

INTEGRATED ANNUAL REPORT 2020/21 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 2021

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

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Contents

	Page
1. Strategic Overview	3
2. General Information of the Association	3
3. Performance Overview	5
3.1 Chairman's Statement	5
Tributes to Dean Pelser and Mark Bräsler	8
3.2 Chief Executive Officer's Report	9
4. Operations and Projects	13
6. Financial and Human Resources	19
5.1 Financial Report	19
5.2 Human Resources	20
6. Social Development	24
7. Governance, Risk and Compliance	27
8. Five Year Business Plan	33
9. Consolidated Financial Statement and Other Information	37

1. Strategic Overview

1.1 Introduction

This Integrated 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 we operate.

The purpose of the Association is “Improving lives through water” and its 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 the Association operates.

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: 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;

- 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 that 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 provider/s for delivery to communities within the footprint of the Association, and thereby to positively impact lives through water.

2.4 Our business value drivers and strategy

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.

2.5 Post Year-End Material Development

In last year's Annual Report, it was recorded that the Association had submitted a proposal to the Department of Water and Sanitation on 24 June 2020 regarding the integrated solution for the Olifants Water Resource Development Project (ORWRDP) and potable water service delivery. In this regard on 15 July 2021 the Acting Director General of the Department of Water and Sanitation, Ms Debora Mochotlhi and the Association signed a Memorandum of Intent ("the Mol") setting out the parameters for the institutional framework to give effect to the abovementioned proposed integrated solution. This matter will be dealt with elsewhere in the Annual Report.

3. Performance Overview

3.1 Chairman's statement

3.1.1 Introduction

COVID-19 has cast a dark shadow over the whole of the financial period of the Association and on behalf of the Management Committee let me start by saying that our thoughts go out to all those who have suffered from the effects of this terrible pandemic. Equally, we remain deeply thankful to our employees – who have worked tirelessly to help keep the water flowing and all other front-line workers for their courageous work.

However, notwithstanding the dark shadow cast by the COVID-19 pandemic, during the period under review the Association has made huge strides towards giving effect to its 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.

In this regard I refer to extensive discussions between the Association, the Department and several other entities which resulted in the signing of the Memorandum of Intent ("the Mol") between the Department of Water and Sanitation and the Association on 12 July 2021. This development must surely be a ray of sunshine descending upon the middle Olifants catchment and reflecting throughout the Limpopo Province and South Africa. The Mol's intention is to address the issues relating to the supply of water in the region and agreeing to, how the parties could collaborate and co-operate to assist accelerating, bulk raw water delivery in the region; the provision of potable water service delivery in the region; and socio-economic development in the region. Furthermore, the intent is to have discussions in relation to the creation of a joint venture or special purpose vehicle and a proposed collaboration model. This Mol is a pivotal point in the history of South Africa in respect of the management of water and sets the benchmark for collaboration in water management between Government and the Private Sector.

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 23% (2020: increase 30%) to R128.6 million (2020: R104.4 million) and Cost of Sales rose by 23.9% (2020:10.4%), whilst the Operating Expenses rose by less than 2% as compared to 2020 where Operating Expenses rose by some 61.6%. These results can be ascribed to the COVID-19 pandemic and the associated national lockdowns, the continuing operations maintenance on the pipeline and recruiting of staff.

From an operation and maintenance perspective the Association, through its Members, forecast a water usage of 31.06 MI/day (2020:29.7 MI/day) for the financial year. This forecast was not achieved mainly because of the COVID-19 pandemic lockdown regulations. A positive feature of the Association's operational results was that there was an improvement on the average percentage water losses experienced by the Association. Furthermore, health and safety continues 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 114 033 fatality free shifts by June 2021 (104 416 June 2020). The employees of the Association have actively started to get vaccinated as part of the National Covid Vaccination programme and this programme, although voluntary, will help us mitigate the risk of fatalities from the COVID-19 virus.

From a stay in business perspective, a total of six refurbishment and replacement projects were managed during the year. These projects included manhole and air valve refurbishment, refurbishment of the pipeline, flow meter automation, implementation of an asset management system, certain professional investigations and the Clapham Dam overflow remediation works. The total approved budget for the six projects is R13.9 million, (excluding the SE2 project) and as at the end of the financial period an average progress to date of the projects was approximately 90%. Notwithstanding the good progress being made by the projects team, they did experience some project delays during the course of the year due to the implementation of the COVID-19 lockdown regulations. Furthermore, an investigation into a second pipeline running alongside the current Association pipeline from Spitskop Pump Station to Mototolo Mine (called the Southern Extension, SE2 project) is at feasibility study phase and progressing well. Further information on these projects is dealt with in the Chief Executive Officer's Report and elsewhere in the Annual Report.

3.1.3 Stakeholder Engagement and Corporate Social Investment

During the period under review the Association continued to make 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. Examples of this outreach includes repairs to borehole motors and pumps, repairs to electricity supply for community and school boreholes and establishing water tanks for communities and schools. More detail on this matter will be reported on elsewhere in this Annual Report. These initiatives emphasise the Association's commitment to the people in the area where we operate. The Association continues to engage with the Department, Sekhukhune District Municipality, and other entities to develop a long-term sustainable water solution for the region. Our CSI impact is further enhanced through the programmes and initiatives of our members.

3.1.4 Strategy, Governance, Risk and Compliance

As reported in the 2018/2019 Annual Report, the Management Committee agreed to implement the Association's 2030 ambition which set a journey towards three horizons namely;

- Horizon 1, which was a focus in the short term to stabilise the Association's operations and the social license to operate;
- Horizon 2 which was a focus on the medium term to facilitate the building of a trusted platform social economic development in the region through the expansion of the Association's 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 on the longer term to help catalyse the creation of game changing business to drive exponential social economic impact in the region and improving lives through water.

During the period under review significant progress has been made in building on one of the Association's strategic levers, that of strengthening governance within the Association. In this regard the Management Committee and the two principal sub committees of the Management Committee, namely the Finance Committee and Social and Ethics Committee met regularly during the period under review. The composition of the Management Committee and Sub Committees and the term of office of 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 tone around risk; managing this is as much about performance as it is preservation whilst in terms of compliance the Association continues to take a proactive approach to regulation and compliance.

3.1.5 Outlook

As mentioned in my introduction, the COVID-19 pandemic and the other crises have thrown a dark shadow over the country, yet there are many rays of sunlight which give cause for optimism. From a national perspective the recent affirmation of the observance of the rule of law as one of the pillars of society must be welcomed and secondly the roll out of the COVID-19 vaccine programme is gaining momentum. From an Association perspective through its purpose of “improving lives through water”, underpinned by the Mol which articulates the intent of the Department and the Association and its members 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. Furthermore, this integrated water services model solution addresses the technical, socio-economic, and financial challenges within the middle Olifants River catchment and sees the dawn of a new chapter of collaborative water management between the public sector and the private sector. This initiative is an enormous undertaking. Further details are set out elsewhere in this Annual Report. The Mol is the first step towards creating an institutional arrangement which will drive the project which could take some 10 years to final implementation at an estimated nominal cost of R25 billion. The reality is that the Association, as we have known it for the past 20 years will change radically. This integrated water services model solution, underpinned by the Mol, 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. In essence this initiative gives effect to Association's strategic intent to help catalyse the creation of game changing business to drive exponential social economic impact in the region and improving lives through water.

3.1.6 Appreciation

I would like to thank the previous Minister of Human Settlement, 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. I also want to congratulate Minister Senzo Mchunu on his appointment as the new Minister of Water and Sanitation.

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.

I would also like to thank our Members and their representatives for their continued support and their willingness to embrace this new journey to create greater impact in the region by co-developing and helping to accelerate the execution of the ORWRDP.

Before closing my Chairman's Statement, I need to refer to the following page wherein we pay tribute to Dean Pelsler, who retired earlier in the year and note with regret the passing of Mark Bräsler. Both gentlemen served the Association with distinction, dedication and enthusiasm.

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”.

Prakashim Moodliar
CHAIRMAN

A Tribute to DEAN PELSER

Dean Pelsler went to Willowmoor High School in Benoni and thereafter earned a BSc Mining Engineering from Witwatersrand University. After graduating, Dean started his mining career in the coal mining industry but soon moved across to the ever-expanding platinum industry to the Mogalakwena Platinum Mine near Mokopane. Thereafter Dean was appointed as Divisional Director East, then General Programme Manager Eastern Limb Development at Anglo American Platinum, and then became the Executive Head: Mining. It was during this time that Dean became involved with the Association.



In terms of leadership of the Association during the period 2011 to 2020 Dean was the Anglo-American Platinum Representative on the Association and an elected member of the Management Committee. He was elected as Chairperson for 6 of those years and 4 years as Deputy Chairperson. He was a member of the Association's Remuneration Committee and Chairman of the Finance Sub Committee.

Whilst his career was always important to him, he was also very aware of life balance as could be seen by his commitment to his family, his spiritual life and sport. In sport, whilst he enjoys his golf, but his passion is angling, where he has really excelled in representing South Africa on a number of occasions at the world championships. After a distinguished career in the Mining Industry and holding very senior leadership positions within Anglo American Platinum and finding the time to lead the Association, Dean retired from Anglo American Platinum in February 2021. Ahead of his retirement Dean stepped down as Chairman of the Association at its Annual General Meeting held in November 2020.

A Tribute to MARK BRÄSLER

Mark Bräsler attended Kimberly Boys High and thereafter he graduated from the University KZN with BSc Mechanical Engineering, thereafter a BCom from Unisa and through these academic foundations this led Mark to a career in the mining industry starting in January 1983 where he moved through the ranks until he was appointed Executive Operations Support at African Rainbow Minerals.



Mark became involved with the Association through his appointment as the African Rainbow Mineral's representative for the Modikwa Platinum Mine on 1 July 2015. No sooner had Mark found his feet with the Association he was elected as a member of the Management Committee and soon thereafter he became Chairman of the Association for 4 years, and Deputy Chairman for 2 years. During the period as Deputy Chairman Mark was a member of the Remuneration Committee and also the Chair of the Finance Sub Committee. It was as Chair of this subcommittee one saw Mark's engineering skills combined with his commercial acumen where he set the tone and tempo of the Association in terms of compliance and governance.

Mark was one of those individuals where there was no "half-filled glass" person, it was full commitment. This one could see from his preparation for Association meetings and his insightful questions he posed at such meetings. Outside of the Association, Mark was a family man and keen cyclist. Whenever he was asked about a recent ride he had undertaken, his eyes would sparkle and would enthuse about the experience.

In the six years that Mark was involved with the Association his contribution will not be forgotten. Regrettably Mark passed away after a short illness on Wednesday 14 April, 2021 and our condolences have been extended to Kasane and family.

3.2 Chief Executive Officer's Report

3.2.1 Introduction

In last year's Annual Report, the Association commented on the ravages of the COVID-19 Pandemic. I wrote that "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. 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 for 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." At the end of the Association's financial year South Africa was in the vice grip of a COVID-19 3rd wave with Government responding with a further level 4 lockdown. It has been particularly ferocious, where the statistics are showing a huge spike in recorded infections. Notwithstanding this the vaccine role out, whilst slow at present will gather momentum in time. As mentioned by the Chairman, my thoughts also go out to all those who have suffered from the effects of this terrible pandemic, and I remain deeply thankful to our employees – who have responded with commendable resilience and ingenuity.

Notwithstanding the terrible effects COVID-19 is having on the Association and elsewhere I need to balance this with the positive development of the signing of the MoI with the Department of Water and Sanitation. This MoI goes to the heart of the Association's strategy, which was approved by the Management Committee some four years ago, of creating a game changing business to drive exponential social economic impact in the region and improving lives through water. More detail on the MoI and its implications are dealt with elsewhere in this Annual Report.

3.2.2 Macro and Micro-economic environment

At the beginning of the Association's financial period the economic outlook not only for global growth but also humanity was extremely uncertain and difficult to quantify. Companies around the world laid off employees as lockdown measures were enforced to contain one of the worst humanitarian crises since the 1930's as COVID-19 became a global pandemic, and of particular importance to the Association, commodity prices declined which further impacted upon mining operations, and ultimately the demand for water from the Association. However, at the end of the financial period it is reported that the price of oil has more than tripled and industrial commodity prices have also reached new highs. The reports are that the South African economy is slowly recovering from a devastating 2020 during which the economy shrunk by 7%. This was the second-largest annual contraction since 1920. The signs are that the global economy is on the mend and with this South Africa will benefit from the upswing, and from an Association perspective an increase of water demand from its Members and users.

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 Settlement, Water and Sanitation, and therefore the Association's operations 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 Association participated in the Raw Water Tariff Consultations for the Olifants Water Management Area and submitted comments on the proposed tariffs;
- the Association noted the publication of the Department of Water and Sanitation's Annual Report for the period ended 31 March 2019 signed off by the Minister on 17 February 2021.
- From a legislative perspective the Annual Report states that the Department conducted a legislative review which sought to consolidate the National Water Act, 1998 (NWA) and the Water Services Act, 1997 (WSA) to a single legislation called the National Water and Sanitation Act (the Act). This consolidation will clarify the legislative framework regarding water management across the water and sanitation value chain. It will further obviate the need for cross reading between the NWA and the WSA.

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 continued to engage with the Department on this issue. I also refer correspondence from the Department which tends to indicate that the issue of disestablishing water user associations has less of 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 Operations and Projects

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 and formal reporting to the Operations Committee (OPSCOM) on a monthly basis and thereafter to the Management Committee through its sub-committees, namely Finance Committee (FINCOM) and Social and Ethics Committee (SECOM).

