2019 R	2019 R
		Havercroft to Maandagshoek	Southern Extension	Booysendal Platinum	Other	Total
Fixed operating costs		**55 036 703**	**4 945 346**	**827 135**	**8 986 396**	**69 795 580**
Administrative expenses		6 491 752	180 404	219 243	-	6 891 399
Consultant fees		1 907 007	-	-	-	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 (Disestablishment Consultant)		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
Cathodic Protection		11 469	-	-	-	11 469
Civil		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


8. Water Use and Demand
Million cubic metres per annum
30.000
25.000
20.000
15.000
10.000
5.000
0.000
01/02
03/04
05/06
07/08
09/10
11/12
13/14
15/16
17/18
19/20
21/22
23/24
25/26
Years
Scheme Capacity
Demand Forecast at Licence Application
Present Use and Demand Forecast Jun 20/24

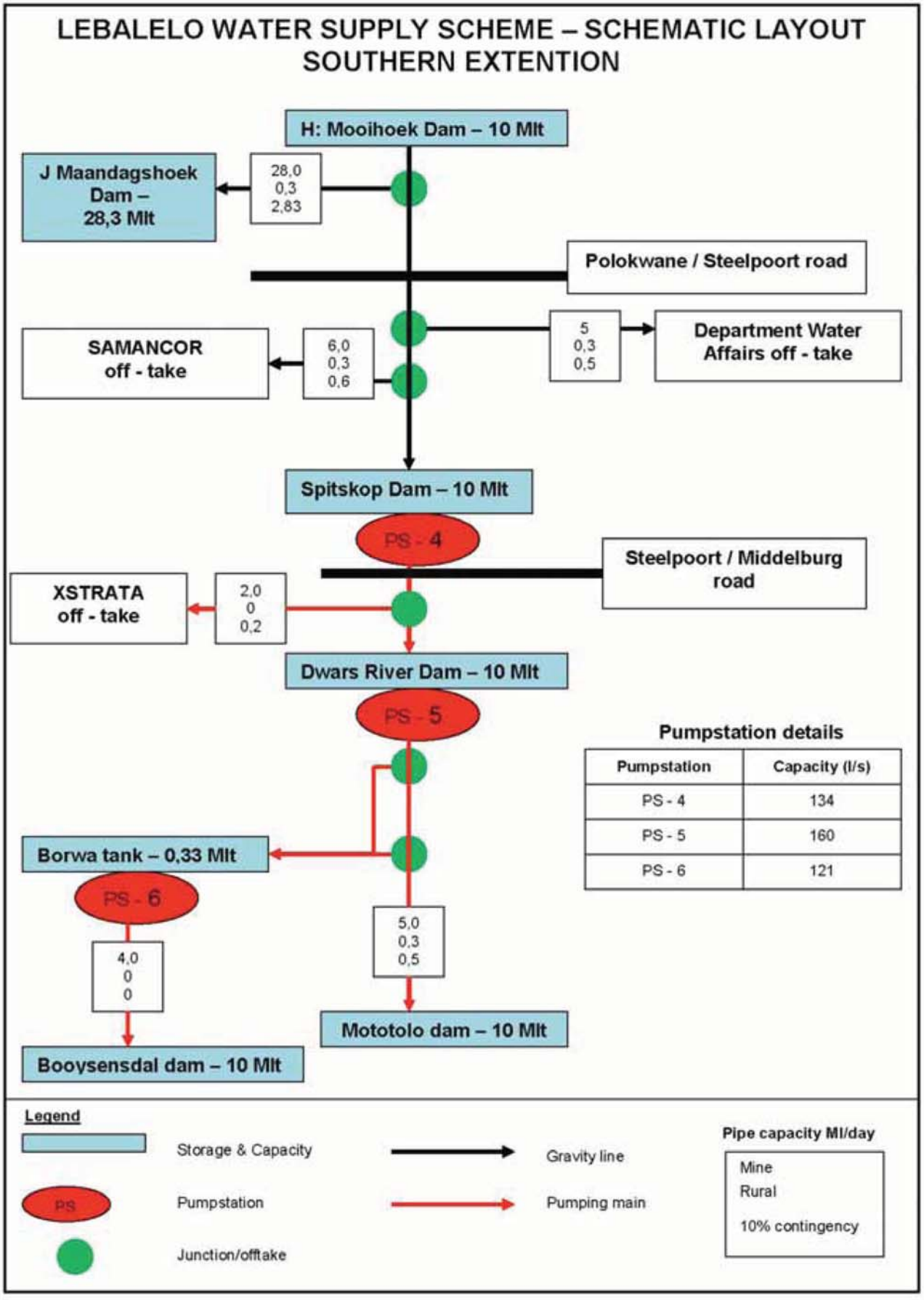

MAP 1
Capricorn DM
From Flag Boshielo Dam
Olifants
Kgotswane
Lepelle-Nkumpi
Olifants
LEBOWA PLATINUM
UCAR CHROME
LEBOWA PLATINUM
ATOK PLATINUM
UCAR CHROME
ATOK-MINE
ATOK PLATINUM
R37
Olifants
Havercroft weir
ANGLO PLATINUM
ANGLO PLATINUM
Motse
Fetakgomo
TWICKENHAM
Matadi
Moopetsi
Motse
MARULA PLATINUM
STEELPOORT CHROME
MARULA
NO 5 SHAFT GROOTHOEK
GROOTHOEK CHROME
R37
DRIEKOP
GROOTHOEK
Mooihoek WTP
ASA METALS
Hoolpong
Greater Tubatse
MOOIHOEK CHROME
MOOIHOEK
MODIKWA (NORTH SHAFT)
MONTROSE CHROME
MODIKWA (MID SHAFT)
MONTROSE CHROME
Moopetsi
Limpopo
Sekhukune DM
MODIKWA (SOUTH SHAFT)
MODIKWA (HILL OPERATIONS)
SAMANCOR TYBATSE MINE
Makhudutamaga
EASTERN CHROME (WINTERVELD SECTION)
R555
Burgersfort
Spekboom
R37
Burgersfort WTP
SAMANCOR TYBATSE MINE
Tubatsane
Steelpoort
STEELPOORT CHROME
Steelpoort
Steelpoort WTP
SAMANCOR
EASTERN CHROME
0 2200 4400 6600 8800 m
Scale 1:175000
MAP 1
MAP 2

