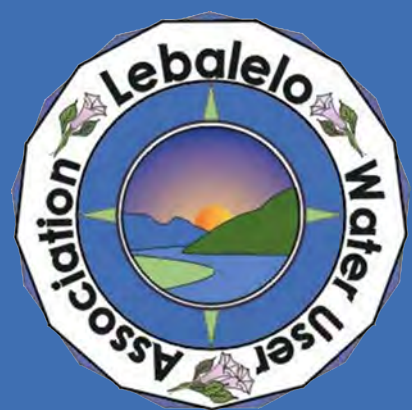




# 2022 ANNUAL REPORT

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Integrated Annual Report and Business Plan  
for the Lebalelo Water User Association





## Legal Framework

The Lebalelo Water User Association (“the Association”) was established on 1 February 2002 in terms of Chapter 8 of the National Water Act of 1998 (Act 36 of 1998) (“the Act”) [Section 92(1), 93(1) and 94(2), Schedule 4 (Management and Planning of Water Management Institutions) and Schedule 5, the model Constitution for Water User Associations)].

# 2022 ANNUAL REPORT

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## Integrated Annual Report and Business Plan for the Lebalelo Water User Association

The Association shall, within the legal framework of the 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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## List of Abbreviations

<b>AGM</b>	Annual General Meeting
<b>CEO</b>	Chief Executive Officer
<b>DOA</b>	Delegation of Authority Framework
<b>DBE</b>	Department of Basic Education
<b>DWS</b>	Department of Water and Sanitation
<b>FinCom</b>	Finance Committee
<b>King IV Report</b>	King IV Report on Corporate Governance for South Africa, 2016
<b>LWUA</b>	Lebalelo Water User Association
<b>ManCom</b>	Management Committee
<b>MLM</b>	Mogalakwena Local Municipality
<b>OMM Programme</b>	The Olifants Management Model Programme
<b>ORWRDP</b>	Olifants River Water Resource Development Project
<b>OpsCom</b>	Operations Committee
<b>PSC</b>	Programme Steering Committee
<b>SDM</b>	Sekhukhune District Municipality
<b>SeCom</b>	Social and Ethics Committee
<b>SMME</b>	Small, Medium and Micro Enterprises
<b>WHO</b>	World Health Organisation

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# 2022 ANNUAL REPORT

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# Improving lives through water

## 1. The Association's Integrated Annual Report

### 1.1 Introduction and Scope of the Report

This Integrated Annual Report is aimed primarily at the Members of the Association, including the Minister of Water and Sanitation, as well as 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 regions where 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 in.

We are pleased to present our 2022 Integrated Annual Report. It covers the performance of the Association for the year ended 30 June 2022, it contains the audited Annual Financial Statements and the 2023 Business Plan.

### 1.2 Materiality

The Integrated Annual Report focuses on information material to the Association's business. It provides a concise overview of the Association's performance, prospects and ability to create value for our key stakeholders on a sustainable basis.

The legitimate interests of all our key stakeholders were considered in determining information that is considered to be material for inclusion in this report.

### 1.3 Assurance

The Members of the ManCom, assisted by the FinCom and the SeCom, 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 on page 44 of the report.

### 1.4 Approval of the Integrated Annual Report

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

- The Act;
- The Companies Act of South Africa;
- The King IV Report;
- International Financial Reporting Standards (IFRS); and
- International Integrated Reporting Council (IIRC) Integrated Reporting Framework.

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



## 2. General Information of the Association

### 2.1 Introduction

The Association was established on 1 February 2002 in terms of Chapter 8 of the Act, Section 92(1), 93(1) and 94(2), Schedule 4 (Management and Planning of Water Management Institutions) and Schedule 5 (the model Constitution of Water User Association).

### 2.2 Our Mission, Objectives, Purpose, Vision and Values

The **mission** of the Association is that it shall, within the legal framework of the 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 of Water and Sanitation (DWS) and the Sekhukhune District Municipality (SDM) in the operation and maintenance of their potable water schemes, provided that the schemes are situated within the area of operation of the Association; 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 and a catalyst for the creation of sustainable socio-economic development in the region where we operate.