In terms of the water report, there was a slight increase in the total volume of water delivered to Members and Clients of 10 035 050 m³ as compared to the 2020 figure of 9 855 579 m³, but what was of concern, as referred to by the Chairman, was the difference between budgeted water forecast and actual. Year-on-year actual usage held marginally steady but this was constrained primarily by the impact of the Covid-19 lockdown provisions. 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 1.78% losses were recorded as opposed to the 4.9% losses in 2020. This significant improvement can be ascribed to the successful rehabilitation work on valves and man-holes and cleaning of dams.

During the year, the Association continued to closely monitor its electric power utilisation. Further information on these issues is dealt with elsewhere in the Annual Report. But generally, it is pleasing to note significant improvement of the utilisation of power especially as it impacts on usage during peak hours as opposed to standard and off-peak times.

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, satellite and the cloud. 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.

A structured planned maintenance program has been implemented which monitors maintenance actions through the job cards and is supported by a primary equipment availability report. More information on this matter is dealt with elsewhere in the Annual Report.

From a project perspective, the Manager Projects, Carel Taljaard made good progress as regard the 6 projects approved by the Management Committee to the value of R13.9 million. As at the end of the financial period an average of 90% of the projects have been completed. Notwithstanding the good progress being made by the projects team, in the second half of the year, progress was hampered by the implementation of the Covid-19 lockdown regulations. More detail on these projects is set out elsewhere in the Annual Report.

In terms of large capital projects, the Chairman mentioned in his Statement the progress on the SE2 Project and the signing of the MoI which opens the way for a pre-feasibility and feasibility study on the integrated solution for the ORWRDP and potable water service delivery. Both these issues are dealt with in more detail later in the Annual Report.

The Association's strategic lever towards achieving operational excellence requires driving improvement in operational performance through greater stabilisation and process optimisation. To achieve this improvement, the SCADA data management system has been upgraded thereby improving on the reliability of data transfer by using the cloud and remote oversight management and view of the pipeline. Furthermore, a maintenance management system called IBM Maximo, which is the best of breed solution, has been implemented, which has improved the day-to-day scheduling, planned maintenance and reporting of the operations.

3.2.5 Financial

As referred to above in the Macro and Micro-economic environment part, the continued impact of the Covid-19 pandemic, the lockdown regulations and reduced commodity prices have had an impact on the financial performance of the Association.

Notwithstanding the above the Association has produced a solid performance from a financial perspective for the period under review. In this regard the Association reported total expenditure of R151.7 million (2020: R142.5 million) and income of R128.6 million (2020: 104.5 million). Due to the declining interest rates and the Association drawing on the replacement fund to repair the system, including erosion protection and security systems, the Association's investment revenue saw a significant drop from R15.6 million in 2020 to R6.8 million for the current period. In this regard I need to alert members to the fact that the replacement fund will need to be replenished in order to rebuild the replacement fund back to acceptable levels. Furthermore, it must be reported that the Association recorded a deficit for the year. This deficit came about due to the expenditure on the Lebalelo Project, renamed the Olifants Management Model Project (OMM), where the Association was not in a position to recoup that expenditure from the participants in the OMM. The recoupment of this expenditure will take place in the forthcoming years. 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 for the review period was R15.18/kl (2020: R14.46/Kl). The main cost drivers were electricity, which increased by 28.5% (2020:10.9%) to R31.3 million (2020: R24.3 million), depreciation and amortisation of assets increased by 38.4 % mainly as a result of the start-up of completed projects, the acquisition of vehicles such as the Kamaz heavy duty truck, and employment costs, in particular employment of new staff and overtime as a consequence of Covid-19.

As part of the Association's strategic lever to achieve operational excellence, from a business continuity perspective, this requires the achievement of business objectives including financial discipline, oversight of debtors, revenue collection, supply chain and information technology. Through the leadership of the CFO, Mrs Amanda Britz and her team, the Association has moved

away from the old accounting system and has implemented the SAGE 200 financial system and an asset management system. Both IT solutions have added significant value to the Association's financial controls and reporting capabilities and are flexible enough to grow with the organisation as it implements the SE2 project and moves into implementation of the principles set out in the MOI and the integrated solution for the ORWRDP and potable water service delivery for an expanded area of jurisdiction of the Association. More detail on the Association's financial issues can be found later in this Annual Report.

3.2.6 Human Resources

As mentioned by the Chairman and referred to in my introduction, the COVID-19 pandemic continues to place significant challenges on the employees of the Association, be it physical, health wise or psychological. In this regard the Association has protocols in place to ensure the health and safety of employees at this time.

Some four years ago the Association, through its strategic review set itself a strategic lever to transform our people. It was stated at that time that this strategic journey required real action which would have a positive influence on the Association with a transformative effect. This included succession planning as well as plans to address employment equity issues at management levels. Under the leadership of Philip de Wet, during the period under review, progress has been made in addressing the issue of employment equity at management level, by increasing capacity in certain areas of the organisation and formalising job descriptions and job grades of relevant management posts. Advertisements for some of these posts will be published early within the new financial year. During the financial year under review the number of employees of the Association increased slightly to 39 (2020: 31 and 1 student). Over and above transforming our people, from the perspective of operational excellence a policy and procedure dealing with the Association's performance management was approved by the Management Committee. More detail regarding the Association's Human Resources issues can be found later in this Annual Report.

3.2.7 Stakeholder Engagement and Corporate Social Investment

In 2018 as part of the Association's review of its strategy it identified restoring community trust as a strategic lever. This was based on the fact that the Association had experienced incidents of vandalism and damage to the Association's infrastructure. 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.

From the perspective of CSI initiatives undertaken by the Association during the review period I can mention that progress has been made with regard to the following; namely Nal'ibali intervention, Early Childhood Development programme, support for Orphans and Vulnerable Children (OVC) project and community Wi Fi project. More detail on these initiatives is set out elsewhere in this Annual Report.

3.2.8 Governance Risk and Compliance

Strengthening governance was identified at the time of the strategy review to be one of the Association's strategic levers. In 2018 PwC carried out a King IV governance compliance audit of the Association and found a compliance level of 51%. In the gap analysis PwC made 10 recommendations. Over the past three years, the Association, under the leadership of Alistair

Collier has implemented the recommendations and through this indicating the application of the King IV principles and an explanation as to how the principles are being affected. The issue of Governance, Risk and Compliance is dealt with in more detail elsewhere in this Annual Report.

3.2.9 Outlook

The financial year ended on a somber note because of the COVID-19 pandemic, the lockdown regulations as a result of the 3rd Wave, the terrible consequences of the pandemic, not the least being the deaths, loss of jobs and damage to the economy. However, from a positive perspective the slow roll out of the vaccine programme seems to be gaining momentum. But probably of real significance and good news must be the signing of the MOI by the Department of Water and Sanitation after the end of the Association's financial year on 12 July 2021.

The Association is committed to its strategic course of building 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 to help catalyse the creation of game changing businesses to drive exponential social economic impact in the region and through that **"Improving lives through water"**.

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"**. A special thanks to the Management team involved in the delivering this annual report, as well as the Management Committee and Members for their vision and support in driving the Association to another level.

J.A. Bierman
CHIEF EXECUTIVE OFFICER

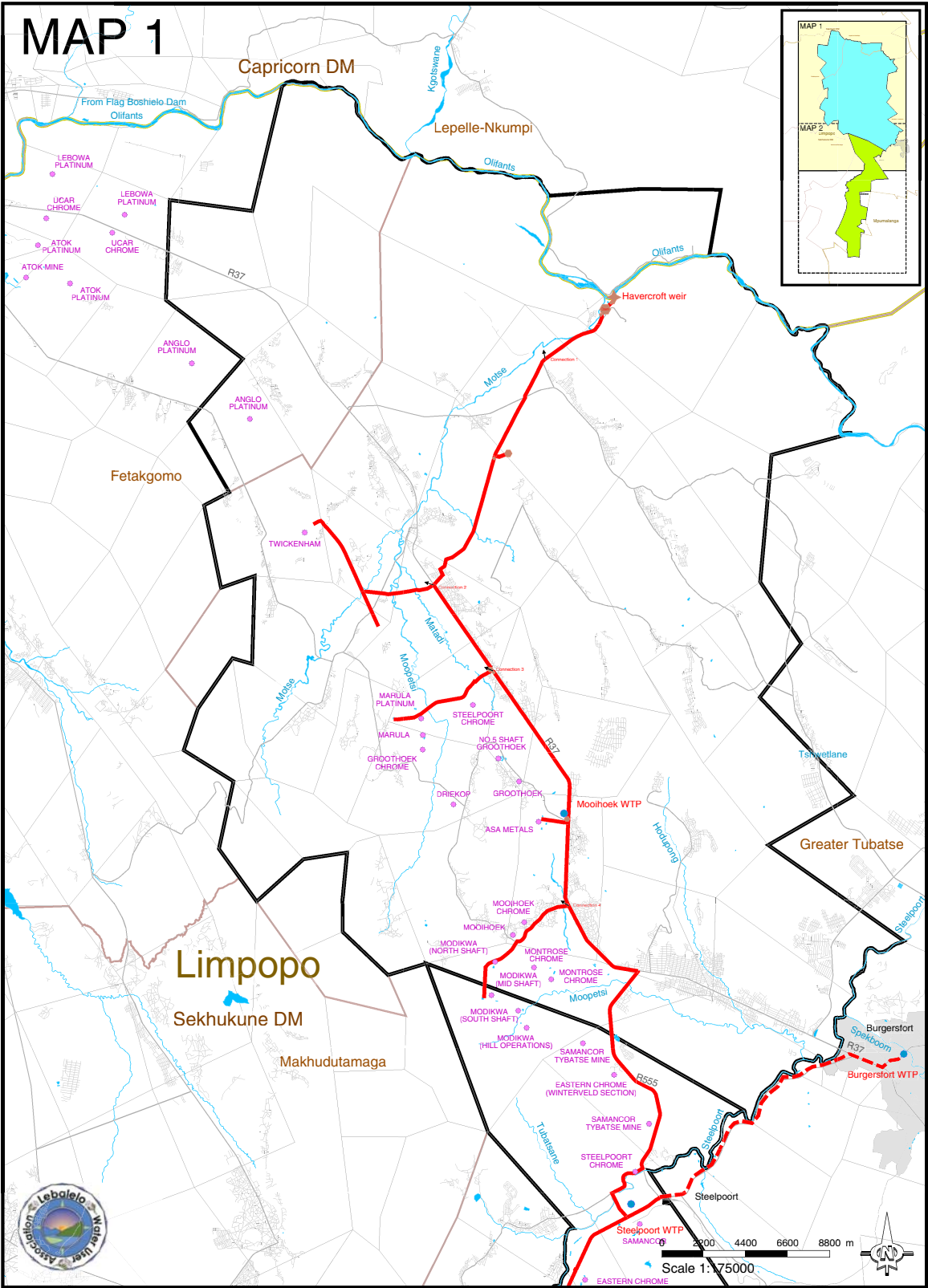
4. Operations and Projects Report

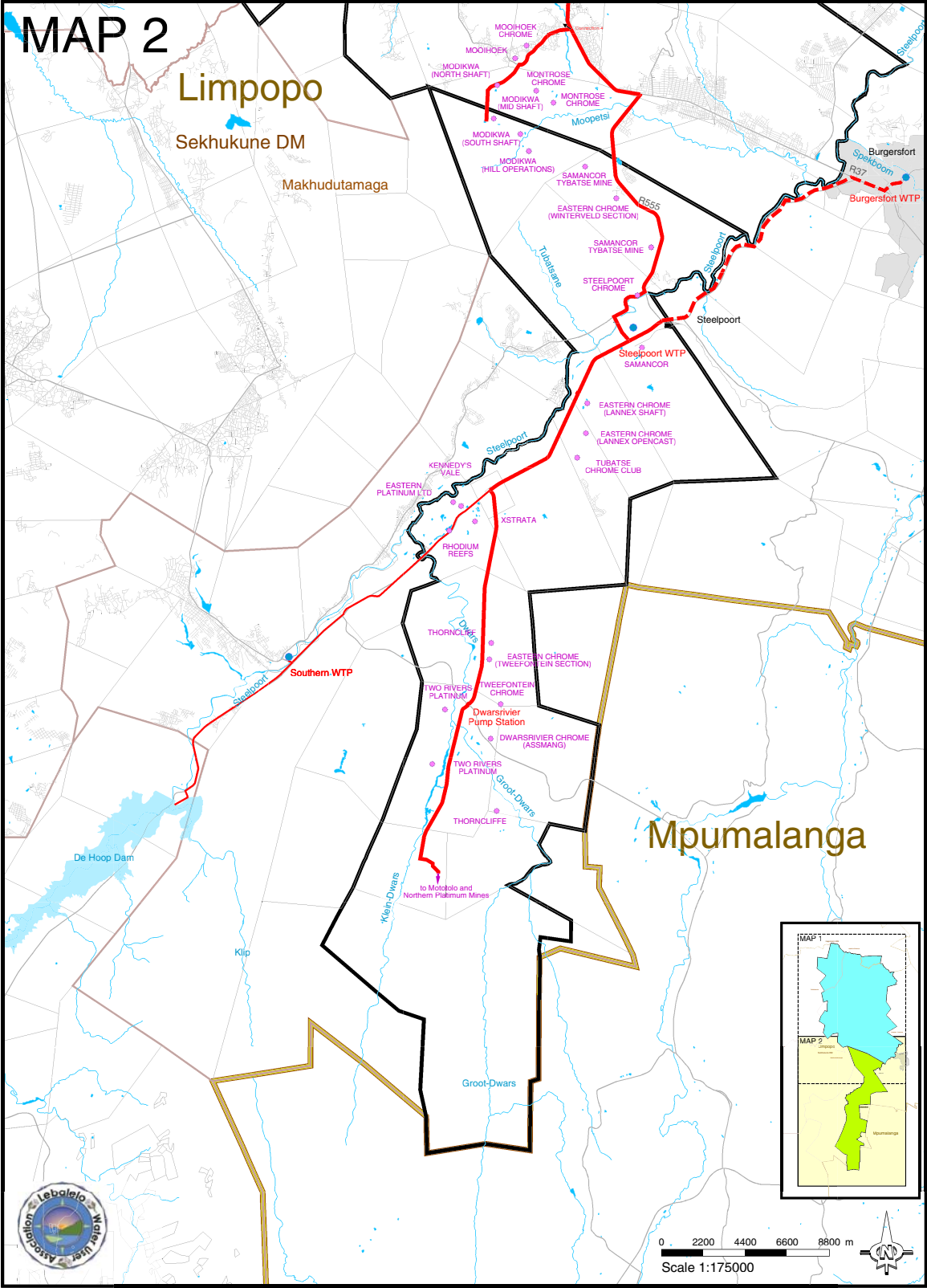
4.1 Operations

4.1.1 General Footprint (Locality Map)

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.