ANNEXURE A1: AREA OF OPERATION (EXISTING AREA)




LEBALELO WATER SUPPLY SCHEME - SCHEMATIC LAYOUT
Olifants River
A: Wier & offtake
PS-1
B1:Sedimentation structure
B: Havercroft Dam - 537 Mlt
0.60
0.32
0.09
Havercroft Mine
PS-2
Pietersburg/ Penge road
C: Croydon Reservoir - 20 Mlt
Pumpstation details
Pumpst no.
No. pumps
Capacity (lt/s)
Design
Max
PS-1 4 977 1172
PS-2 6 965 1158
PS-3 3 443 532
M:Twickenham Dam- 16 Mlt
16.00
1.25
1.72
D
Pietersburg/Burgersfort road
F:Winnaarshoek Dam - 14 Mlt
13.80
0.75
1.46
E
6.00
0.00
0.6
N:SAMANCOR offtake
G: Clapham Dam - 15.6 Mlt
PS-3
1.70
0.00
0.17
I: Dilokong/NPDC offtake
H:Mooihoek Dam - 10Mlt
28.00
0.3
2.83
J:Maandagshoek Dam - 28.3 Mlt
Legend
Storage & Capacity
Pumpstation
Junction/offtake
Rural off take
Gravity line
Pumping main
Future gravity line
Pipe capacity Ml/day
Mine
Rural
10% contengincy

ANNEXURE A3: SCHEMATIC LAYOUT (SOUTHERN EXTENSION)



LEBALELO WATER USER ASSOCIATION - REVISED SUMMARY BUDGET : 01/07/2018 TO 30/06/2023 (SCHEME: FROM HAVERCROFT WEIR TO MAANDAGSHOEK DAM)