The Association's **values** drive the behaviour of management and staff and will form the backbone of the culture of the organisation, in this regard:

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

### 2.3 Our Business Model

The Association's business model is to provide bulk raw water to its Commercial, Industrial and Social Members, in terms of the Water Use License issued to the Association, based on the recovery of fixed and variable costs for raw water from Members and Non-Members. In this regard the Association acknowledges the importance of making provision for the delivery of raw water to statutory service 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.

For the Association to deliver against its purpose of "improving lives through water" it developed a three-staged approach in the form of a short-, medium- and long-term strategy, that not only aims to transform the Association but also to use water as a catalyst for socio-economic development in the areas in which the Association operates.

**The short-term strategy (1-3 years)** aims to stabilise the Association's operations and its social license to operate by:

- Strengthening governance;

- Repairing the brand;
- Restoring community trust;
- Achieving operational excellence; and
- Transforming our people.

**The medium-term strategy (4-7 years)** aims to build a trusted platform for socio-economic development (SED) in the region through:

- Expanding the Association's role to build, operate and maintain, bulk and potable water infrastructure; and
- Establishing an SED collaboration forum to align Members around common socio-economic development initiatives and infrastructure to foster social harmony.

**The long-term strategy (8-25 years)** aims to catalyse the creation of game-changing businesses or initiatives to drive exponential socio-economic growth in the region.



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**We use water  
as a catalyst for  
socio-economic  
development**





“Through the launch of the OMM Programme, the Association has set a course to achieve the third horizon of our three-staged strategy.”

**Prakashim Moodliar**  
Chairman

### 3. Performance Overview

#### 3.1 Chairman's Statement

##### 3.1.1 Introduction

Despite the devastating effects of the COVID-19 pandemic, which have been compounded by loadshedding, high fuel prices and an increased cost of living, the Association, through its commitment and vision, has been able to weather the turmoil of the year in review. We have not only delivered on our mandate this past year, but we have also made significant headway in the development of and preparation for the Olifants Management Model (OMM) Programme, which is in line with the three stages of the Association's strategy.

##### 3.1.2 The Olifants Management Model (OMM) Programme

I am excited to confirm that the Olifants Management Model (OMM) Programme was officially launched by the Minister of Water and Sanitation on 9 May 2022. The Programme was borne out of a member-funded concept study to accelerate the implementation of DWS' Olifants River Water Resource Development Project (ORWRDP) and provide potable water infrastructure to defined areas in Limpopo where we operate.

The OMM Programme is a collaboration between Commercial Users and Government that aims to fast-track potable and bulk raw water infrastructure to supply communities and mines in Sekhukhune and Mogalakwe-namunicipal areas in the Limpopo province.



Not only will the OMM Programme unlock the strategic mineral and industrial potential in the region, it will also provide much needed potable water to a yard connection (for approximately 380 000 people), water security, significant job creation and socio-economic development. The OMM Programme is an embodiment of our purpose and motto, which is "improving lives through water". We are currently in a preparation phase - the Pre-Feasibility and Feasibility Study Phases of the Programme are expected to start at the end of 2022.

I am grateful to our CEO, Mr Bertus Bierman, and the Acting OMM Programme Director, Dr Kobus Duvenhage, for their tireless efforts and stewardship in getting us to this stage.

##### 3.1.3 Health and Safety of Our Employees

Despite the abovementioned challenges, our employees have remained steadfast in their commitment to providing water to our Members, which in turn has protected countless, much-needed jobs in the country, particularly in the areas we operate in.

The health and safety of our employees, contractors, visitors and other stakeholders remain of paramount importance. We have continued to heed the call from the Government, the WHO and medical experts to encourage vaccination and take preventative measures to mitigate the spread of COVID-19. To this end, all our Operation's employees have been vaccinated for COVID-19 and the majority have received their booster doses. To achieve these preventative measures, employees who are willing to be vaccinated are provided with the necessary information, advice, transportation and other logistical support to make the vaccination programme as seamless as possible for them.

As a further testament to our commitment to the health and safety of our employees, we achieved two important safety milestones: 100 000 fatality-free shifts and 10 000 injury-free shifts.