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

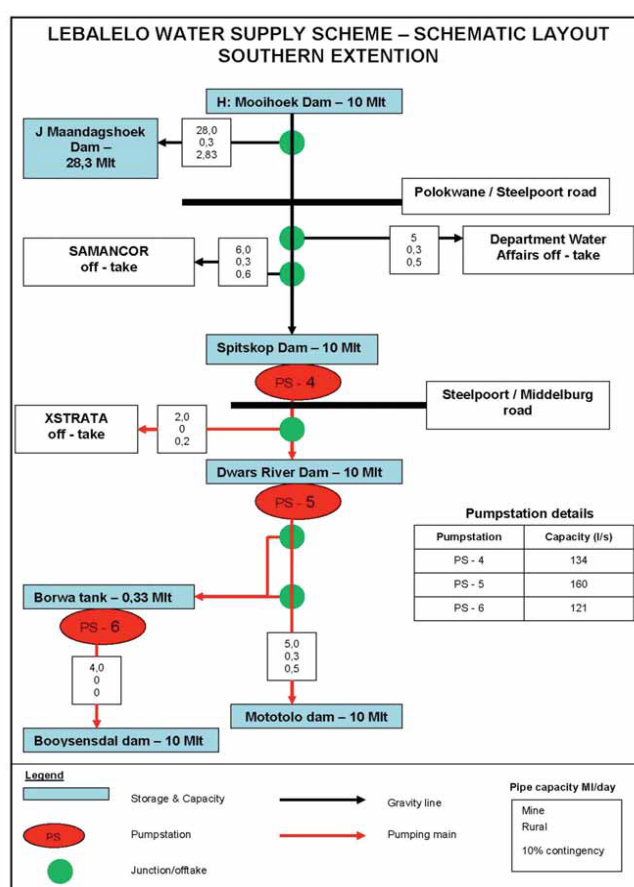
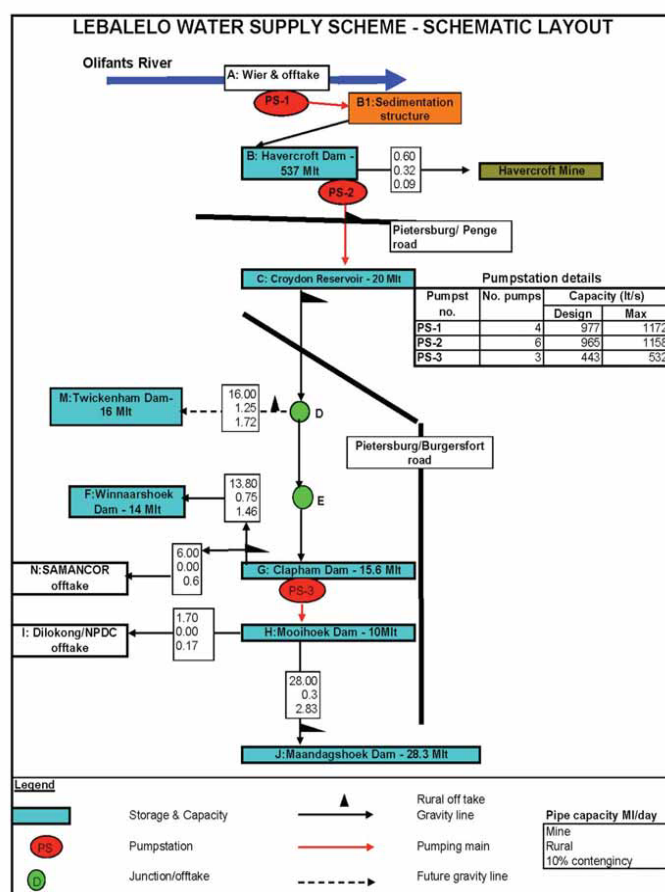




4.1.2 Schematic Layout of the Scheme.

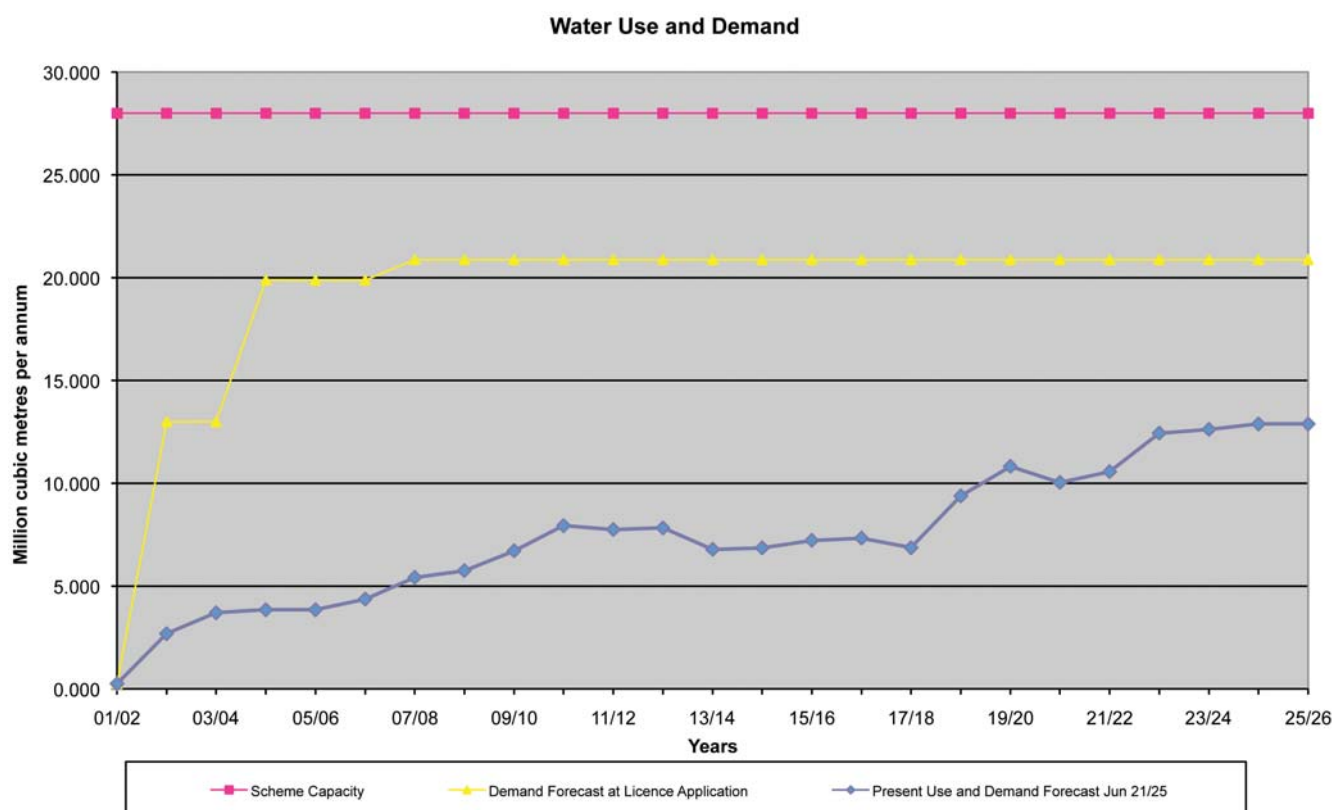
From a technical perspective the following diagrams set out a schematic layout of how the pipeline and appurtenances are set up in order to deliver raw water to its Members and users. It should be pointed out that the pipeline is in now some 20 years old of its 50 years average useful life of the pipeline as set out in the accounting policies of the Association. Like any asset this requires constant care and maintenance. As mentioned earlier the recently implemented IT solution for maintenance management system will go a long way in assisting with putting in place a methodical process to manage the care and maintenance of the Association's assets.

During the period under review a significant amount of work has been put in place to stabilise the Association's technology, telemetry and data communications network. The Association's raw water delivery system needs to be monitored on a continual basis and providing management data so that informed decisions can be taken. In this regard the SCADA system is providing instantaneous information about the operation of the system.



4.1.3 Water Use Graph

The following figure sets out the water use and demand indicating a decline for the further year running of water usage to it's members and clients.



4.1.4 Consumption of Electricity

Another critical area for management information is the consumption of electricity by the Association, especially by the pumps. This is one of the largest cost components of the Association's system and required constant oversight. At Havercroft It is pleasing to note the general improvement of energy consumption at this major pump station. Similarly at Clapham, Spitskop and Dwars pump stations similar improvements have been noted.

4.1.5 Planned Maintenance

Part of the IT solution for the Association's strategic lever of operational excellence has been the implementation of the planned maintenance system. The information generated is indicating an improved management and budgeting approach to planned maintenance of the Association's assets.

4.2 Projects

4.2.1 Stay in Business Projects

What the planned maintenance system is also doing is highlighting those issues that require more than the day-to-day care and maintenance attention but actions that require capital budgets to stay in business. These projects are referred to below.

Manholes and Air Valve Refurbishment - Mahaulamutsi					
Progress on site	98%	Contract Price	R1.3 million	Total Contract Price	R1.3 million

Package 2-VO5 and 6 - [(Package 1 Emergency work sections (3, 4, 6, 8 and 9))] - Pamodia					
Progress on site	99%	Contract Price	R2.4 million	Total Contract Price	R2.4 million

Flow meters automation					
Progress on site	80%	Contract Price	R0.3 million	Total Contract Price	R0.3 million

Professional Investigations					
Progress on site	100%	Contract Price	R0,97 million	Total Contract Price	R0,97 million
Investigations					
A Variable Speed Drive (VSD) for Havercroft pump station was conducted by Burotech Consulting Engineers.					
Element Consulting Engineers prepared scoping reports on erosion protection, and access road upgrades.					
Isinyithi Electrical Protection conducted a high-level Cathodic Protection (CP) and Alternating Current Interference (ACI) protection scoping investigation on the LWUA pipeline.					
Dam Safety Investigations was done by Hees Consulting.					
Element Consulting Engineers to carry out a full-scale assessment of all LWUA residential units, for future maintenance projects.					

Clapham Overflow Pipeline and Scours-Infraburo					
Progress on site	Tender Phase	Contract Price	R5.0 million	Total Contract Price	R6.6 million

4.2.2 Capital Projects

Southern Extension 2 (SE2) - Design and Tender Phase - Infraburo					
Progress Study phase	60%	Study Price	R17,8 million	Total Contract Price	R336,0 million

Water users along the Association's pipeline from the Spitskop Pump Station to Mototolo Mine have indicated that due to the constraints on the pipe size and increasing water usage a need was identified to provide additional water along that portion of the pipeline for users who are currently members of the Association and non-members.

A Concept Study was prepared towards the end of 2019 and presented to mines interested to take part in the extension of the water supply system from Spitskop pump station to Mototolo mine called the Southern Extension 2 (SE2) project. An inception report was completed in February 2021 with a project cost estimated at R336m. During this period commitment letters have been sent to mines who have indicated their interest in participating in the project. The Association awaits return of those completed commitment letters. In the interim, owing to certain time constraints regarding delivery of water the Consulting team was busy with a preliminary design and feasibility study for SE2 project.

Olifants Management Model Pre-Feasibility and Feasibility Phases					
Study Progress	10%	Study Price	R340 million	Total Contract Price	R24,6 billion

As has been mentioned previously, the Director General of the Department of Water and Sanitation has signed the MoI. The MoI envisages discussions on a special purpose vehicle which will provide for the institutional arrangements and give impetus to the project which is the integrated solution for the ORWRDP and potable water delivery. In the interim, by the end of this review period commitment letters have been sent out to all mining companies interested in securing water from the system into the future to participate in the funding of the pre-feasibility and feasibility phases. More detail on this matter is reported later on in the Annual Report.

5. Financial and Human Resources

5.1 Financial

5.1.1 Annual Financial Statement

The Association's audited Annual Financial Statement forms part of this Annual Report at pages 37 to 61.

In essence the Auditors, Diemont, Zimmerman & Bolink indicate in their report that in their opinion, the Financial Statements present fairly, in all material respects, the financial position of the Lebalelo Water User Association as at 30 June 2021, and its financial performance and cash flows for the year then ended. The auditors also conclude on the appropriateness of the Management Committee's use of the going concern basis of accounting.

5.1.2 Scheme funding

The original scheme was funded by the members. The total cost of the original scheme amounted to R231 million, and to increase the assurance of supply from the Olifants River the members also financed the raising of the Flag Boshielo dam that cost R225 million. The scheme was subsequently extended (the Southern Extension) at a cost of R165 million that was funded by the members involved in that extension. The final cost of the scheme amounts to R621 million. As was reported in the previous year's Annual Report, the inclusion of the Booyssendal and Twickenham infrastructure that was funded by the applicable members was to be brought into the final cost of the scheme. It is expected to close this out during the course of this financial year.