	SUMMARY BUDGET : HAVERCROFT - MAANDAGSHOEK	2019/2020							2021/2022		2022/2023		2023/2024		2024/2025	
		Approv Budget R/m³	APPROVED BUDGET 19/2020	Actual R/m³	FORECAST EXPENDITURE AS AT 30.06.2020	Unit Cost revised Budget 2020/2021 R/m³	REVISED BUDGET 2020/2021	INCREASE (DECREASE) year on year (June 2020 Actual vs June 2021)	Budget R/m³	REVISED BUDGET	Budget R/m³	REVISED BUDGET	Budget R/m³	REVISED BUDGET	Budget R/m³	REVISED BUDGET
A	**WORKING CAPITAL**															
1	STORES (Emergency Spares)	0,10	1 054 000	0,10	1 054 000	0,10	1 158 854	104 854	0,13	1 533 549	0,10	1 220 587	0,05	627 768	0,07	966 357
2	UPGRADING INFRASTRUCTURE	0,10	1 067 570	0,10	1 067 570	0,13	1 447 400	379 830	0,03	371 520	0,03	401 242	0,03	433 341	0,04	532 808
3	OFFICE & COMPUTER EQUIPMENT	0,01	113 260	0,01	113 260	0,03	303 782	190 522	0,01	59 509	-	-	-	-	-	-
4	TOOLS AND EQUIPMENT	0,04	380 315	0,04	380 315	0,06	711 763	331 448	0,07	859 280	0,07	824 099	0,06	795 244	0,07	969 702
5	VEHICLES & MOBILE EQUIPMENT	0,05	576 400	0,05	576 400	0,06	685 000	259 524	-	-	-	-	-	-	-	-
6	REFURBISHMENT: ASSETS	0,38	4 135 812	0,39	4 135 812	0,13	1 522 268	-2 613 544	0,16	1 830 390	0,18	2 218 662	0,20	2 529 066	0,1	1 536 990
	STRATEGIC PROJECTS	3,08	33 354 776	6,94	73 139 790	1,28	14 468 901	-58 670 889		17 800 500		12 895 155		8 088 979		12 213 484
7,1	*REPAIR THE LEBALELO BRAND*		*5 085 000*		*5 085 000*		*2 500 000*	*-2 585 000*		*900 000*		*1 500 000*		-		-
7,2	*REPAIR THE COMMUNITY TRUST*		*1 985 324*		*1 985 324*		*3 585 000*	*1 599 676*		*3 291 736*		*2 836 733*		*3 136 307*		*4 175 979*
8	*ACHIEVE OPERATIONAL EXCELLENCE*		*21 384 452*		*29 525 619*		*11 616 000*	*-17 909 619*		*19 608 736*		*8 388 400*		*4 952 672*		*8 037 505*
9	*GOVERNANCE*		*4 940 000*		*21 005 894*		*-4 350 000*	*-16 633 694*		*3 000 000*		-		-		-
10	*Covid-19*		-		*15 558 153*		*-7 376 099*	*-23 134 252*				-		-		-
	SUB TOTAL: WORKING CAPITAL	**3,76**	**40 682 133**	**9,11**	**96 025 300**	**1,79**	**20 297 967**	**-62 583 257**	**1,66**	**22 454 748**	**1,44**	**17 559 746**	**0,97**	**12 474 398**	**1,18**	**16 219 341**
	FUNDING: REPLACEMENT & REFUBISHMENT FUND PLUS SPECIAL PROJECTS	**-3,76**	**-40 682 133**	**-9,11**	**-96 025 300**	**-1,79**	**-20 297 967**	**83 303 432**	**-1,66**	**-19 454 748**	**-1,44**	**-17 559 746**	**-0,97**	**-12 474 398**	**-1,18**	**-16 219 341**
	A SUB TOTAL: WORKING CAPITAL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Water Requirements in m³ (Forecast/month) through Hdroft & Weir Pump Station		10 822 758		10 545 093		11 331 362	-	-	11 738 772	-	12 214 862	-	12 849 082	-	13 708 124
B	**FIXED OPERATIONAL COSTS**															
20	PERSONNEL COSTS	2,71	29 325 493	2,83	29 802 435	2,65	30 064 561	262 126	2,93	34 437 899	2,71	33 088 759	2,65	34 059 683	2,57	35 215 925
21	CONSULTANT FEES	0,05	500 000	-	-	0,03	300 000	300 000	0,05	600 000	0,06	700 000	0,06	750 000	0,06	800 000
22	COMMUNITY WATER SUPPLY	0,04	432 910	0,04	432 910	0,04	453 254	20 344	0,04	469 551	0,04	488 594	0,04	513 963	0,04	548 325
23	ADMINISTRATIVE EXPENSES	0,51	5 508 522	0,46	4 867 983	0,49	5 594 790	726 807	0,51	5 984 923	0,53	6 466 005	0,54	6 986 209	0,55	7 548 758
24	SOFTWARE DEVELOPMENT & TRAINING	0,04	409 100	0,03	271 448	0,05	521 102	249 654	0,08	917 296	0,09	1 045 680	0,08	1 069 934	0,08	1 155 529
25	TRANSPORT	0,08	838 050	0,08	841 705	0,08	862 979	21 274	0,08	932 017	0,08	1 006 579	0,08	1 087 105	0,09	1 174 073
26	SECURITY & SAFETY	0,76	8 278 418	0,74	7 830 630	1,09	12 323 394	4 492 764	1,13	13 257 398	1,17	14 309 145	1,19	15 338 149	1,21	16 565 201
27	MAINTENANCE	0,57	6 117 400	0,69	7 255 250	0,60	6 760 617	-494 633	0,55	6 452 504	0,57	6 920 705	0,53	6 748 763	0,55	7 475 271
28a	DEPRECIATION (GAAP)	0,46	5 013 579	0,48	5 013 579	0,48	5 450 887	488 168	0,89	10 418 940	0,99	12 117 033	1,09	14 019 532	1,08	14 850 461
28b	REPLENISHMENT OF REFURBISHMENT FUND	0,10	1 082 276	0,10	1 082 276	0,10	1 133 136	50 860	0,40	4 695 509	0,50	6 107 431	0,60	7 709 449	0,60	8 224 874
29	FIXED ELECTRICITY COSTS per Pump Station	0,30	3 253 086	0,30	3 157 536	0,30	3 434 136	276 600	0,33	3 910 451	0,36	4 452 830	0,39	5 070 438	0,42	5 773 708
	Water losses in m³		129 377		669 072		600 000	-69 072		600 000		600 000		600 000		600 000
30,1	Cost of Water Losses	0,01	54 166	0,03	280 119	0,02	251 201	-28 918	0,02	271 297	0,02	293 001	0,02	316 441	0,02	341 756
30,2	0	0,02	240 641	0,12	1 244 473	0,01	76 473	-1 167 999	0,01	82 591	0,01	89 198	0,01	96 334	0,01	104 041
	0,00															
31	FIXED WATER COSTS	0,09	920 872	0,07	779 353	0,08	946 914	167 561	0,09	1 022 667	0,09	1 104 481	0,09	1 192 839	0,09	1 288 266
32	WATER USER ASSOCIATIONS(Loskop, Olifants, Elands)	0,04	385 607	0,03	324 612	0,02	238 585	-86 027	0,02	197 358	0,02	217 094	0,02	238 803	0,02	262 683
	B SUB TOTAL: FIXED OPERATIONAL COSTS	**5,76**	**62 360 120**	**5,99**	**63 184 309**	**6,04**	**68 488 502**	**5 227 720**	**6,73**	**78 954 893**	**6,74**	**82 299 105**	**6,81**	**87 488 193**	**6,79**	**93 103 998**
	Increase % year on year on forecast(19/20) vs budget(20/21) Rand value						8,39%			22,14%		5,69%		7,68%		6,44%
	Less Depreciation (not recouped from members)	-0,46	-5 013 579	-0,48	-5 013 579	-0,48	-5 450 887	-437 308	-0,89	-10 418 940	-0,99	-12 117 033	-1,09	-14 019 532	-1,08	-14 850 461
	TOTAL OPERATIONAL BUDGET (Fixed Cost)(A+B) less surplus brought forward from previous year	**5,30**	**57 346 541**	**5,52**	**58 170 730**	**5,56**	**63 037 616**	**4 866 885**	**6,24**	**73 231 462**	**6,25**	**76 289 502**	**6,32**	**81 178 111**	**6,31**	**71 130 158**
	Increase % year on year on unit cost per m³						0,85%									
	Water Requirements in m³ (Forecast/month) through Hdroft & Weir Pump S		10 822 758		10 545 093		11 331 362	786 269		11 738 772		12 214 862		12 849 082		13 708 124
	Increase % year on year : Water Forecast 20/21 vs Actual water usage 19/20						7,46%									
	Water Requirements in m³ (Forecast/month) through Clapham Pump Statio		7 802 436		6 471 372		9 201 090	2 729 718		9 532 519		9 746 739		10 200 959		10 750 001
C	**VARIABLE COSTS**															
50	TOTAL RAW WATER COST	0,42	4 537 043	0,37	3 862 258	0,44	4 985 290	1 123 032	0,48	5 682 254	0,54	6 650 714	0,57	7 311 099	0,60	8 255 110
51	ELECTRICITY COST ACCORDING TO DEMAND (Energy Cost	1,92	18 737 212	1,83	15 113 029	2,02	21 167 424	4 809 922	2,26	24 887 929	2,54	28 974 261	2,86	34 260 738	3,21	41 007 012
52	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C Total Variable Cost	**2,33**	**23 274 255**	**2,20**	**18 975 287**	**2,46**	**26 152 714**	**5 932 954**	**2,74**	**30 570 183**	**3,09**	**35 624 975**	**3,43**	**41 571 837**	**3,81**	**49 262 122**
	A+B+C Total O & M Budget (Fixed & Variable)	**7,63**	**80 620 796**	**7,71**	**77 146 017**	**8,02**	**89 190 330**	**10 799 839**	**8,98**	**103 801 645**	**9,33**	**111 914 477**	**9,74**	**122 749 947**	**10,12**	**120 392 280**
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-15 348 253,41
	Increase in total unit costs year on year						4,01%									