By the end of the financial year, these numbers were at 123 908 and 16 971 respectively. We pride ourselves most on these achievements.

On behalf of the ManCom and the Members of the Association, I would like to express our deep sense of gratitude to our employees for their commitment, hard work and exemplary behaviour. Ke a leboga!

### 3.1.4 Financial and Operational Results

Despite a depressed economic environment, loadshedding and the high cost of fuel, the Association recorded good results for the year under review. Through dedication and steadfast focus on our Business Plan, we have managed to achieve a nett surplus of over R38m against a deficit of R9m from the previous reporting period.

The Preamble to the Act recognises that water is a scarce and unevenly distributed national resource and therefore water-saving is one of the key challenges facing this country going forward. For our part, we made notable strides in reducing water losses from 1.65% to 0.39%. While water off-take to our Members has been negatively affected by loadshedding, we have continued to invest in tangible plans to save electricity and reduce wastage where we can.

We have continued with projects to maintain and refurbish our infrastructure and, in the process, created efficiencies by bringing some of the major maintenance projects under the OMM Programme.

### 3.1.5 Stakeholder Engagement and Corporate Social Investment

I am pleased to report that our engagement with local communities in the Eastern Limb of the Bushveld Igneous Complex, and throughout our areas of operation, have continued to grow and yield positive socio-economic development results. I am especially proud of the projects that have focused on youth development and the improvement of education. We hope that these projects, such as centres of excellence within the communities, will empower our youth to overcome future challenges and aspire to great achievements within the community, the province, the country and beyond.

### 3.1.6 Strategy, Governance, Risk Management and Compliance

On 31 October 2018, the DWS published the National Water and Sanitation Master Plan Volume 1: Call to Action v 10.1 31 October 2018 (Master Plan). The Master plan recognises that South Africa is a water-scarce country and highlights the fact that over 3 million people still do not have access to a basic water supply and 14.1 million people do not have access to adequate sanitation. The Master Plan makes a call to action to ensure 'that by 2030 and beyond South Africa has a sufficient reserve of supply to take it safely into the future, that accelerated progress towards meeting Constitutional imperatives is made and that service delivery commitments, such as meeting Sustainable Development Goal 6: Ensure access to water and sanitation for all' is achieved.

Since the introduction of the Master Plan, our strategy has been intertwined with and aligned closely it. As we move forward with the implementation of the OMM Programme, we will be playing a vital role in realising the Master Plan.

On the governance side, and in order to bring about the implementation of the OMM Programme, the Association's entire governance structure is being overhauled through the amendment of our Constitution, Members' Agreement, the Delegation of Authority Framework (DoA), the drafting of the Programme Steering Committee (PSC) Charter and the initiating of the OMM Programme Transformation Strategy. These changes will be effective upon their approval by the AGM and the Minister. Further, a number of new project policies and procedures have been introduced. In addition to the FinCom and SeCom, we have formed a new sub-committee called the Programme Steering Committee (PSC), which is essentially a steering committee to implement and oversee the entire OMM Programme, under the oversight of the ManCom.

In line with our Risk Management Policy and Framework, as well as the King IV Report (Principle 11), we continued to actively monitor and manage organisational risks based on best practice in terms of the revised COSO II: 2017 and ISO 31000:2018.

Our approach to Compliance is risk-based and pro-active. Through a quarterly review of the Legislative Universe within which we operate, OpsCom and ManCom have been able to not just be aware of upcoming legislative changes, but to proactively prepare for their eventual implementation.

### 3.1.7 Outlook

Through the launch of the OMM Programme, the Association has set a course to achieve the third horizon of our three-staged strategy, which aims to be a catalyst for the creation of sustainable socio-economic development in the region where we operate. While the outlook for the Association, particularly in the context of the anticipated rapid growth of the Association as a result of the OMM Programme, is both daunting and exciting, I am confident that with our team, we can look forward to breaking ground on several new projects in the very near future.

### 3.1.8 Appreciation

I would like to thank the Minister of Water and Sanitation, the Honourable Mr Senzo Mchunu (MP) not just for his support, but importantly, his commitment to sustainable solutions in solving the water shortage challenges in Limpopo and South Africa as a whole. I would also like to thank our Members for their continued support and active participation in ensuring the sustainability of the Association. I am also grateful to our employees, communities and stakeholders for believing in the Association and its partnerships.