5.1.3 Financing infrastructure of the Association

The infrastructure belongs to and is financed by the members of the Association. As was reported in the previous year's Annual Report the Department of Water and Sanitation (DWS) has indicated that the Association's scheme should eventually be incorporated into the Olifants River Water Resource Development Project (ORWRDP phase 2) which was announced in 2004. The Association continues to engage with the Department on the issue of the Minister's gazetted intention to disestablish the Association.

5.1.4 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.

5.1.5 Operational expenditure

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

The Association's operational budget is attached to this report at pages 61 to 64.

5.1.6 Statement of comprehensive income for the business plan

As has been reported in this Annual Report given that the Department of Water and Sanitation has signed the Moi which opens the road to a totally different Association in respect of size, membership, water delivery, employment numbers and many other issues. In the light of this it would be fruitless preparing a report as in previous years on a projected five-year income statement together with the assumptions for the projected statement of comprehensive income.

5.2 Human Resources

Human Resources are a core component 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 outcome 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.

5.2.1 Organisational Structure

The Association's organisational structure is set out below and comprises 39 posts.

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
Fitters	Four
Artisan helpers	Seven
Handyman	One (Vacant)
Production operators	Four
Chief financial officer	One
Financial Manager	One (Vacant)
Accountant	One
Accountant Clerk/Assistant	One
Buyer / Store Clerk	One
Human Resources Clerk	One (Vacant)
General labourers	Four (1 Vacant)
Safety Coordinator	One
Total	35 posts + 4 Vacant

5.2.2 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.

5.2.3 Transformation requirements

	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
Staff per functional area					
Executive officer	1	1	1	1	
Finance section	4	4	4	4	
Operations section	27	27	27	27	
Administration section	3	3	3	3	
Other functional sections	4	4	4	4	
	39	39	39	39	

As has been reported elsewhere in this Annual Report the signing of the MoI, and the ultimate creation of a new institutional arrangement and an expanded Association, this will inevitably see the expansion of the Association. In this case therefore the numbers quoted above will therefore change significantly.

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	8	1	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	19	2		4	7			3			35
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
Grand total	19	1	0	4	7	0	0	3	0	0	35

HUMAN RESOURCES

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 on training (per annum) in Rand	Actual total payroll cost spent (per annum) in %
Full Staff Complement	32,918,969	2	688,087	375,846	1,1
HDI (Africans, Coloureds, Indians, White females)	22,098,596	2	441,972	375,846	1,7

Statement on redressing inequalities

List of HDI targeted for assistance:
Our communities within in area of operation of Association. Total visits to communities = 80
Brief description of assistance required;
<i>Sustainable potable water supply infrastructure within area of operation of Association</i>
Brief description of assistance rendered:
<i>Assistance to the DWS and Sekhukhune District Municipality to maintain borehole schemes of communities within area of operation of the Association</i>
Target amount to be spent on assistance rendered to communities:
R0.04/m ³ of water forecast per annum = R453 254.00
Actual total amount (one and two above) spent as percentage of total amount:
100%

5.2.4 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.

6. Social Development

Responsible corporate citizenship, social responsibility and sound business practice are not only fundamental to the Association's sustainability, but also to stakeholder trust and confidence. The Association's Good Citizenship Business Principles provide the underpinning for a strong stakeholder relationships and corporate social responsibility.

6.1 Stakeholder relationship

A healthy relationship with identified stakeholders ensures open, transparent and efficient communication and informs the Association's strategy and related activities. In this regard it is important to identify our key stakeholders. These include;

- The Minister Human Settlements, Water and Sanitation through the government of the Republic of South Africa in the Department: Water and Sanitation;
- The Director-General and the staff of the Department: Water and Sanitation in Pretoria;
- The regional offices of the Department: Water and Sanitation in Polokwane and Mbombela;
- The Chairperson designate and members of the proto-Olifants River Catchment Management Agency (CMA);
- The Chairperson designate of the Limpopo Catchment Management Agency (CMA);
- The Executive Mayor, Municipal Manager and staff of the Sekhukhune District Municipality (SDM);
- The Mayor, Municipal Manager and staff and ward councillors representing some 103 villages situated adjacent to the Associations pipeline in the Fetakgomo Greater Tubatse Local Municipal (FTLM) area;
- The various Traditional leaders and councils within the identified communities namely but not limited to Shakung, Ga Phala, Modubeng, Sehunyane, Masete, Motloulela and Malokela;

- The Chairman and Chief Executive Officer (CEO) and staff of the Trans-Caledon Tunnel Authority (TCTA);
- the Chairman and Chief Executive Officer (CEO) and staff of the Lepelle Northern Water (LNW);
- LWUA Users;
- LWUA management and staff;
- Other Governmental Departments and their staff.

6.2 Corporate Social Responsibility

The Association's corporate social responsibility programme addresses various issues including education, community wi-fi, youth enterprise development and institutional strengthening and capacity building.

6.2.1 Education

The education programme includes support to the Sekhukhune East District of the Limpopo Department of Education with three mobile units to serve as additional classrooms and office, Interactive Smart Boards and a Reading Campaign. The support is targeted schools in the Malokela Circuit of the Sekhukhune East District.

- o Early childhood development is an important phase before children can enter formal schooling. Unfortunately, obstacles such as lack of resources, learning materials and poor-quality teacher training are still common. The Association donated a mobile unit that was converted into a Model Grade R classroom for purposes of further training for Early Childhood Development teachers. The Model Grade R classroom is located at Ga-Phala village which is central access for teachers from the neighbouring villages of Modubeng, Motlouela, Sehunyane and Malokela.
- o Teaching in overcrowded classrooms can cause many problems such as stress and frustration for teachers and students. Shai Primary School at Modubeng village approached the Association with a request for an additional classroom. The Association donated two mobile units, one large unit to serve as a classroom and a small unit that will serve as the administration block for the school.
- o The Association has donated a large mobile unit in support of Pelo-Le-Diatla Cooperative, a local non-governmental organisation that has partnered with the Department of Social Development to support Orphaned and Vulnerable Children (OVC) by providing food on a daily basis subject to availability of funds and offer skills training and psychosocial support. The project is located at the Mmutlane clinic at Ga-Phala village.
- o Three primary schools in the villages of Modubeng, Ga-Phala and Shakung were supplied with interactive smart boards. An interactive smart board is a classroom tool which allows images from a computer screen to be displayed onto a classroom board using a digital projector. The teacher or a student can "interact" with the images directly on the screen using a tool or even a finger. With the computer connected to the internet or a local network, teachers can access information around the world. For teachers and students, the interactive smart board is a powerful benefit to the classroom because it opens the students to collaboration and closer interaction to the lessons. Multimedia content can be shared and used in lectures, keeping students engaged.
- o The Association believes that literacy skills are a strong predictor of future academic success in all subjects. Children who regularly read and hear engaging stories in languages they understand are well equipped and motivated to learn to read and write. Through Nal'ibali, the Association is funding a Reading Campaign that promotes reading and writing in mother tongue languages. A literacy mentor and 3 story sparkers are employed to identify early childhood development centres (ECDs) and primary schools in the seven villages, establish reading clubs in all seven villages and training of ECD practitioners and parents on the running of

reading clubs. The campaign is also aimed at building a larger community of people across the Association's area of operation who are interested in and passionate about storytelling, reading and writing with children. In supporting them to find more ways to root reading and writing habits in children's daily lives, the Association strives to build a nation of powerful readers and storytellers.

6.2.2 Community Wi-Fi

Community Wi-Fi is Internet access offered over a Wi-Fi Hotspot that anyone with a Wi-Fi capable handheld device can use on a prepaid basis. The Community Wi-Fi project has commenced with the roll out of the project by Project Isizwe which involves co-operation with local shops and schools. A total of fifteen (15) access points were installed at Modubeng, Phala, Malokela, Motloulela, Sehunyane and Moroke. The business model envisages local entrepreneurs selling affordable data to users. Four local youths are employed as Wi-Fi entrepreneurs. Their duties include management of site stability and network performance, development and growth of a sales network to maximise data sales per hotspot and for the entire network. Currently the Wi-Fi coverage is limited to a radius of 50 m from the access points and at this time it is unlikely that this coverage can be increased.

6.2.3 Youth Enterprise Development

Young people, especially in the rural areas face numerous challenges affecting their development and well-being. Among the greatest of these challenges are unemployment and the lack of decent work for youth, which South Africa is struggling to address. As the youth population continues to increase, greater investment is needed to enhance young people's education and employment opportunities in order to leverage their human capital. Entrepreneurship is key to addressing youth unemployment in our country. The Association advertised and selected 50 passionate youths between the ages of 18 to 35 from the seven neighbouring communities and enrolled into a Youth Enterprise Development Programme that teaches them how to establish and manage sustainable businesses. The group of 50 has completed the first six months of incubator style course work that introduced them to an array of entrepreneurial concepts that inspire them and build their business confidence. The training includes site visits, case studies and guest speakers. The group is now into its second semester of six months where they receive ongoing support and mentorship and are also introduced to micro-finance institutions as options for funding their businesses going forward. On completion, graduates will receive a NQF level 4 Services SETA accredited certificate.

6.2.4 Institutional Strengthening and Capacity Building

Supporting traditional authorities in its area of operation and the local municipality is important for building and maintaining a healthy relationship with the Association's stakeholders. The Association is supporting these institutions to strengthen and maintain their capabilities to set and achieve their own development objectives. The Institutional Strengthening and Capacity Building project has focussed on the traditional authorities of Modubeng, Ga-Phala and Shakung. The three traditional authorities were donated mobile units that serve as multi-purpose centres for community services.

Mining companies' financial contributions, which formed part of a CSI initiative from the Mines in the area, is administrated by the Association. The traditional councils of Ga-Phala and Shakung village have submitted a request to use this financial allocation for farming and water reticulation. The Association is liaising with the Limpopo Department of Agriculture and Rural Development (LDARD) and Sekhukhune District Municipality (SDM) as the water services provider, and the traditional council to discuss LDARD's and SDM's requirements and process.

7 Governance, Risk and Compliance

7.1 Ownership

Admission as a member of the Association is achieved by any person or entity who, as a condition of a licence, issued in terms of Section 41 of the National Water Act, or who has an existing lawful use in terms of Section 32 of the Act, is entitled to use water and may exercise the right from water works and all sources under control of the Association, provided that such a person or entity has been admitted as a member of the Association in terms of the Constitution and Members' Agreement.

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

- 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 P Moodliar
Tubatse Alloys (Pty) Ltd	Ms H Booysen
ARM Mining Consortium / African Rainbow Minerals Ltd	Mr J Jansen
Rustenburg Platinum Mines Ltd	Mr C Stockill
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

7.2 Management control

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

7.2.1 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 P Moodliar	Anglo-American Platinum Ltd	Chairman	1 Nov 2020 - 29 Sept 2021
Mr J Jansen	ARM Mining Consortium / African Rainbow Minerals Ltd	Vice-Chairman	1 Nov 2020 - 29 Sept 2021
Mr M Mashilane	Impala Platinum Ltd	Member	1 Nov 2020 - 29 Sept 2021
Mr M Mashilane	Resigned		30 June 2021
Vacant	Impala Platinum Ltd	Member	1 July 2021 - 29 Sept 2021
Mr L Manus	DWS	Member	1 Nov 2020 - 29 Sept 2021
Mr J A Bierman	LWUA	CEO	1 Nov 2020 - 29 Sept 2021
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

7.3 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 had in terms of governance, risk and compliance.

7.3.1 The Management Committee (MANCO)

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 6 occasions:

DATE OF MEETING	GENERAL PURPOSE OF MEETING
20 August 2020	Management Committee Meeting
17 September 2020	Management Committee Meeting
22 October 2020	Management Committee Meeting
30 October 2020	Annual General Meeting
29 March 2021	Management Committee Meeting
24 June 2021	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

From an accounting compliance perspective, the Management Committee is required to prepare a Management Committee Report. This report is included within the annual financial statements at pages 43 to 61

7.4 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.

7.4.1 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 Johan Jansen Chairperson of the FINCOM, Mr L Manus (Alternates Mr M Mashilane / Mr Z Tsotetsi), Mr C Stockill (Alternate Ms H Oberholzer), Mr Bertus Bierman the CEO and Ms Amanda 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 8 occasions during the year under review.

DATE OF MEETING	GENERAL PURPOSE OF MEETING
23 July 2020	Finance Committee Meeting
20 August 2020	Finance Committee Meeting
17 September 2020	Finance Committee Meeting
22 October 2020	Finance Committee Meeting
18 November 2020	Finance Committee Meeting
17 February 2021	Finance Committee Meeting
22 April 2021	Finance Committee Meeting
27 May 2021	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 Remuneration Committee is subcommittee of the Finance Committee and comprises of the Chairman of FINCOM Mr Johan Jansen, Mr Prakashim Moodliar and Mr Mogale Mashilane. Mr Mashilane stepped down during the course of the year and the position was not filled during the remainder of the period. 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 2 occasions during the year under review;

DATE OF MEETING	GENERAL PURPOSE
17 July 2020	Conditions of Employment
21 August 2020	Conditions of Employment

7.4.2 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 Mogale Mashilane as chairperson of the SECOM, Ms Y Mfolo (Alternates Ms H Booyse / Mr Z Tsotetsi), Ms H Oberholzer (Alternate Mr C Stockill), Mr Bertus Bierman as CEO and Mr Solly Manyaka as Social Development Manager. During the period under review Mr Mashilane stepped down as Chair and member of SECOM and his position was not filled during the period under review. 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 6 occasions during the reporting period.