NOTE: THE WATER FORECAST IS PRE COVID AND DOES NOT MAKE PROVISION FOR A POSSIBLE DECREASE IN WATER CONSUMPTION

JM Bräsler
APPROVED
CHAIRPERSON: FINANCIAL COMMITTEE
LEBALELO WATER USER ASSOCIATION

18 June 2020
DATE

DW Pelser
APPROVED
CHAIRPERSON: MANAGEMENT COMMITTEE
LEBALELO WATER USER ASSOCIATION

18 June 2020
DATE

LEBALELO WATER USER ASSOCIATION - REVISED BUDGET : 01/07/2020 TO 30/06/2025 (SOUTHERN EXTENSION)

SOUTHERN EXTENSION -SUMMARY	2019/2020				2020/2021			2021/2022		2022/2023		2023/2024		2024/2025	
	Approve Budget R/m³	APPROVED BUDGET	Actual R/m³	FORECAST EXPENDITURE AS AT 30.06.2020	Unit Cost revised Budget 2020/2021 R/m³	REVISED BUDGET 2020/2021	INCREASE (DECREASE) year on year (June 2020 Actual vs June 2021)	Budget R/m³	REVISED BUDGET	Budget R/m³	REVISED BUDGET	Budget R/m³	REVISED BUDGET	Budget R/m³	REVISED BUDGET
WORKING CAPITAL															
STORES	0,07	385 000	0,10	385 000	0,20	855 224	470 224	0,44	1 895 844	0,21	918 077	0,17	799 969	0,20	1 032 884
UPGRADING INFRASTRUCTURE	0,08	400 000	0,10	400 000	0,02	85 000	-315 000	-	-	-	-	-	-		-
TOOLS AND EQUIPMENT	-	-	-	-	0,00	11 456	11 456	0,00	12 372	0,00	13 362	0,00	14 431	0,00	15 586
REPLACEMENTS OUT OF REFURBISHMENT FUND	0,03	148 000	0,04	148 000	0,05	228 000	80 000	0,01	60 480	0,00	143 078	0,01	70 544	0,03	160 168
CAPITAL PROJECTS	0,02	120 000	0,03	120 000	0,05	220 000	100 000	-	-	0,29	1 296 000	-	-	-	-
SUB TOTAL: WORKING CAPITAL	**0,20**	**1 053 000**	**0,28**	**1 053 000**	**0,32**	**1 399 680**	**346 680**	**0,45**	**1 968 696**	**0,50**	**2 370 518**	**0,18**	**884 944**	**0,23**	**1 208 638**
FINANCED OUT OF REPLACEMENT AND REFURBISHMENT FUND	**-0,20**	**-1 053 000**	**-0,28**	**-1 053 000**	**-0,32**	**-1 399 680**	**-246 680**	**-0,45**	**-1 968 696**	**-0,53**	**-2 370 518**	**-0,18**	**-884 944**	**-0,23**	**-1 208 638**
A SUB TOTAL: WORKING CAPITAL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FIXED OPERATIONAL COSTS															
ADMINISTRATIVE EXPENSES	0,04	193 130	0,05	177 419	0,04	193 130	15 711	0,05	212 443	0,05	233 687	0,05	257 056	0,05	282 762
SECURITY & SAFETY	0,14	748 869	0,19	710 193	0,21	907 323	197 130	0,22	941 713	0,23	1 034 435	0,24	1 136 312	0,24	1 248 253
MAINTENANCE	0,46	2 453 600	0,68	2 589 318	0,51	2 187 404	-401 914	0,62	2 697 131	0,65	2 890 255	0,62	2 991 156	0,57	3 001 130
DEPRECIATION (GAAP)	0,98	5 191 025	1,36	5 191 025	1,30	5 606 307	415 282	1,40	6 054 812	1,47	6 539 196	1,47	7 062 332	1,45	7 627 319
FIXED ELECTRICITY COSTS-Cathodic Protection	0,01	64 367	0,02	57 394	0,01	62 422	5 028	0,02	67 415	0,02	72 809	0,02	78 633	0,02	84 924
SUB TOTAL: FIXED OPERATIONAL COSTS excl Electrical costs	**1,64**	**8 650 991**	**2,29**	**8 725 349**	**2,07**	**8 956 586**	**231 237**	**2,30**	**9 973 514**	**2,42**	**10 770 382**	**2,40**	**11 525 490**	**2,33**	**12 244 387**
FIXED ELECTRICITY COSTS (Mototolo & Booysensdal)	0,20	737 224	0,23	668 244	0,20	657 449	-10 795	0,22	710 045	0,31	766 848	0,29	828 196	0,28	894 452
B SUB TOTAL: FIXED OPERATIONAL COSTS	**1,84**	**9 388 215**	**2,52**	**9 393 593**	**2,27**	**9 614 035**	**220 442**	**2,52**	**10 683 558**	**2,73**	**11 537 230**	**2,69**	**12 353 686**	**2,61**	**13 138 839**
Increase % year on year on forecast(19/2020) vs budget(2020/2021) (Mototolo and Booysendal)						2,35%			11,12%		7,99%		7,08%		6,36%
TOTAL OPERATIONAL BUDGET (Fixed Cost)(A+B)	**1,84**	**9 388 215**	**2,52**	**9 393 593**	**2,27**	**9 614 035**	**220 441,75**	**2,52**	**10 683 558**	**2,73**	**11 537 230**	**2,69**	**12 353 686**	**2,61**	**13 138 839**
Increase % year on year on unit cost per m³						-9,76%									
Water Demand in m³		5 280 768		3 811 805		4 328 299	516 494		4 332 519		4 446 739		4 800 959		5 250 001
Water requirements in m³ -Mototolo,Booysendal & Glencore		3 638 734		2 929 059		3 250 000	320 941		3 250 000		2 500 000		2 850 000		3 216 000
Water requirements in m³ -Booysendal Mine only		800 000		767 319		850 000	82 681		850 000		850 000		850 000		850 000
VARIABLE COSTS															
ELECTRICITY COSTS According to Demand (Energy Cost)	1,10	3 988 149	1,22	3 573 452	1,33	4 321 850	748 398	1,51	4 921 291	1,72	4 310 672	1,96	5 595 761	2,24	7 190 178
C Total Variable Cost	**1,10**	**3 988 149**	**1,22**	**3 573 452**	**1,33**	**4 321 850**	**748 398**	**1,51**	**4 921 291**	**1,72**	**4 310 672**	**1,96**	**5 595 761**	**2,24**	**7 190 178**
Increase % year on year on cost per m³						9,00%									
A+B+C Total O & M Budget (Fixed & Variable)	**2,94**	**13 376 364**	**3,74**	**12 967 045**	**3,60**	**13 935 885**	**968 840**	**4,03**	**15 604 849**	**4,45**	**15 847 902**	**4,65**	**17 949 447**	**4,85**	**20 329 017**
						-			-		-		-		-
Increase in total unit costs year on year						-3,63%									