## Prakashim Moodliar

Chairman



“The Association is committed to building a trusted platform for Socio-Economic Development (SED) in the region through the expansion of our water management role.”

**Bertus Bierman**  
Chief Executive Officer

## 3.2 Chief Executive Officer's Report

### 3.2.1 Introduction

I would like to echo our Chairman's words in recognising the difficulties that South Africans have faced during the year under review. We are committed to playing our part in assisting those in our communities who have been affected by the COVID-19 pandemic, as well as the economic conditions of the last year, through sustainable social development projects. There is, in our view, no better way of contributing to the elevation of the community than by investing in the education and the well-being of our youth. To this end, during the year under review, we implemented a number of initiatives such as the supply of advanced school equipment and programmes and the creation of centres of excellence. We also made great strides in the empowerment of local suppliers in the areas of our operation.

We continue to encourage and assist our employees to vaccinate for COVID-19. This approach has no doubt saved many of our employees and stakeholders from serious illness and possible loss of life.

### 3.2.2 OMM Programme

The launch of the OMM Programme by the Minister of Water and Sanitation at the Mining Indaba on 9 May 2022, which was underpinned by two important agreements reached with the DWS on 12 July 2021 (the Memorandum of Intent) and 25 March 2022 (the Heads of Terms for an OMM Framework), represents a significant milestone in the history of the Association. These events, together with the development of the Early Business Case Report, demonstrate the alignment of our key stakeholders. The OMM Programme brings a step change in the Association's Business Plan as it will deliver both raw water to our Members and assist the DWS and the Water Services Authorities in the delivery of potable water in the Sekhukhune and Mogalakwena municipal areas in the Limpopo province. We are now in the process of putting together an excellent team to execute the project, as we prepare for the Pre-Feasibility and Feasibility Study Phases.

Further details of the OMM Programme are provided in the Projects section of the Annual Report.

### 3.2.3 Financial and Operational Results

As stated in the Chairman's report, despite a challenging year, the Association was able to deliver outstanding financial results which points to the fact that the Association is a well-run and sustainable Water User Association.

While the electricity costs and loadshedding have had a negative effect on our bottom-line, we managed to achieve a net surplus of R38 571 922 against a deficit of R9 325 588 in the previous year. Going forward, we expect electricity costs and reliability to pose a serious challenge to our operations. We are looking at reducing our reliance on coal-generated electricity and exploring more environmentally-friendly, reliable and sustainable alternatives such as solar and wind power to augment our electricity needs.

The continued reduction in water usage by our Members poses a challenge for us which we intend to mitigate through cost-saving measures.

### 3.2.4 Operations and Projects

We have started putting measures in place to reduce our electricity usage including zero peak-time pumping and reducing high standard time pumping. We estimate that this will translate to hundreds of thousands of rands in savings. During the year under review, we have invested significantly in the maintenance and refurbishment of our infrastructure and will continue to do so to ensure the sustainability of the Association. Further details of major projects undertaken are provided in the Projects section of the Annual Report.

### 3.2.5 Human Resources

Our employees have not been immune to the impact of the COVID-19 virus as well as the economic difficulties of the past year. We continue to follow our protocol and the health guidelines issued by the Government to protect our employees.

The introduction of the OMM Programme has provided us with an opportunity to transform and diversify our organisation. During the year under review, we have been able to bring in more black employees at management level and we are proud of not only the demographic transformation they bring, but also the diversity of thought as we work towards transforming the Association into a more representative organisation. During the same period, we started a recruitment drive to bring in skilled and talented individuals to drive the implementation of the OMM Programme. For example, post this reporting period we expect to have recruited the OMM Programme Director, Deputy Director (Project Services), Deputy Director (Business Integration) and Human Resources Manager. We also expect to have brought in the requisite project management staff by the end of the financial year.