DATE OF MEETING	GENERAL PURPOSE OF MEEETING
23 July 2020	Sub Committee Meeting
17 September 2020	Sub Committee Meeting
18 November 2020	Sub Committee Meeting
17 February 2021	Sub Committee Meeting
22 April 2021	Sub Committee Meeting
27 May 2021	Sub 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
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

7.4.3 Operations Committee (OPSCO)

The OPSCO 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 through the managers, report to the Operations Committee on various issues pertaining to their responsibilities. The Committee consists of the Chief Executive Officer, Mr Bertus Bierman, the Operations Manager, Mr Thembane Makhubele, the Projects Manager, Mr Carel Taljaard; Ms Amanda Britz, Chief Financial Officer; Mr Solly Manyaka, the Social Development Manager, Mr Philip de Wet, the Administrations Manager and Governance, Risk, Compliance and Legal Manager, Mr Alistair 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.

7.4.4 Association Secretary

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

7.5 Compliance

As part of the risk management process, the Association appreciates that one of its core risks is compliance with statutory obligations and self-imposed voluntary obligations. It is thus prudent to not only identify the legislation which it must comply with but also to consistently monitor the levels of compliance in the Association. In this regard, during the year under review the Association strengthened its compliance oversight role by implementing a Compliance Management Policy and Framework.

This compliance role includes, inter alia to set standards for achieving compliance with the relevant laws, regulations and supervisory requirements by, inter alia, ensuring that these standards and other compliance principles are effectively communicated and applied; To ensure the monitoring of compliance in line with the Association as well as industry standards and norms; To submit reports on the legal universe and findings and appropriate recommendations for improvement to OPSCOM, MANCOM and sub-committees. During the year under review compliance reports were tabled at the aforementioned committee meetings.

Of particular importance during the period under review was the preparation for compliance of the Protection of Personal Information Act No 40 of 2013 (POPIA). In this regard a POPIA Policy and Procedure has been implemented and the Information Officer, Alistair Collier has been appointed and registered with the Regulator. In conjunction with the implantation of POPIA, and identified through the compliance impact assessment, the Association has prepared a comprehensive Information Technology Management Policy and Procedure which strengthens IT processes and especially as it impacts upon Personal Information.

8 Five Year Business Plan

Since inception of the Association, a Five-Year Business Plan has been included in the Annual Report. The basis of this plan is for the purposes of transparency and good governance and in support of Clause 19 of the Constitution which requires the publication of a set of audited financial statements and an account for the year. The Act and Schedule 5 is silent on what a business plan should contain in respect of Water User Associations, however Schedule 4 to the Act, dealing with Management and Planning of Water Management Institutions, such as Catchment Management Agencies sets out which matters should appear in a business report. The Association has used the requirements of Schedule 5 as a guide to its business plan.

Most of the information required for the business plan is contained in the Annual Report. Hence without repeating that information it would be prudent to indicate where such information may be found in the Annual Report:

General Matters required in the Business Plan		Reference in the Annual Report
1	Identify the Mission of the Association	Page 4
2	The objectives of the Institution must be set out	Page 4
3	Outline the strategies and policies that the institution is to follow to achieve the objectives	Parts 4 - 7
4	Include a statement of services which the Institution expects to provide, and the standards expected to be achieved in providing those services	Parts 4 - 7 and Page 4
5	Include the financial and performance indicators and targets considered by the Management Committee to be appropriate;	Parts 5.1 and 7.4 and Pages 42-43
6	Include any other information the Management Committee considers appropriate	Pages 5 - 12
7	Include a financial target	Parts 5.1 and 9.1 and Pages 62-64
8	Outline the financial strategies for the institution including the setting of charges, borrowing, investment, purchasing and disposal strategies	Part 5.2 and Pages 48-57
9	Include a forecast of revenue and expenditure of the institution, including a forecast of capital expenditure and borrowings;	Part 5.1 and Pages 58-64
10	Provide of capacity building for Management Committee Members and officials	Part 5.2 and Pages 20-26
11	Any other financial information which the Management Committee considers appropriate;	Part 5.1 and Pages 42-43
12	The need to maintain the institution's financial visibility	Part 5.1 and Pages 44-47
13	The need to maintain reasonable levels of reserves.	Part 5.1 and Pages 44-47

As has been referred to throughout this Annual Report the impact of the Director General of the Department Water and Sanitation's signing the MoI has material implications for the Association. As mentioned above the Association in the past has provided a 5-year plan but in the circumstances this will be difficult.

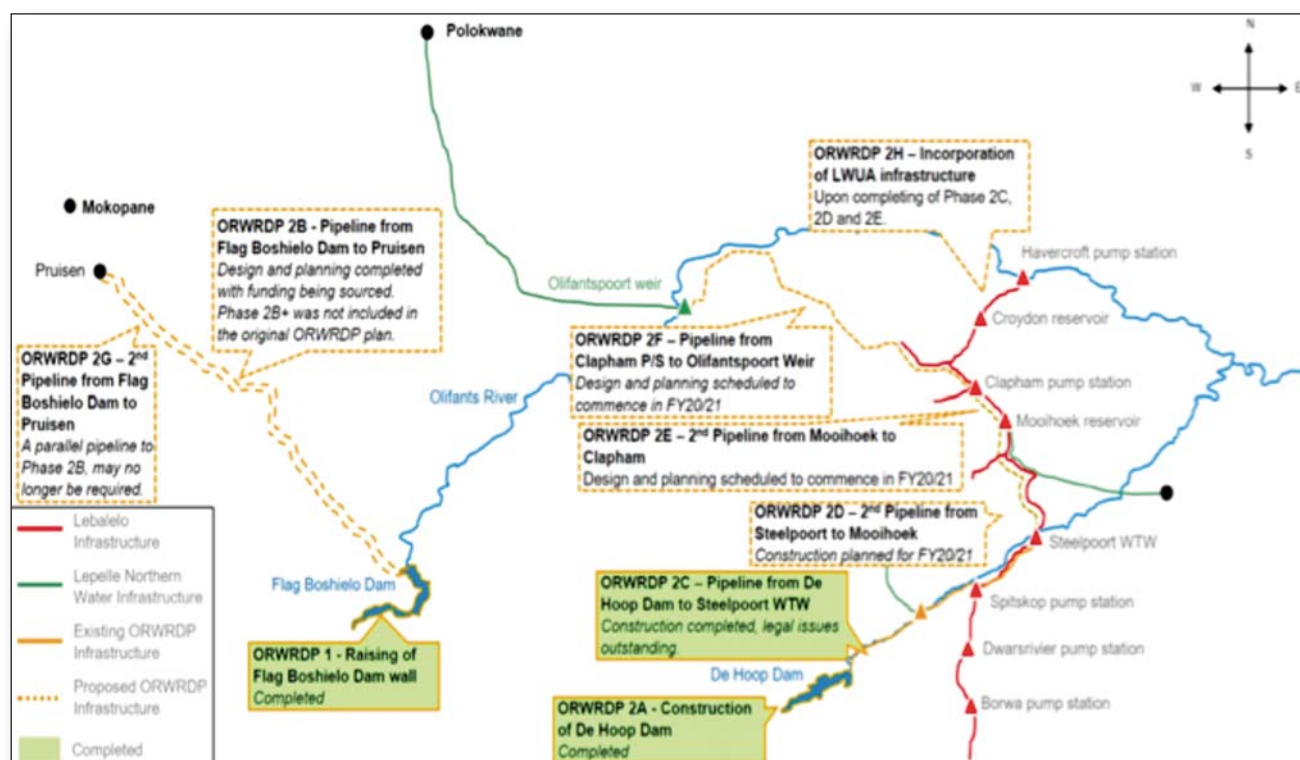
Fortunately, the Association's Constitution and Members Agreement do not require a five-plan but a business plan and project plan. Clause 19 of the Constitution requires that the Management Committee must, within three months after the end of the Association's financial year, convene a general meeting of Members and must at the meeting table an audited financial statement of the Association's accounts for the preceding financial year and give an account to the members of its activities during the year. Furthermore, the Association's Members Agreement Clause 12 deals with capital requirement of and loans to the Association. In this regard Clause 12.2 requires at the beginning of each financial year of the Association and at the Annual General Meeting, the Management Committee shall submit a business plan and project plan to the Members which

should be approved by 80% (eighty percent) of the Members at a duly constituted Annual General Meeting. As a going concern there are no immediate capital requirement of and loans to the Association, except for the SE-2 project where the capital required will be provided by the members.

However, through the Mol and the integrated solution for water delivery in the middle Olifants River catchment these issues are going to necessitate a business plan and project plan especially as there will probably be capital requirement of and loans to the Association. These issues include:

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 following map illustrates the various facets of the project that will impact upon the business plan.



In preparation for a business plan and project plan the following issues are covered in the Association's Concept Study of the project dated 12 June 2020.

1 Finance model

The capital cost of the new infrastructure that will require external financing is set out below:

Project costs	Real (2020) ZAR'm	Nominal ZAR'm
5 new infrastructure projects	19 220	24 520

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. In the case of bulk raw water infrastructure, the repayment of capital expenditure would be split 50:50 between DWS/ NT and the commercial users and charged on a take-or-pay basis. In respect of potable water for the identified geographical locations, the commercial users would contribute 50% of the defined potable water infrastructure capital repayments with DWS/NT contributing 50%.

2 Funding

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. 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.

3 Institutional arrangements

The Mol initiates the process whereby the parties will collaborate to design an appropriate institutional arrangement to take this matter forward.

4 Operating model and readiness

To operationalise the Programme the Association will need to grow significantly. A gap analysis was conducted to establish the gaps between the current operating model and the future state operating model from a functional perspective. The staff complement is expected to grow from 40 full time equivalents (FTE) to 299 FTE at the end of FY28.

5 Socio-economic development

The Programme represents a significant opportunity for socio-economic development (SED) in the region given the extent of the infrastructure programme across the Limpopo Province and its associated capital and operational spend. There are three outcomes the SED strategy aims to achieve through the Programme, the provision of potable water to communities in the defined areas, creation of jobs through the associated capital and operational spend of the Programme, and enterprise development.

6 Key programme risks and mitigations

Risk workshops have been conducted as part of the Concept Study and a comprehensive risk register compiled and managed by the Programme Management Office. The identified risks will be managed through the inclusion of contractual obligations and appropriate approval stage gates to ensure the bankability of the Programme. These approval stage gates are the Concept Study Report, Pre-feasibility Study, Feasibility Study and Financial Investment Decision. Once the Financial Investment Decision has been approved Detail Design would commence.

As is indicated by the general matters required in a business plan notwithstanding the future of the Association the following documents are attached, namely:

- Operational Budget (Main Scheme);
- Operational Budget (Southern Extension);
- Operational Budget (Booyssendal)
- A projected five-year statement of comprehensive income as published in the past is not included due the uncertainties in the information at hand.

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 2021

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

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 2021

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	P. Moodliar J.C. Jansen L. Manus
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: Tanja van Niekerk Professional Accountant (S.A.)

ANNUAL FINANCIAL STATEMENTS

Lebalelo Water User Association

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

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

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

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

Index	Page
Report of the Independent Auditors	3 - 4
Responsibilities and Approval of the Management Committee	5
Report of the Management Committee	6
Statement of Financial Position	7
Statement of Financial Performance	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Accounting Policies	11 - 13
Notes to the Annual Financial Statements	12 - 20
Detailed Statement of Comprehensive Income	21 - 24



Diemont, Zimmerman & Bolink

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

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To the Management Committee of the Lebalelo Water User Association

Opinion

We have audited the annual financial statements of Lebalelo Water User Association ("the Association") set out on pages 7 to 20, which comprise the Statement of Financial Position as at 30 June 2021, and the Statement of Financial Performance, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Lebalelo Water User Association as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with the basis of accounting described in the accounting policy note to the annual financial statements 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 annual 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 annual 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 corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). 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 annual financial statements of the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

It is 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. Subsequent to year end the Association and the Department: Water and Sanitation (DWS) signed a Memorandum of Intent (MOI) to develop the Olifants River Water Resource Development Programme (ORWRDP) and potable water systems as per note 21.

The disestablishment has not impacted the going concern basis of accounting during the year under review.

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

Other information

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

Our opinion on the annual 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 annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual 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.

REPORT OF THE INDEPENDENT AUDITORS

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 2021

Independent Auditor's Report

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.

Responsibilities of the Management Committee for the Annual Financial Statements

The Management Committee is responsible for the preparation and fair presentation of the annual financial statements in accordance with the accounting policies describe in the accounting policy note to the annual financial statements and for such internal control as the Management Committee determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual 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.

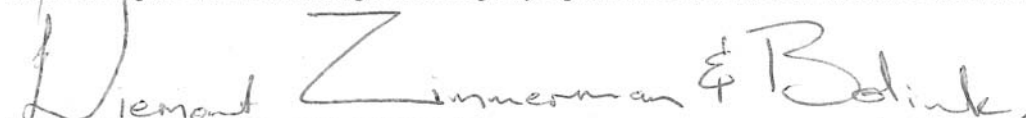
Auditor's responsibilities for the audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual 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 annual 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 annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Committee.
- Conclude on the appropriateness of the Management Committee 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 annual 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 annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Diemont, Zimmerman and Bolink
Chartered Accountants (SA)
Registered Auditors
Engagement Partner: I.O. Jannasch CA (SA), RA

2021/9/16
25 Watermelon Street
Platinum Park
Bendor
Polokwane
0699

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 2021

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 2022 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.C. Jansen
Chairperson
Finance Committee

P. Moodliar
Chairperson
Management Committee

16 September 2021

REPORT OF THE MANAGEMENT COMMITTEE

Lebalelo Water User Association

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

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

Annual Financial Statements for the year ended 30 June 2021

Report of the Management Committee

The Management Committee submits its report for the year ended 30 June 2021.