JM Bräsler
APPROVED
CHAIRPERSON: FINANCIAL COMMITTEE
LEBALELO WATER USER ASSOCIATION

18 June 2020
DATE

DW PELSER
APPROVED
CHAIRPERSON: MANAGEMENT COMMITTEE
LEBALELO WATER USER ASSOCIATION

18 June 2020
DATE

LEBALELO WATER USER ASSOCIATION - REVISED BUDGET : 01/07/2020 TO 30/06/2025 - BOOYSENDAL

Page No	BOOYSENDAL SUMMARY	2019/2020				2020/2021			2021/2022		2022/2023		2023/2024		2024/2025	
		Approve Budget R/m³	APPROVED BUDGET 19/2020	Actual R/m³	FORECAST EXPENDITURE AS AT 30.06.2020	Unit Cost revised Budget 2020/2021 R/m³	REVISED BUDGET 2020/2021	INCREASE (DECREASE) year on year (June 2020 Actual vs June 2021)	Budget R/m³	REVISED BUDGET	Budget R/m³	REVISED BUDGET	Budget R/m³	REVISED BUDGET	Budget R/m³	REVISED BUDGET
NP/A	**WORKING CAPITAL**															
1	STORES	0,08	60 000	0,08	60 000	0,12	105 896	45 896	0,20	170 528	0,19	160 842	0,07	61 119	0,22	185 108
2	UPGRADING INFRASTRUCTURE	2,01	1 610 000	2,10	1 610 000	0,29	248 678	-1 361 322	0,28	236 172	0,34	288 066	0,37	311 111	-	182 567
3	TOOLS AND EQUIPMENT	-	-	-	-	0,01	6 600	6 600	-	-	-	-	-	-	-	-
4	REPLACEMENTS OUT OF REFURBISHMENT FUND	-	-	-	-	0,29	250 000	250 000								
5	CAPITAL PROJECTS	-	-	-	-	-	-	-								
	SUB TOTAL: WORKING CAPITAL	2,09	1 670 000	2,18	1 670 000	0,42	611 174	-1 058 826	0,60	406 700	1,05	448 908	0,64	372 231	0,59	367 675
	FINANCED OUT OF REPLACEMENT AND REFURBISHMENT FUND	-2,09	-1 670 000	-2,18	-1 670 000	-0,72	-611 174	1 058 826	-0,60	-509 300	-1,05	-888 666	-0,64	-545 903	-0,59	-502 367
	A SUB TOTAL: WORKING CAPITAL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NP/B	**FIXED OPERATIONAL COSTS**															
21	ADMINISTRATIVE EXPENSES	0,34	270 000	0,33	251 611	0,32	271 740	20 129	0,35	293 480	0,37	316 958	0,40	342 315	0,43	369 700
22	SECURITY & SAFETY	0,55	441 554	0,57	436 766	0,64	547 144	110 378	0,70	590 916	0,75	638 189	0,81	689 244	0,88	744 384
23	MAINTENANCE	0,69	550 667	0,85	652 000	1,07	907 338	255 338	1,27	1 075 624	1,33	1 134 061	1,45	1 230 356	1,62	1 376 433
24	DEPRECIATION (GAAP)	0,04	28 161	0,04	28 161	0,03	28 161	-	0,03	29 569	0,04	31 048	0,04	32 600	0,04	35 208
25	FIXED ELECTRICITY COSTS	0,42	336 460	0,45	344 772	0,44	377 243	32 471	0,49	414 967	0,54	456 463	0,59	502 110	0,65	552 321
	B SUB TOTAL: FIXED OPERATIONAL COSTS	2,03	1 626 842	2,20	1 713 310	2,51	2 131 627	418 316	2,83	2 404 555	3,03	2 576 720	3,29	2 796 625	3,62	3 078 046
	Increase % year on year on forecast(19/2020) vs budget(2020/2021) Rand Value						24,42%			12,80%		7,16%		8,53%		10,06%
	TOTAL OPERATIONAL BUDGET (Fixed Cost)(A+B)	2,03	1 626 842	2,20	1 713 310	2,51	2 131 627	418 316	2,83	2 404 555	3,03	2 576 720	3,29	2 796 625	3,62	3 078 046
	Increase % year on year on unit cost per m³						14,2%									
	Water requirements in m³ (Forecast/month)		800 000		780 300		850 000	82 681		850 000		850 000		850 000		850 000
NP/C	**VARIABLE COSTS**															
50	ELECTRICITY COSTS According to Demand (Energy Cost)	1,25	999 199	1,23	959 769	1,35	1 147 500	187 731	1,54	1 306 658	1,75	1 487 892	1,99	1 694 262	2,27	1 929 257
	Increase % year on year on cost per m³						9,76%									
	C Total Variable Cost	1,25	999 199	1,23	959 769	1,35	1 147 500	187 731	1,54	1 306 658	1,75	1 487 892	1,99	1 694 262	2,27	1 929 257
	A+B+C Total O & M Budget (Fixed & Variable)	3,28	2 626 041	3,43	2 673 079	3,86	3 279 127	606 047	4,37	3 711 213	4,78	4 064 612	5,28	4 490 887	5,89	5 007 302
		-	-		-		-			-		-		-		-
	Increase in unit costs year on year						12,61%									

JM Bräsler
APPROVED
CHAIRPERSON: FINANCIAL COMMITTEE
LEBALELO WATER USER ASSOCIATION

18 June 2020
DATE

DW PELSER
APPROVED
CHAIRPERSON: MANAGEMENT COMMITTEE
LEBALELO WATER USER ASSOCIATION

18 June 2020
DATE

A. Projected Five-Year Statement of Comprehensive Income

YEAR	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