### 3.2.6 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 response to the King IV governance compliance audit of the Association conducted by PwC in 2018, the Association has closed out well over 75% of the items identified in the audit report. While the governance project achieved its goal in terms of the current Association, with the implementation of the OMM Programme many new governance challenges will arise and will need to be attended to, especially with regards to strengthening the Association's policies and procedures. The issue of Governance, Risk and Compliance is dealt with in more detail later in the Annual Report.

### 3.2.7 Stakeholder Engagement and Corporate Social Investment

We are immensely proud of our partnerships with our communities; the productive and sustainable projects we have been able to deliver during the period under review include:

- The Youth Enterprise Development Programme which empowered fifty local matriculants with entrepreneurial and business skills;
- The donation of five well-equipped mobile units to schools and communities to be used as extra classrooms and also as after-care facilities for vulnerable learners. Other units were to be used by the Traditional Authorities for community meetings and other cultural gatherings;
- The provision of interactive white boards to the majority of primary schools in our areas of operation to improve learning and teaching. We also provided much-needed single-learner desks for the mobile class units provided to the community by the DBE. These helped ensure the social distancing required to minimise the spread of COVID-19;
- The provision of Wi-Fi access points to enable community access to the Internet;
- The empowerment and development of local SMME's through the registration of over 60 local suppliers on our database. A number of them have provided services to the Association;

- A contribution towards Early Childhood Development initiatives by partnering with Nal'ibali to improve and encourage the culture of reading among learners; and
- The provision of communal notice boards for Mmutlane Clinic and the Babina Tlou Ba Shai, the Babina Noko Ba Phala and the Letolwane Traditional Authorities.

All these projects are discussed in the Corporate Social Responsibility section of the Annual Report, which highlights our commitment to our communities.

### 3.2.8 Outlook

The Association itself is transforming – it will become a 50:50 collaboration between Government and Commercial Members. The transformation of the Association is both a strategic transformation (changing to a new focus) and an operational transformation (changing the way we work). A Transformation Strategy will be initiated to drive this process, and broadly-speaking will include the transformation of people, processes and systems. The Transformation Strategy will include the following key steps:

1. Devising a vision for the future aligned to strategic goals and the business case;
2. Establishing transformational leadership;
3. Planning and scoping a detailed transformation roadmap;
4. Setting up of programme management;
5. Building resources and capability;
6. Executing the business transformation; and
7. Integrating and sustaining the transformation.

It is important to note that the transformed Water User Association (WUA) will need to be representative of its broader and more inclusive mandate, as mentioned in the Chairman's statement, and as such a key aspect of the transformation is that the Association will be renamed and rebranded. It must also be taken into consideration that the transformed Association will become an implementing agent for the construction of both bulk raw and potable water infrastructure and, considering this, a Project Management Unit (PMU) will be setup within the transformed Association. Communication will play an integral part of the change management process, as we strive to keep both external and internal stakeholders informed and engaged.

The Association continues to be committed to its strategic course, which includes the building of a trusted platform for Socio-Economic Development (SED) in the region through the expansion of our water management role. Through the OMM Programme, we plan to expand on our current SED programmes. At this stage, the SED programme, as part of the OMM Programme, is focused on a pilot programme and design, and it is expected that the full SED programme will commence after the current financial year (i.e. post July 2023).

The Association plans to expand significantly on the current SED programme spend through the OMM Programme.



## water & sanitation

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The Association, together with other partners, will also be establishing an SED Collaboration Forum to increase commitment and the availability of funding for the SED programme.

Further to this, it is envisaged that the Pre-Feasibility and Feasibility Study Phases of the OMM Programme will conclude by mid-2024. However, any projects, which fall within the larger Programme and that are ready for Final Investment Decision (FID) prior to this date, will be submitted and the process taken forward, in order to fast-track the rollout of the OMM Programme.

To conclude, I would like to thank the Association's Management team and staff for their commitment and dedication during a challenging but rewarding year. A special thanks to the Management team involved in delivering this Annual Report, as well as the Management Committee and Members for their vision and support as we take the Association to the next level.

### 3.2.9 Tributes

On behalf of management, I would like to take this opportunity to thank the following former employees who left the Association during the period under review:

- Solly Manyaka (former Social Development Manager);
- Amanda Britz (former Chief Financial Officer); and
- Philip de Wet (former Administration Manager).