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 (1 July 2020 - 30 October 2021)
P. Moodliar	Chairperson - Management Committee (1 November 2020 - 30 June 2021)
J.M. Bräsler	Vice Chairperson - Management Committee (1 July 2020 - 30 November 2020)
J.C. Jansen	Vice Chairperson - Management Committee (1 December 2020 - 30 June 2021)
M. Mashilane	Chairperson - Social and Ethics Committee (1 July 2020 - 30 June 2021)
L. Manus	Member (1 July 2020 - 30 June 2021)
J.A. Bierman	Chief Executive Officer (1 July 2020 - 30 June 2021)
Vacant	Local Government

3. Secretary

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

4. Auditors

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

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

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 2021

Statement of Financial Position as at 30 June 2021

Amount in Rands	Note(s)	2021	2020
Assets			
Non-current Assets			
Property, plant and equipment	2	343 874 118	341 201 214
Long term pre-payments	3	92 403 226	102 043 933
Other financial assets	4	2 412 039	2 357 228
		438 689 383	445 602 375
Current Assets			
Consumer stock	5	1 983 708	1 742 451
Trade and other receivables	6	21 502 465	28 649 406
Other financial assets	4	137 149 560	173 682 251
Cash and cash equivalents	7	23 800 011	10 334 264
		184 435 744	214 408 372
Total Assets		623 125 127	660 010 747
Equity and Liabilities			
Equity			
Reserves		397 327 896	397 327 896
Retained income		58 257 503	67 583 091
		455 585 399	464 910 987
Liabilities			
Non-current Liabilities			
Deferred income	8	78 639 346	87 626 700
Current Liabilities			
Trade and other payables	9	13 593 822	28 582 507
Deferred income	8	8 987 354	8 987 354
Provisions	10	11 128 779	10 657 851
Long term payables	11	55 190 427	59 245 348
		88 900 382	107 473 060
Total Liabilities		167 539 728	195 099 760
Total Equity and Liabilities		623 125 127	660 010 747

STATEMENT OF FINANCIAL PERFORMANCE

Lebalelo Water User Association

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

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

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Amount in Rands	Note(s)	2021	2020
Revenue	12	128 594 679	104 447 213
Cost of sales		(36 956 812)	(29 758 552)
Gross surplus		91 637 867	74 688 661
Other income		9 134 555	10 450 992
Operating expenses		(114 821 015)	(112 791 050)
Operating surplus (deficit)		(14 048 593)	(27 651 397)
Investment revenue	13	6 874 753	15 451 993
Finance costs	14	(2 151 748)	(4 171 976)
Surplus (deficit) for the year		(9 325 588)	(16 371 380)
Other comprehensive income		-	-
Total comprehensive surplus (deficit) for the year		(9 325 588)	(16 371 380)

STATEMENT OF CHANGES IN EQUITY

Lebalelo Water User Association

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

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

Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Equity

Amount in Rands	Capital Reserve 2021	Retained Income 2021	Total Equity 2021
Balance at 01 July 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
Surplus/(deficit) for the year	-	(9 325 588)	(9 325 588)
Total changes	-	(9 325 588)	(9 325 588)
Balance at 30 June 2021	397 327 896	58 257 503	455 585 399

STATEMENT OF CASH FLOWS

Lebalelo Water User Association

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

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

Annual Financial Statements for the year ended 30 June 2021

Statement of Cash Flows

Amount in Rands	Note(s)	2021	2020
Cash flows from operating activities			
Cash receipts from customers		132 674 666	98 036 819
Cash paid to suppliers and employees		(138 168 836)	(102 900 956)
Cash generated from (used in) operations	16	(5 494 170)	(4 864 137)
Interest income	13	6 874 753	15 451 993
Finance costs	14	(2 151 748)	(4 171 976)
Net cash from operating activities		(771 165)	6 415 880
Cash flows from investing activities			
Additions to property, plant and equipment	2	(18 186 046)	(29 379 836)
Disposals and profit of property, plant and equipment	2 + 16	(2)	-
Movement in investments		36 477 880	25 492 869
Net cash from investing activities		18 291 832	(3 886 967)
Cash flows from financing activities			
Movement in other liability		(4 054 921)	4 234 096
Net cash from financing activities		(4 054 921)	4 234 096
Total cash movement for the year		13 465 746	6 763 009
Cash at the beginning of the year		10 334 264	3 571 255
Total cash at end of the year	7	23 800 010	10 334 264

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 2021

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.

ACCOUNTING POLICIES

Lebalelo Water User Association

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

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

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.2 Long term pre-payments

An intangible asset is recognised when -

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

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

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

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

1.3 Financial instruments

Initial recognition and measurement

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

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

Subsequent measurement

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

Impairment of financial assets

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

Impairment losses are recognised in surplus or deficit.

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

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

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

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

Lebalelo Water User Association

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 2021

Accounting Policies

1.3 Financial instruments (continued)

Trade and other receivables

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

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

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

1.4 Consumer stock

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

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

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

1.5 Revenue

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

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

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

1.6 Borrowing costs

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Lebalelo Water User Association

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

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

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Amount in Rands

2. Property, plant and equipment

	2021			2020		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Plant and equipment - Existing scheme	273 425 911	(72 256 629)	201 169 282	262 608 145	(64 866 915)	197 741 230
Furniture and fixtures	606 173	(516 981)	89 192	599 279	(509 000)	90 279
Motor vehicles	16 270 310	(7 722 209)	8 548 101	12 771 217	(4 794 889)	7 976 328
IT equipment	4 873 432	(2 635 046)	2 238 386	3 139 053	(1 987 899)	1 151 154
Tools and equipment	4 124 173	(3 376 401)	747 772	4 162 744	(3 450 073)	712 671
Plant and equipment - Southern Extension	172 615 412	(42 904 184)	129 711 228	172 113 203	(39 904 439)	132 208 764
Plant and equipment - Booyssendal Platinum	1 784 100	(413 943)	1 370 157	1 598 098	(277 310)	1 320 788
Total	473 699 511	(129 825 393)	343 874 118	456 991 739	(115 790 525)	341 201 214

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Plant and equipment - Existing scheme	197 741 230	10 817 767	-	(7 389 715)	201 169 282
Furniture and fixtures	90 279	66 704	(4 945)	(62 846)	89 192
Motor vehicles	7 976 328	3 499 093	-	(2 927 320)	8 548 101
IT equipment and infrastructure	1 151 154	2 843 970	(660 165)	(1 096 573)	2 238 386
Tools and equipment	712 671	260 886	(29)	(225 756)	747 772
Plant and equipment - Southern Extension	132 208 764	505 159	(1 325)	(3 001 370)	129 711 228
Plant and equipment - Booyssendal Platinum	1 320 788	192 467	(1 259)	(141 839)	1 370 157
	341 201 214	18 186 046	(667 723)	(14 845 419)	343 874 118

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 - Booyssendal 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

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 2021

Notes to the Annual Financial Statements

Amount in Rands

3. Long term pre-payments

	2021			2020		
	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	(7 933 086)	3 169 256	11 102 342	(7 404 877)	3 697 465
ESKOM POD Cost	3 168 837	(2 412 231)	756 606	3 168 837	(2 286 130)	882 707
Exemption from Water Resource Development Charge as per clause 7.2 (refer to note 8)	224 730 097	(137 112 733)	87 617 364	224 730 097	(128 126 336)	96 603 761
Total	246 861 276	(154 458 050)	92 403 226	246 861 276	(144 817 343)	102 043 933

Reconciliation of long term pre-payments - 2021

	Opening balance	Amortisation	Total
Servitudes	860 000	-	860 000
Capital Costs - ESKOM Powerline	3 697 465	(528 209)	3 169 256
ESKOM POD Cost	882 707	(126 101)	756 606
Exemption from Water Resource Development Charge as per clause 7.2 (refer to note 8)	96 603 761	(8 986 397)	87 617 364
	102 043 933	(9 640 707)	92 403 226

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Lebalelo Water User Association

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

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

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Amount in Rands	2021	2020
4. Other financial assets		
At amortised cost		
Longterm Investment (Fixed deposit) - ABSA - ESKOM Guarantees		
Interest rates ranging from 3.88% to 4.75% (2020: 5.30% to 7.75%) per annum	2 412 039	2 357 228
Fixed deposits - ABSA		
Interest rates ranging from 3.40% to 4.18% (2020: 4.18% to 7.70%) per annum	36 705 572	69 702 521
Fixed deposits - ABSA (Designated funds)		
Interest rates ranging from 3.40% to 4.18% (2020: 3.88% to 4.19%) per annum		
Refer to note 11	42 569 289	48 099 658
Fixed deposits - ABSA (Public benefit and social development)		
Interest rates ranging from 3.45% to 4.28% (2020: 7.00% to 7.86%) per annum		
Refer to note 10	11 128 779	10 657 851
Fixed deposits - FNB		
Interest rates ranging from 4.35% to 4.35% (2020: 4.12% to 7.27%) per annum	31 556 076	30 263 043
Depositor Plus - ABSA		
Interest rates ranging from 3.00% to 3.00% (2020: 3.00% to 6.00%) per annum	15 189 844	14 959 178
	124 371 755	161 080 301
	139 561 599	176 039 479
Non-current assets		
At amortised cost	2 412 039	2 357 228
Current assets		
At amortised cost	137 149 560	173 682 251
	139 561 599	176 039 479
5. Consumer stock		
Consumable stock	1 983 708	1 742 451
6. Trade and other receivables		
Trade receivables	8 775 036	12 855 023
Deposits	41 474	288 976
VAT	3 507 862	6 327 314
Sundry debtors	9 178 093	9 178 093
	21 502 465	28 649 406

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 2021

Notes to the Annual Financial Statements

Amount in Rands	2021	2020
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	647	14 765
Bank balances	15 516	14 412
Short-term deposits	23 783 848	10 305 087
	23 800 011	10 334 264

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.

8. Deferred income

Non-current liabilities	78 639 346	87 626 700
Current liabilities	8 987 354	8 987 354
	87 626 700	96 614 054

9. Trade and other payables

Trade payables	6 459 110	21 635 621
Raw water payables	1 559 870	1 559 870
Other payables	5 574 842	5 387 016
	13 593 822	28 582 507

10. Provisions

Reconciliation of provisions - 2021

	Opening balance	Additions	Total
Community support services and social development	10 657 851	470 928	11 128 779

Reconciliation of provisions - 2020

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

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	12 514 293	18 207 382
Payables due to members - Southern Extension 2 Project	6 085 698	5 873 010
Payables due to members - Northern Extension Mogalakwena	36 590 436	35 164 956
	55 190 427	59 245 348

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Lebalelo Water User Association

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

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

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Amount in Rands	2021	2020
12. Revenue		
Variable operating costs	35 707 261	31 623 928
Fixed operating costs	74 803 886	68 646 993
Covid-19 Project Levy	18 083 532	4 176 292
	128 594 679	104 447 213
13. Investment revenue		
Interest revenue		
Bank	168 936	271 199
Interest charged on trade and other receivables	754 355	1 093 857
Other financial assets	5 951 462	14 086 937
	6 874 753	15 451 993
14. Finance costs		
Bank	10 608	12 080
Interest paid on designated funds	2 141 140	4 159 896
	2 151 748	4 171 976
15. Auditors' remuneration		
Fees	550 000	339 174
16. Cash generated from (used in) operations		
Surplus	(9 325 588)	(16 371 380)
Adjustments for:		
Depreciation and amortisation	24 486 125	17 711 251
Loss / (profit) on sale of assets	667 725	56 754
Interest received	(6 874 753)	(15 451 993)
Finance costs	2 151 748	4 171 976
Movements in provisions	470 928	820 941
Changes in working capital:		
Consumer stock	(241 257)	321 643
Trade and other receivables	7 146 941	(6 410 394)
Trade and other payables	(14 988 685)	19 274 419
Deferred income	(8 987 354)	(8 987 354)
	(5 494 170)	(4 864 137)

17. Changes in accounting policy

The annual financial statements have been prepared in accordance with entity specific accounting policies on a basis consistent with the prior year except for the following:

Intangible assets and long term pre-payments

During the year, the Association changed its accounting policy with respect to the treatment of intangible assets. The Association capitalises development costs on internally generated intangible assets after technical and commercial feasibility of the asset for sale or use have been established. This change was implemented to more accurately reflect the timeframe in which the asset is realised and in which the future economic benefits will flow to the entity.

The change in accounting policy has no effect on the annual financial statements for the year ended 30 June 2021.

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 2021

Notes to the Annual Financial Statements

Amount in Rands

18. 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 R59 684 421.15 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 m³, the 3 880 000 m³ and the 1 001 462 m³ 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.

19. Commitments

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

20. Statement of Comprehensive Income

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

21. Events after the reporting period

The annual financial statements were authorised for issue on Thursday, 16 September 2021 by the Management Committee of the Association.

It is noted that the Association submitted a proposal to the Department: Water and Sanitation (DWS) to develop the Olifants River Water Resource Development Programme (ORWRDP) and potable water systems as referred to in the Annual Report and Business Plan. Arising from the Association's proposal the DWS signed the Memorandum of Intent (MOI) on 6th July 2021 and was countersigned by the CEO of LWUA on 12th July 2021. The MOI gives clear guidelines on the way the parties will work together to set up the project execution. A Joint Steering Committee and 4 sub-committees have been established as a governance structure to ensure that the pre-feasibility and feasibility studies will be conducted in line with the agreed governance principles.