Water use in m^3	9 855 579	11 331 362	11 738 772	12 214 862	12 849 082	13 708 124
Revenue						
Fixed Electricity Costs	**4 391 137**	**4 531 249**	**5 102 878**	**5 748 951**	**6 479 377**	**7 305 404**
Havercroft	3 253 086	3 434 136	3 910 451	4 452 830	5 070 438	5 773 708
Cathodic Protection	64 367	62 422	67 415	72 809	78 633	84 924
Southern Extension	737 224	657 449	710 045	766 848	828 196	894 452
Booysendal	336 460	377 243	414 967	456 463	502 110	552 321
Fixed Operating Income	**68 214 082**	**75 463 084**	**77 654 448**	**71 899 311**	**77 171 967**	**81 437 782**
Havercroft	57 170 110	61 276 254	71 710 881	75 583 814	80 664 147	85 667 402
Southern Extension	9 417 131	10 683 558	11 537 230	11 537 230	12 353 686	13 138 839
Booysendal	1 626 842	2 131 627	2 404 555	2 576 720	2 796 625	3 078 046
Covid-19 Levy	**4 176 292**	**16 705 168**	**8 352 584**			
Less: Maintenance	-9 121 607	-9 855 359	-10 225 259	-10 945 021	-10 970 275	-11 852 834
Less: CMA	-	-946 914	-1 022 667	-1 104 481	-1 192 839	-1 288 266
Less: Fixed Electricity	-4 391 137	-4 531 249	-5 102 878	-5 748 951	-6 479 377	-7 305 404
Maintenance	**9 121 607**	**9 855 359**	**10 225 259**	**10 945 021**	**10 970 275**	**11 852 834**
Havercroft	6 117 400	6 760 617	6 452 504	6 920 705	6 748 763	7 475 271
Southern Extension	2 453 600	2 187 404	2 697 131	2 890 255	2 991 156	3 001 130
Booysendal	550 607	907 338	1 075 624	1 134 061	1 230 356	1 376 433
Potable Water - Maintenance	**432 910**	**453 254**	**469 551**	**488 594**	**513 963**	**548 325**
Variable Electricity Costs	**15 057 437**	**26 636 774**	**31 115 878**	**36 319 044**	**43 319 726**	**52 140 767**
Havercroft	11 994 675	21 167 424	24 887 929	28 974 261	34 260 738	41 007 012
Southern Extension	2 037 056	4 321 850	4 921 291	5 856 891	7 364 726	9 204 499
Booysendal	1 025 706	1 147 500	1 306 658	1 487 892	1 694 262	1 929 257
Raw Water	**16 566 491**	**6 170 789**	**6 902 279**	**7 972 288**	**8 742 741**	**9 806 060**
TOTAL REVENUE	**104 447 213**	**123 110 510**	**131 470 291**	**133 373 210**	**146 959 246**	**163 091 173**
Cost of Revenue						
Electricity Charges - Fixed Costs	4 190 816	4 531 249	5 102 878	5 748 951	6 479 377	7 305 404
Electricity Charges - Variable Costs	20 146 605	26 636 774	31 115 878	36 319 044	43 319 726	52 140 767
Potable Water - Maintenance	432 910	453 254	469 551	488 594	513 963	548 325
Water Charges - Purchases	5 421 130	6 170 789	6 902 279	7 972 288	8 742 741	9 806 060
COST OF REVENUE	**30 191 461**	**37 792 067**	**43 590 586**	**50 528 877**	**59 055 808**	**69 800 556**
GROSS SURPLUS	**74 255 752**	**85 318 444**	**87 879 705**	**82 844 332**	**87 903 438**	**93 290 616**
Administration Costs	47 898 464	12 363 898	12 703 651	14 869 761	17 114 963	18 381 623
Security and Safety	9 933 361	13 777 861	14 790 027	15 981 769	17 163 706	18 557 837
Personnel Costs	26 862 264	30 364 561	34 437 899	33 088 759	34 059 683	35 215 925
Maintenance	8 336 831	9 855 359	10 225 259	10 945 021	10 970 275	11 852 834
Social Responsibility	2 144 178	6 085 000	11 191 750	4 356 755	3 136 307	4 175 979
Depreciation	**7 542 336**	**11 085 355**	**11 807 811**	**12 579 847**	**13 405 015**	**14 288 113**
Havercroft	4 400 144	5 450 887	5 723 431	6 009 602	6 310 082	6 625 587
Southern Extension	3 015 962	5 606 307	6 054 812	6 539 196	7 062 332	7 627 319
Booysendal	126 230	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	**103 371 744**	**97 186 344**	**95 8100 707**	**92 476 222**	**96 504 258**	**103 126 622**
Operating Surplus	-29 115 992	-11 867 901	-7 931 002	-9 631 890	-8 600 820	-9 836 006
Interest received	11 280 017	8 000 000	6 000 000	5 000 000	5 000 000	5 000 000
Other Income	1 463 637	100 000	107 000	114 490	122 504	131 080
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	**-16 371 380**	**-3 766 943**	**-1 823 044**	**-4 516 442**	**-3 477 358**	**-4 703 968**