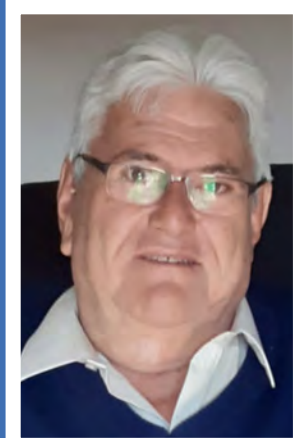
Between them, they served the Association with distinction for over 40 years; we are grateful for their loyal service and wish them all the best in their future endeavours.

### **Bertus Bierman**

Chief Executive Officer



**Amanda Britz**



**Philip de Wet**



**Solly Manyaka**



**We aim to provide bulk raw water in a way that is cost-effective, efficient, sustainable and responsible**

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

## 4. Five-Year Business Plan

### 4.1 Mission, Objectives and Methodology

#### 4.1.1 Mission

The mission of the Association is that it shall, within the legal framework of 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.

#### 4.1.2 Objectives

The objectives of the Association are:

- to maintain and operate a pipeline scheme to supply bulk raw water from the Olifants River, to satisfy the water requirements of the mines on the eastern limb of the bushveld igneous complex in its licence conditions;
- to supply water from the pipeline, and any extension thereof, from the Olifants River to satisfy the water requirements of local Government, including rural communities that can receive water from the association's pipeline within its licence conditions:


- to continue with its support to the Department of Water and Sanitation (DWS) and Sekhukhune District Municipality (SDM) in the operation and maintenance of their potable water schemes, provided that the schemes are situated within the area of operation of the Association. The support is based on the repair of borehole pumps and associated infrastructure as requested by DWS or SDM from time to time. To finance the support maintenance work of the community schemes, the mining members of the Association contribute a cost per cubic metre of water towards a maintenance fund established for this purpose. Details of the involvement of the Association are available on request; and
- to protect the Association's infrastructure. The scheme was built on servitudes obtained overland that are mostly owned by the state and held in trust for the various communities along the pipeline route.

#### 4.1.3 Methodology to Reach Objectives

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

- The Association was established in terms of chapter 8 of the Act to provide a vehicle to abstract raw water from the Olifants River and supply it 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 million m<sup>3</sup> per annum was issued on 6 January 2004. In addition to this aforementioned quantity the Association is also authorised to supply 3,88 million m<sup>3</sup> per annum via its scheme on behalf of DWS 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 m<sup>3</sup> per annum was issued to the Association which represents the lawful water use entitlements for properties inundated through the raising of the dam;
- Funds for the capital works were contributed by the participants in the scheme and were apportioned according to the water use entitlement of each stakeholder in the capacity of the scheme position along the scheme;
- There is continual interaction with all water users and affected parties in order to ensure effective service.
- The Association makes raw water available to the Sekhukhune District Municipality through its designated Water Service Supplier, Lepelle Northern Water, to supply communities in accordance with its Constitution and Members' Agreement, Water Use License and the Act;
- The Association concludes water supply agreements with all users regarding the supply of water.
- Tariffs for water are determined annually, based on the actual cost of water supply;
- The Association appoints sufficient, competent staff to undertake its functions. Details regarding the Association's employees are set out in Section 4.5 of this Report. The CEO and certain senior staff are appointed by the Management Committee; employees are appointed through the CEO and their competence is continually upgraded through education and training to ensure efficient water supply and strict financial control; and
- Strict financial controls have been implemented and budgeting techniques and control have at all times been adhered to.



**Business as usual with 100% uptime, improved water losses and over 120k fatality-free shifts**

## 4.2 Operations

### 4.2.1 General Footprint (Locality Map)

The general footprint of the Association is set out on the next two pages in Map 1 and 2 comprising of the original Main Section and the Southern Section. This pipeline is 110 kilometres long comprising a weir in the Olifants River on the Farm Havercroft 99KT, pumps and settling dams at Havercroft. Thereafter there are various reservoirs and pump stations ensuring delivery of bulk raw water to last mine at the end of the scheme.