22. Other matters

It is noted that the contractual terms for the key executive and the operations positions of Chief Executive Officer, Chief Financial Officer, Human Resources and Admin Manager and Governance, Risk, Compliance and Legal (GRCL) Manager are scheduled to end in November 2021. The Management Committee and the management team is currently negotiating to extend the contracts of the CEO and the GRCL Manager. The Association's succession plan for the other positions will be dependent on the negotiations with the DWS on the Implementation model for the ORWRDP, the employment equity plan and transformation programme.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

°Lebalelo Water User Association

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

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

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

23. Risk Management

Financial Risk Management

The Association's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The overall risk management of the Association's management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Association's financial performance. Risk management is carried out by the Management Committee under policies approved by the Management Committee. The Association identifies and evaluates financial risks in close co-operation with the Association's water demand and anticipated member's cash flow. The Management Committee provides principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, financial instruments and investment of excess liquidity.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Management Committee of the Association maintains flexibility in funding by maintaining availability under committed credit lines.

The Association's risk to liquidity is as a result of funds being available to cover future commitments. The Association manages liquidity risk through an ongoing review of future commitments.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The information below analyses the Association's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts referred to below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	13 593 818	-	-	-
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	-	-	-

Credit risk

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

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

DETAILED STATEMENT OF COMPREHENSIVE INCOME

Lebalelo Water User Association

Detailed Statement of Comprehensive Income for the year ended 30 June 2021

Notes	2021 R	2021 R	2021 R	2021 R	2021 R
	Havercroft to Maandagshoek	Southern Extension	Booyssendal Platinum	Other	Total
Gross Revenue	112 996 894	12 432 986	3 164 800	-	128 594 679
Fixed operating costs	59 170 834	8 956 586	1 754 384	-	69 881 804
Fixed electricity	3 434 136	657 449	377 243	-	4 468 828
Variable electricity	12 996 239	2 818 951	1 033 173	-	16 848 363
Raw water	18 381 011	-	-	-	18 381 077
Water research fund	477 821	-	-	-	477 821
Covid-19 support (Contributions by members)	18 083 532	-	-	-	18 083 532
Maintenance: Potable water infrastructure	453 254	-	-	-	453 254
Cost of revenue	30 143 818	5 783 187	1 483 061	-	37 410 066
Fixed electricity	3 626 198	673 520	397 577	-	4 697 294
Variable electricity	20 387 030	5 109 668	1 085 485	-	26 582 183
Raw water	4 983 504	-	-	-	4 983 504
Water research fund	693 832	-	-	-	693 832
Maintenance: Potable water infrastructure	453 254	-	-	-	453 254
Gross surplus	82 853 076	6 649 799	1 681 738	-	91 184 612
Other income	-	-	-	13 857 560	13 857 560
Profit on disposal of fixed assets	-	-	-	-	-
Interest received	-	-	-	6 874 753	6 874 753
Finance costs	-	-	-	(2 151 748)	(2 151 748)
Other income	-	-	-	54 801	54 801
Rent received	-	-	-	92 400	92 400
Amortisation-deferred income	-	-	-	8 987 354	8 987 354
Total income	82 853 076	6 649 799	1 681 738	13 857 560	105 042 172
Fixed operating expenses (Refer to next page)	98 385 943	5 701 234	1 294 189	8 986 396	114 367 761
Retained surplus/(deficit) for the year	(15 532 867)	948 565	387 550	4 871 164	(9 325 588)
Transfer of interest to non-distributable reserve	-	-	-	-	-
Accumulated surplus/(deficit) at the beginning of year	(56 551 799)	5 736 396	10 727 718	107 670 776	67 583 091
Accumulated surplus/(deficit) at the end of the year	(72 084 666)	6 684 962	11 115 268	112 541 941	58 257 503

DETAILED STATEMENT OF COMPREHENSIVE INCOME

Lebalelo Water User Association

Detailed Statement of Comprehensive Income

for the year ended 30 June 2021

Notes	2021 R	2021 R	2021 R	2021 R	2021 R
	Havercroft to Maandagshoek	Southern Extension	Booyssendal Platinum	Other	Total
Fixed operating costs	98 385 943	5 701 234	1 294 189	8 986 396	114 367 761
Administrative expenses	8 185 978	-	-	-	8 185 978
Consultant fees	4 529 281	68 188	-	-	4 597 469
OMM project	5 841 000	-	-	-	5 841 000
Covid-19 support	8 144 457	-	-	-	8 144 457
Depreciation	11 702 211	3 001 370	141 839	-	14 845 420
Amortisation	654 310	-	-	8 986 396	9 640 707
Strategy	1 851 949	-	-	-	1 851 949
Personnel costs	32 013 789	-	-	-	32 013 789
Loss on disposal of assets	667 725	-	-	-	667 725
Transport	1 101 321	-	-	-	1 101 321
Security and safety	11 598 624	860 970	381 925	-	12 841 520
Software development and training	104 625	-	-	-	104 625
Social Responsibility	4 834 564	-	-	-	4 834 564
MAINTENANCE					
Abnormal maintenance	3 779	-	114 551	-	118 330
Access roads	-	-	-	-	-
Air conditioners	10 573	-	-	-	10 573
Civil	48 166	257 980	39 550	-	345 696
Cleaning	31 544	177	240	-	31 962
Cranes	160 357	-	-	-	160 357
Dams	775 500	-	-	-	775 500
Electrical	336 881	32 344	270 902	-	640 127
Environment	86 420	18 200	9 080	-	113 700
Fabrication	20 285	74 490	-	-	94 775
Gardens and irrigation	17 149	-	-	-	17 149
Herbicide	161 534	224 084	11 846	-	397 464
Instrumentation	1 080 202	628 274	72 054	-	1 780 530
Lubricants and workshop consumables	235 101	4 961	313	-	240 376
Mechanical	1 813 836	97 337	-	-	1 911 173
Offices and workshop	105 390	68 853	-	-	174 243
Pest control	911 212	113 284	7 424	-	1 031 921
Pipe lines	375 797	175 720	215 464	-	766 981
Personnel housing	4 123	-	-	-	4 123
Plant hire	71 200	38 200	29 000	-	138 400
Safety ropes	1 560	-	-	-	1 560
Telemetry	752 005	27 096	-	-	779 101
Tools and equipment	95 472	282	-	-	95 754
Water quality (purification)	58 023	9 421	-	-	67 444

DETAILED STATEMENT OF COMPREHENSIVE INCOME

Lebalelo Water User Association

Detailed Statement of Comprehensive Income

for the year ended 30 June 2021

Notes	2020 R	2020 R	2020 R	2020 R	2020 R
	Havercroft to Maandagshoek	Southern Extension	Booyseendal 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	(25 414 799)	3 761 043	10 682 064	94 926 163	83 954 471
Accumulated surplus/(deficit) at the end of the year	(56 551 799)	5 736 396	10 727 718	107 670 776	67 583 091

DETAILED STATEMENT OF COMPREHENSIVE INCOME

Lebalelo Water User Association

Detailed Statement of Comprehensive Income

for the year ended 30 June 2021

Notes	2020 R	2020 R	2020 R	2020 R	2020 R
	Havercroft to Maandagshoek	Southern Extension	Booyssendal 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
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
Transport	774 829	-	-	-	774 829
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

SUMMARY BUDGET : HAVERCROFT WEIR TO MAANDAGSHOEK DAM

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													
		2020/2021											
	Approved Budget R/m	2020/2021	Actual R/m	FORECAST EXPENDITURE AS AT 30.06.2021	Unit Cost revised Budget 2021/2022 R/m	REVISIED BUDGET 2021/2022	INCREASE (DECREASE) year on year in Budgetline 2021 vs June 2022	Budget R/m	REVISIED BUDGET	Budget R/m	REVISIED BUDGET	Budget R/m	REVISIED BUDGET
WORKING CAPITAL													
1	STORES (Emergency Stores)	0.11	1 158 854	0.12	1 158 854	0.30	1 756 493	0.20	600 639	0.20	2 539 163	0.12	1 564 723
2	UPGRADING INFRASTRUCTURE	0.13	1 447 400	0.11	1 332 400	-0.30	-2 666 563	0.10	1 219 163	-	1 271 238	-	-
3	OFFICE & COMPUTER EQUIPMENT	0.03	303 782	0.03	303 782	0.03	231 134	-	-	-	-	-	-
4	TOOLS AND EQUIPMENT	0.07	711 783	0.07	711 783	0.15	1 302 524	0.11	590 761	0.11	1 393 811	0.08	1 066 272
5	VEHICLES & MOBILE EQUIPMENT	0.06	866 000	0.07	866 000	0.15	470 004	-	568 201	-	-	-	-
6	REFURBISHMENT ASSETS	0.14	1 522 288	0.15	1 522 288	0.67	7 132 224	0.31	5 609 956	0.31	3 917 505	0.34	4 274 905
7	STRATEGIC PROJECTS					0.43	4 487 526		4 547 526		4 040 053		3 384 509
8	GOVERNANCE		11 610 000		11 610 000		22 850 000		16 955 000		17 229 000		8 472 790
9	REPAIR THE LEBALELO BRAND		4 350 000		4 350 000		3 750 000		-600 000		4 600 000		4 600 000
10	REPAIR THE COMMUNITY TRUST		2 067 980		2 067 980		609 526		-1 457 454		3 517 000		3 894 420
11	SUB TOTAL WORKING CAPITAL	-	21 789 067	-	21 474 010	4.90	18 109 558	2.42	13 161 770	1.58	10 290 409	1.15	6 317 300
12	FUNDING REPLACEMENT & REFURBISHMENT FUND PLUS SPECIAL PROJECTS	-	-	-	-	-4.90	-43 601 412	-2.42	-30 116 770	-1.58	-19 930 909	-1.15	-14 757 050
13	A SUB TOTAL WORKING CAPITAL	0.10	1 133 136	0.11	1 133 136	0.20	1 780 948	-	4 977 466	-	6 311 388	0.60	7 730 443
INCREASE/DECREASE in Rand value this year budget vs prior year budget													
Water Requirements in m³ (Forecastmonth) through Havercroft & Weir Pump Station						10 569 518	-	-	-	-	-	-	
FIXED OPERATIONAL COSTS													
20	PERSONNEL COSTS	2.78	30 164 561	3.26	32 750 822	3.15	33 374 977	2.80	34 788 658	2.90	36 610 494	3.36	43 317 255
21	CONSULTANT FEES	0.02	200 000	0.07	700 000	0.04	400 000	0.05	600 000	0.06	700 000	0.06	800 000
22	COMMUNITY WATER SUPPLY	0.04	432 910	0.04	432 910	0.08	860 474	0.04	497 747	0.04	504 911	0.04	515 363
23	ADMINISTRATIVE EXPENSES	0.52	5 594 251	0.55	5 559 253	0.63	6 653 470	0.58	7 183 587	0.61	7 756 110	0.65	8 374 431
24	SOFTWARE DEVELOPMENT & TRAINING	0.05	521 102	0.13	1 273 641	0.13	1 378 182	0.12	1 477 593	0.13	1 595 801	0.13	1 722 465
25	TRANSPORT	0.08	862 979	0.10	1 046 521	0.13	1 596 070	0.12	1 509 861	0.13	1 630 650	0.14	1 761 102
26	SECURITY & SAFETY	1.14	12 323 394	1.28	12 835 765	0.81	9 101 561	0.73	9 101 561	0.78	9 815 990	0.82	10 591 626
27	MAINTENANCE	0.62	6 760 616	0.62	6 277 545	0.45	9 019 857	0.69	8 591 651	0.62	7 845 543	0.66	8 473 186
28	DEPRECIATION (GAAP)	0.50	5 405 336	0.54	5 405 336	0.52	5 450 887	0.46	5 723 431	0.48	6 009 602	0.49	6 310 482
28a	REPLACEMENT OF REFURBISHMENT FUND	0.10	1 133 136	0.11	1 133 136	0.30	1 780 948	0.40	4 977 466	0.50	6 311 388	0.60	7 730 443
29	FIXED ELECTRICITY COSTS per Pump Station	0.32	3 434 136	0.35	3 558 722	0.37	3 952 691	0.37	4 549 547	0.41	5 236 528	0.47	6 027 244
Water losses in m³						120 000		-198 823		345 792		345 792	
30.1	Cost of Water losses	0.07	89 434	0.07	142 482	0.01	58 944	0.01	63 660	0.01	68 752	0.01	74 252
31	FIXED WATER COSTS	0.08	946 914	0.10	972 470	0.09	929 428	0.08	1 003 782	0.09	1 084 085	0.09	1 170 811
32	WATER USER ASSOCIATION (Slovak, Olam, Elund)	0.02	162 527	0.02	174 456	0.01	190 022	0.02	197 358	0.02	217 094	0.02	238 803
B	SUB TOTAL FIXED OPERATIONAL COSTS	6.29	68 031 836	7.19	72 263 060	6.92	73 184 690	6.45	80 265 901	6.76	85 386 947	7.54	97 108 066
INCREASE % year on year (BUDGET VALUES)						7.62%		11.49%		6.38%		13.73%	
Less Depreciation (not recognised from members)					-0.59	-5 405 336	-0.52	-5 450 887	-0.46	-5 723 431	-0.48	-6 009 602	
TOTAL OPERATIONAL BUDGET (Fixed Cost/(A+B))					5.69	67 990 860	6.41	69 514 752	5.99	79 519 936	6.29	85 688 732	
Less surplus brought forward from previous year						31.87%							
INCREASE % year on year on budgeted unit cost per m³													
Water Requirements in m³ (Forecastmonth) through Havercroft & Weir Pump Station						10 046 051		10 569 518		12 443 664		12 884 072	
INCREASE % year on year (Forecastmonth) through Havercroft & Weir Pump Station						-2.34%							
Water Requirements in m³ (Forecastmonth) through Caplaam Pump Station						8 478 638		428 103		10 330 784		10 479 875	
C													
TOTAL RAW WATER COST													
50	ELECTRICITY COST ACCORDING TO DEMAND (Energy Cost)	0.48	5 228 481	0.39	3 788 209	0.45	4 273 518	0.30	6 198 435	0.34	6 790 666	0.38	7 485 735
51	ELECTRICITY COST ACCORDING TO DEMAND (Energy Cost)	2.17	21 379 739	2.06	19 774 561	2.49	26 972 505	2.87	33 789 260	3.23	39 030 066	3.64	44 977 088
52	C Total Variable Cost	2.65	26 615 240	2.43	23 562 771	2.94	31 606 072	3.37	39 987 696	3.77	45 820 732	4.22	52 463 423
A+B+C Total O & M Budget (Fixed & Variable)					8.54	90 374 866	9.35	101 210 774	9.36	119 507 632	10.06	131 509 464	
INCREASE in total unit costs year on year						-4.11		-189 003.48				-148 130 921.56	