B. Assumptions for the Projected Statement of Comprehensive Income

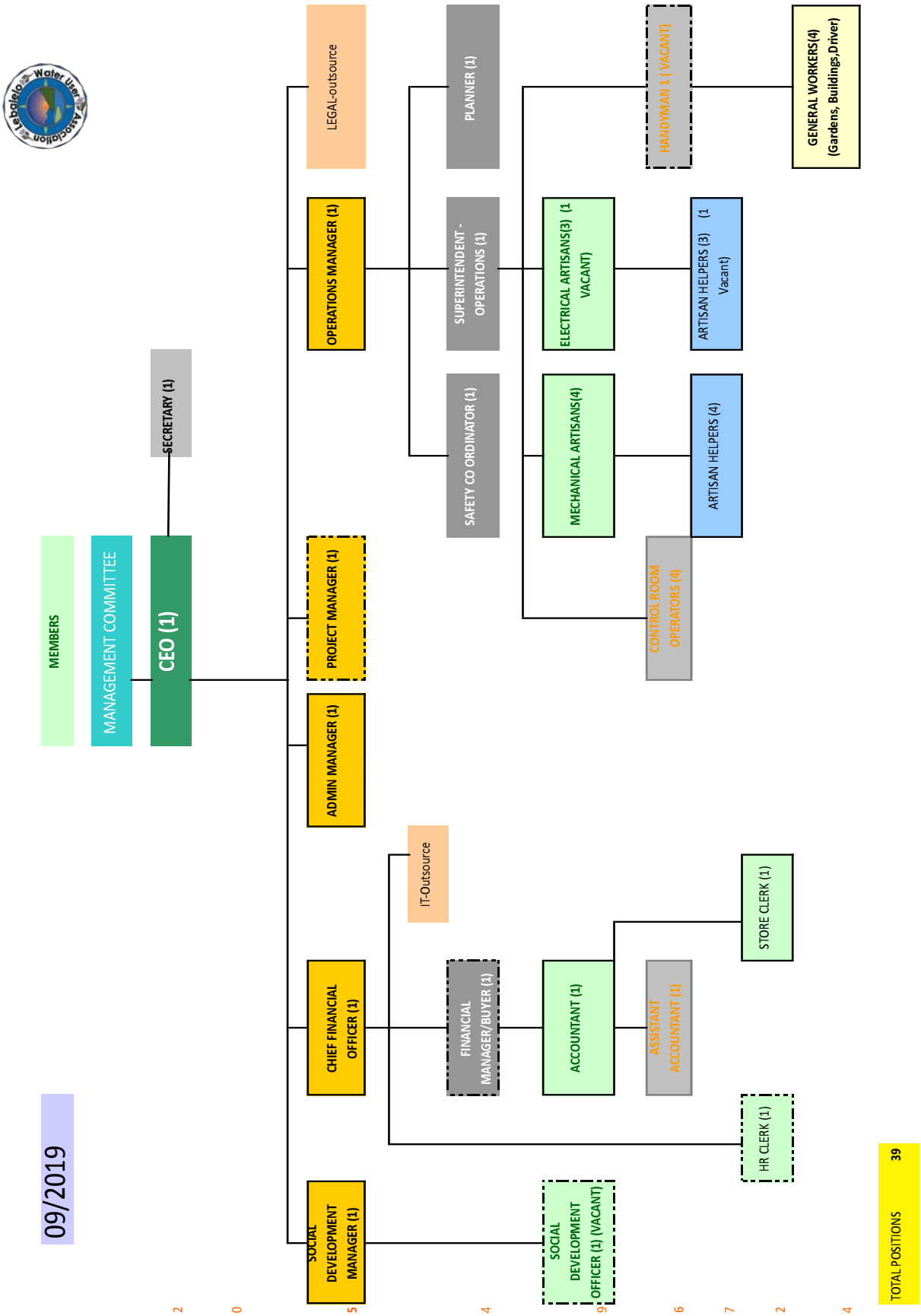
YEAR	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
Consumer Price Index (CPI or CPIX)	4.8%	5.0%	5.0%	5.0%	5.0%	5.0%
Water Use Growth (%)	36%	15%	4%	4%	5%	7%
Water Purchase Cost Increase (%)	6%	8%	8%	8%	8%	8%
Prime Interest Rate (%)	10.25%	7.00%	8.00%	8.00%	8.00%	8.00%
Average Interest Rate on Investment	6.50%	3.50%	4.00%	4.00%	5.00%	5.00%
Other Assumptions	8%	8%	8%	8%	8%	8%

C. Capital Expenditure Summary

YEAR	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
Capital Works	**0**	**1 781 078**	**607 692**	**689 308.02**	**744 352.30**	**715 374.98**
Havercroft	-	1 447 400	371 520	401 242	433 341	532 808
Southern Extension	-	85 000	-	-	-	-
Booysendal	-	248 678	236 172	288 066	311 111	182 567
Renewals	**21 320 102**	**2 130 268**	**3 140 870**	**2 361 741**	**2 599 610**	**1 697 158**
Havercroft	21 180 948	1 902 268	3 080 390	2 218 662	2 529 066	1 536 990
Southern Extension	65 446	228 000	60 480	143 078	70 544	160 168
Booysendal	73 708	-	-	-	-	-
Movable Assets	**8 059 734**	**1 718 600**	**310 461**	**320 923**	**955 762**	**345 276**
Havercroft	8 059 734	1 700 544	79 453	17 003	824 099	0
Southern Extension	-	11 456	60 480	143 078	70 544	160 168
Booysendal	-	6 600	170 528	160 842	61 119	185 108
Less Refurbishment Fund Contribution	**-29 379 836**	**-5 629 946**	**-3 762 371**	**-3 371 972**	**-4 299 825**	**-2 757 810**
Havercroft	-29 240 682	-5 050 212	-3 531 363	-2 636 907	-3 786 506	-2 069 798
Southern Extension	-65 446	-324 456	-60 480	-286 157	-141 088	-320 336
Booysendal	-72 708	-255 278	-170 528	-448 908	-372 231	-367 675
Total Capital Expenditure Requirements	**-**	**-**	**-**	**-**	**-**	**-**

D. Generic Financial Indicators/Ratios

Indicators / Ratios	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
Gross Revenue (R)	104 447 213	123 110 510	131 470 291	133 373 210	146 959 246	163 091 173
Average Water Use Charge	0.55	0.54	0.59	0.65	0.68	0.72
Operating Surplus (% of GR)	71.09%	69.30%	66.84%	62.11%	59.81%	57.20%
Total Expenditure	133 563 205	134 978 411	139 401 292	143 005 099	155 560 066	172 927 178
Operating Costs (% of GR)	98.97%	78.94%	72.88%	69.34%	65.67%	63.23%
Cost of Revenue (% of GR)	28.91%	30.70%	33.16%	37.89%	40.19%	42.80%
Finance Costs (% of GR)	0%	0%	0%	0%	0%	0%
Manpower Costs (% of GR)	25.72%	24.66%	26.19%	24.81%	23.18%	21.59%
Training Costs per employee (R/year)	18 437	11 103	13 014	13 022	8 741	7 724
Working Ratio	1.28	1.10	1.06	1.07	1.06	1.06
Rate on Return of Assets	n/a	n/a	n/a	n/a	n/a	n/a
Gross Surplus Margin	71.09%	69.30%	66.84%	62.11%	59.81%	57.20%
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	89	35	33	36	37	40


Water User Association
MEMBERS
MANAGEMENT COMMITTEE
CEO (1)
SECRETARY (1)
LEGAL-outsource
OPERATIONS MANAGER (1)
PROJECT MANAGER (1)
ADMIN MANAGER (1)
CHIEF FINANCIAL OFFICER (1)
SOCIAL DEVELOPMENT MANAGER (1)
PLANNER (1)
SUPERINTENDENT - OPERATIONS (1)
SAFETY CO ORDINATOR (1)
HANDYMAN 1 (VACANT)
GENERAL WORKERS(4) (Gardens, Buildings,Driver)
ELECTRICAL ARTISANS(3) (1 VACANT)
ARTISAN HELPERS (3) (1 Vacant)
MECHANICAL ARTISANS(4)
ARTISAN HELPERS (4)
CONTROL ROOM OPERATORS (4)
IT-Outsource
FINANCIAL MANAGER/BUYER (1)
ACCOUNTANT (1)
ASSISTANT ACCOUNTANT (1)
STORE CLERK (1)
HR CLERK (1)
SOCIAL DEVELOPMENT OFFICER (1) (VACANT)
09/2019
TOTAL POSITIONS 39
2 0 5 4 9 6 7 2 4

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THE LEBALELO WATER USER ASSOCIATION
2020

The Lebalelo Water User Association