J C JANSSEN

24 June 2021

APPROVED

DATE

CHAIRPERSON, FINANCIAL COMMITTEE
LEBALELO WATER USER ASSOCIATION

P MOODIAR

24 June 2021

APPROVED

DATE

CHAIRPERSON, MANAGEMENT COMMITTEE
LEBALELO WATER USER ASSOCIATION

SUMMARY BUDGET : SOUTHERN EXTENSION

LEBALELO WATER USER ASSOCIATION - REVISED BUDGET : 01/07/2021 TO 30/06/2026 (SOUTHERN EXTENSION)																	
SOUTHERN EXTENSION -SUMMARY				2020/2021		2020/2021		2020/2021		2022/2023		2023/2024		2023/2024		2025/2026	
	Approve Budget R/m²	Actual R/m²	APPROVED BUDGET 2020/2021	FORECAST EXPENDITURE AS AT 30/06/2021	Unit Cost revised Budget 2021/2022 R/m²	REVISSED BUDGET 2021/2022	INCREASE (DECREASE) year on year in Budget/line 2021 vs June 2021	REVISSED BUDGET Budget R/m²	REVISSED BUDGET Budget R/m²	REVISSED BUDGET Budget R/m²	REVISSED BUDGET Budget R/m²	REVISSED BUDGET Budget R/m²	REVISSED BUDGET Budget R/m²	REVISSED BUDGET Budget R/m²	REVISSED BUDGET Budget R/m²	REVISSED BUDGET Budget R/m²	
WORKING CAPITAL																	
1 STORES	0.18		855 224	855 224	0.37	1 401 164	635 940	0.34	1 107 759	0.33	1 520 935	0.56	2 669 843	0.16	768 884		
2 UPGRADING INFRASTRUCTURE	0.02		85 000	85 000	0.63	2 550 000	2 465 000	0.74	2 754 000	-	-	-	-	-	-		
3 OFFICE EQUIPMENT	-	-	-	-	0.14	175 994	175 994	-	-	-	-	-	-	-	-		
4 TOOLS AND EQUIPMENT	-	0.01	-	19 912	0.12	506 905	506 905	0.09	429 828	0.03	140 022	0.03	151 223	0.03	163 321		
5 REPLACEMENTS OUT OF REFURBISHMENT FUND	0.04	0.06	228 000	228 000	0.19	779 890	551 890	0.09	820 800	0.02	324 745	0.07	327 525	0.08	376 927		
6 CAPITAL PROJECTS	0.04	0.05	220 000	220 000	-	-	-220 000	-	-	-	-	-	-	-	-		
SUB TOTAL: WORKING CAPITAL	0.26		1 388 224	1 408 136	1.35	5 503 953	3 939 735	1.16	5 112 387	0.38	1 985 702	0.66	3 148 591	0.27	1 309 132		
FINANCED OUT OF REPLACEMENT AND REFURBISHMENT FUND	-0.26		-1 388 224	-1 408 136	-1.35	-5 503 953	-3 939 735	-1.12	-5 213 227	-0.43	-1 985 702	-0.66	-3 148 591	-0.27	-1 309 132		
A SUB TOTAL: WORKING CAPITAL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
FIXED OPERATIONAL COSTS																	
21 ADMINISTRATIVE EXPENSES	0.04		193 130	198 280	0.05	198 280	5 150	0.05	214 165	0.05	235 582	0.05	259 140	0.06	285 054		
22 SECURITY & SAFETY	0.17		907 323	1 368 914	0.29	1 177 000	269 767	0.28	1 285 717	0.31	1 426 059	0.32	1 534 336	0.35	1 676 329		
23 MAINTENANCE	0.41		2 187 404	1 998 164	0.66	3 405 227	1 317 823	0.71	3 285 609	0.76	3 558 431	0.80	3 817 436	0.86	4 169 015		
24 DEPRECIATION (GAP)	1.05		5 005 307	5 005 307	1.38	5 606 507	-	1.30	6 054 812	1.40	6 519 196	1.48	7 062 332	1.58	7 627 319		
25 FIXED ELECTRICITY COSTS-Catholic Protection	0.01		62 422	64 367	0.01	60 000	-2 422	0.01	69 660	0.02	79 488	0.02	91 491	0.02	105 306		
SUB TOTAL: FIXED OPERATIONAL COSTS exd Electrical costs	1.70		8 956 586	9 236 032	2.59	10 546 904	1 590 318	2.55	10 909 363	2.54	11 838 756	2.67	12 794 735	2.87	13 863 023		
25 FIXED ELECTRICITY COSTS (Motololo & Booyensdal)	0.18		657 449	673 721	0.24	756 724	83 003	0.23	870 989	0.27	1 002 508	0.30	1 153 887	0.35	1 328 124		
B SUB TOTAL: FIXED OPERATIONAL COSTS	1.88		9 614 035	9 909 753	2.83	11 303 628	1 689 593	2.58	11 780 352	2.80	12 841 265	2.97	13 948 622	3.22	15 191 147		
% Increase in Rand Value year on year on budget(2020/2021) vs budget(2021/2022) (Motololo and Booyensdal)						17.57%			4.22%		9.01%		8.62%		8.91%		
TOTAL OPERATIONAL BUDGET (Fixed Cost)(A+B)	1.88		9 614 035	9 909 753	2.83	11 303 628	1 689 593.11	2.58	11 780 352	2.80	12 841 265	2.97	13 948 622	3.22	15 191 147		
Increase % year on year on unit cost per m³					50.87%												
Water Demand in m³			5 260 768	3 871 879		4 064 519	192 640		4 643 739		4 662 959		4 788 001		4 828 001		
Water requirements in m³ -Motololo,Booyensdal & Glencore			3 538 734	2 901 147		3 199 519	298 372		3 743 739		3 747 959		3 848 001		3 848 001		
Water requirements in m³ -Booyensdal Mine only			850 000	772 824		865 000	92 176		900 000		920 000		940 000		980 000		
VARIABLE OPERATIONAL COSTS																	
50 ELECTRICITY COSTS According to Demand (Energy Cost)	1.19		4 321 850	5 217 646	2.04	6 528 942	1 311 296	2.35	8 793 040	2.70	10 132 197	3.11	11 973 450	3.58	13 781 441		
C Total Variable Cost	1.19		4 321 850	5 217 646	2.04	6 528 942	1 311 296	2.35	8 793 040	2.70	10 132 197	3.11	11 973 450	3.58	13 781 441		
Increase % year on year on electrical cost per m³						13.46%											
A+B+C Total O & M Budget (Fixed & Variable)	3.06		13 935 885	15 127 399	4.87	17 832 571	3 000 889	4.93	20 573 392	5.51	22 973 462	6.08	25 922 072	6.80	28 972 587		

J.C. JANSEN APPROVED CHAIRPERSON: FINANCIAL COMMITTEE LEBALELO WATER USER ASSOCIATION	24 June 2021 DATE	P. MODULAR APPROVED CHAIRPERSON: MANAGEMENT COMMITTEE LEBALELO WATER USER ASSOCIATION	24 June 2021 DATE
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SUMMARY BUDGET : BOOYSENDAL

LEBALELO WATER USER ASSOCIATION - REVISED BUDGET : 01/07/2021 TO 30/06/2026 - BOOYSENDAL

LEBALELO WATER USER ASSOCIATION - REVISED BUDGET : 01/07/2021 TO 30/06/2026 - BOOYSENDAL													
BOOYSENDAL SUMMARY		2020/2021	2021/2022	2022/2023	2023/2024	2023/2024	2024/2025						
	Approve Budget Rm	APPROVED BUDGET 2020/2021	Actual Rm	FORECAST EXPENDITURE AS AT 30.06.2020	Unit Cost revised Budget 2021/2022 Rm	REVISD BUDGET 2021/2022	INCREASE (DECREASE) year on year in Budget June 2021 vs June 2022	Budget Rm	REVISED BUDGET	Budget Rm	REVISED BUDGET	Budget Rm	REVISED BUDGET
WORKING CAPITAL													
1 STORES	0.13	105 666	0.12	90 000	0.76	642 663	536 707	0.25	221 993	0.24	205 192	0.26	219 109
2 UPGRADING INFRASTRUCTURE	0.31	248 678	0.32	248 678	1.97	1 670 422	1 421 744	1.67	1 415 310	1.80	1 528 535	1.94	1 650 817
3 TOOLS AND EQUIPMENT	0.01	6 000	0.01	6 000	0.60	564 735	558 135	0.53	442 666	0.56	478 079	0.61	516 326
4 REPLACEMENTS OUT OF REPAIRSMENT FUND	0.31	250 000	0.33	250 000	0.45	380 425	130 425	0.48	410 859	0.52	443 727	0.56	479 225
5 CAPITAL PROJECTS	-	-	-	-	0.17	144 235	144 235	0.04	37 800	0.05	40 824	-	0
SUB TOTAL: WORKING CAPITAL	0.76	611 174	0.77	595 278	4.00	3 402 419	2 847 010	2.96	2 528 627	3.17	2 696 357	3.37	2 865 478
FINANCED OUT OF REPLACEMENT AND REPAIRSMENT FUND	-0.76	-611 174	-0.78	-595 278	-4.00	-3 402 419	-2 847 010	-2.93	-2 490 827	-3.12	-2 655 533	-3.37	-2 865 478
A SUB TOTAL: WORKING CAPITAL	-	-	-	-	-	-	-	-	-	-	-	-	-
FIXED OPERATIONAL COSTS													
21 ADMINISTRATIVE EXPENSES	0.34	271 740	0.31	229 630	0.30	261 591	-8 147	0.33	284 680	0.36	307 455	0.35	332 051
22 SECURITY & SAFETY	0.08	547 144	1.16	880 362	0.72	613 483	66 339	0.74	662 562	0.84	715 567	0.83	772 812
23 MAINTENANCE	1.73	907 338	1.39	1 088 315	1.55	1 313 291	405 955	1.23	1 105 491	1.41	1 194 661	1.58	1 298 222
24 DEPRECIATION (GAAP)	0.04	28 161	0.04	28 161	0.04	30 414	2 253	0.03	28 161	0.04	31 048	0.03	32 600
25 FIXED ELECTRICITY COSTS	0.47	377 243	0.52	397 480	0.54	457 499	80 256	0.62	526 582	0.71	606 096	0.82	697 416
B SUB TOTAL: FIXED OPERATIONAL COSTS	2.66	2 131 628	3.38	2 614 008	3.15	2 678 280	546 654	2.90	2 607 476	3.10	2 854 826	3.33	3 133 301
INCREASE % year on year Budget(2020/2021) vs budget(2021/2022) Rand Value													
TOTAL OPERATIONAL BUDGET (Fixed Cost(A+B))	2.66	2 131 628	3.38	2 614 008	3.15	2 678 280	546 654	2.90	2 607 476	3.10	2 854 826	3.33	3 133 301
INCREASE % year on year on unit cost per m³													
Budget						18.23%							
Water requirements in m³ (Forecast/month)		800 000		772 824		865 000	82 681		900 000		830 000		940 000
VARIABLE OPERATIONAL COSTS													
50 ELECTRICITY COSTS According to Demand (Energy Cost)	1.43	1 147 500	1.84	1 422 371	2.12	1 832 415	684 915	2.44	2 194 449	2.81	2 581 940	3.23	3 036 418
INCREASE % year on year on cost per m³ (Budget)													
C Total Variable Cost	1.43	1 147 500	1.84	1 422 371	2.12	1 832 415	684 915	2.44	2 194 449	2.81	2 581 940	3.23	3 036 418
A+B+C Total O & M Budget (Fixed & Variable)	4.10	3 279 128	5.22	4 036 379	5.27	4 510 696	1 231 570	5.34	4 801 925	5.91	5 436 767	6.56	6 169 720

J C JANSEN

APPROVED

CHAIRPERSON: FINANCIAL COMMITTEE
LEBALELO WATER USER ASSOCIATION

24 June 2021

DATE

P MODDIAR

APPROVED

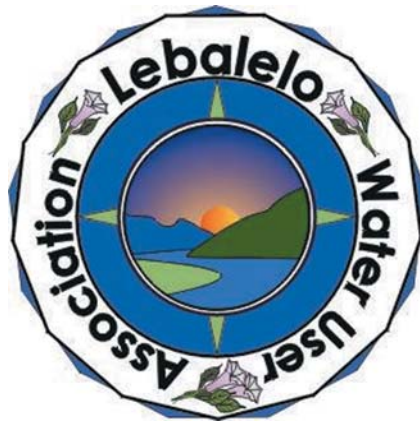
CHAIRPERSON: MANAGEMENT COMMITTEE
LEBALELO WATER USER ASSOCIATION

24 June 2021

DATE



THE LEBALELO WATER USER ASSOCIATION 2020



The Lebalelo Water User Association