### 4.2.2 Schematic Layout

The diagrams that follow the maps 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.

Figure 1: Map 1 of the Association's Locality Maps

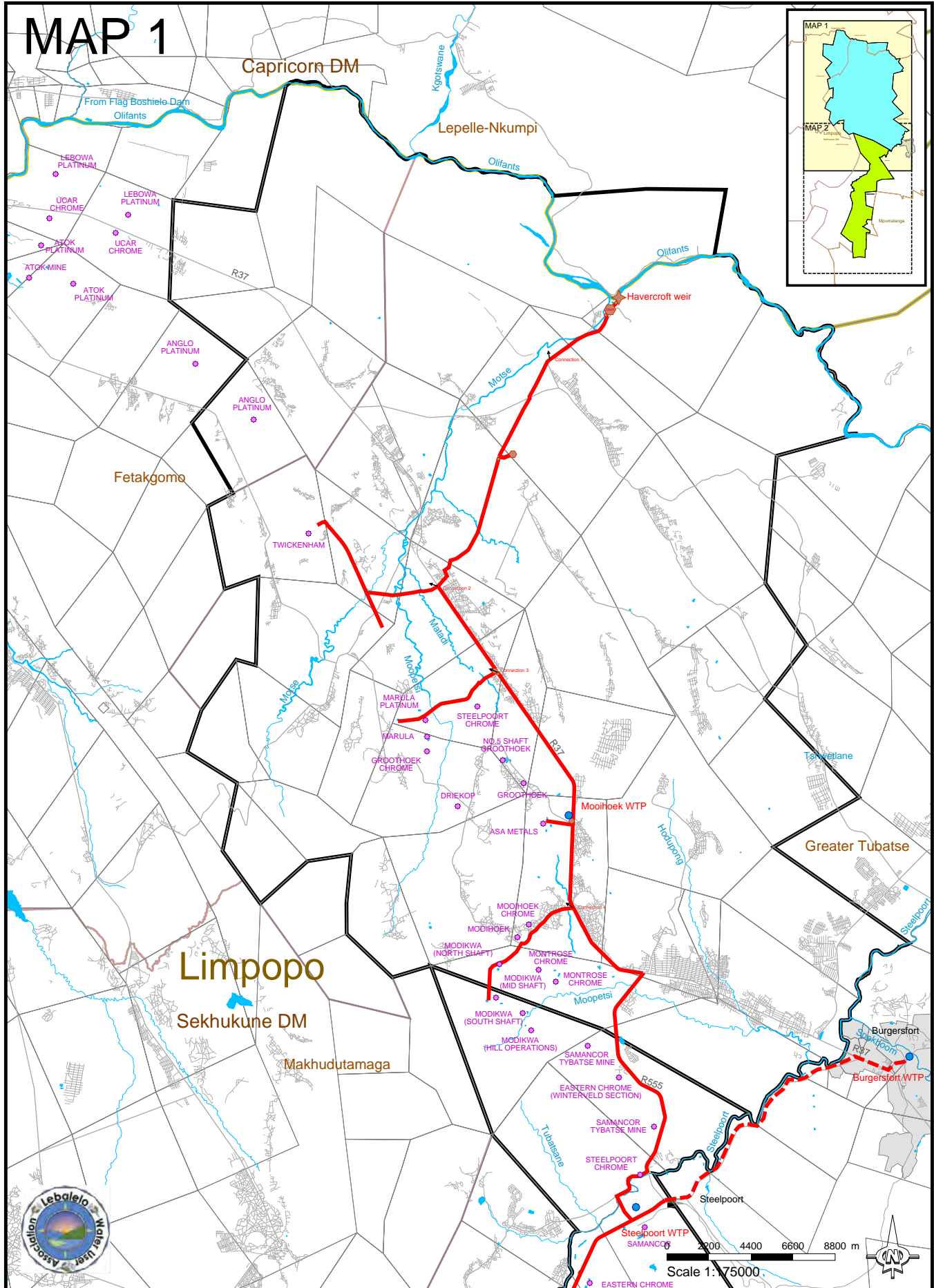




Figure 2: Map 2 of the Association's Locality Maps

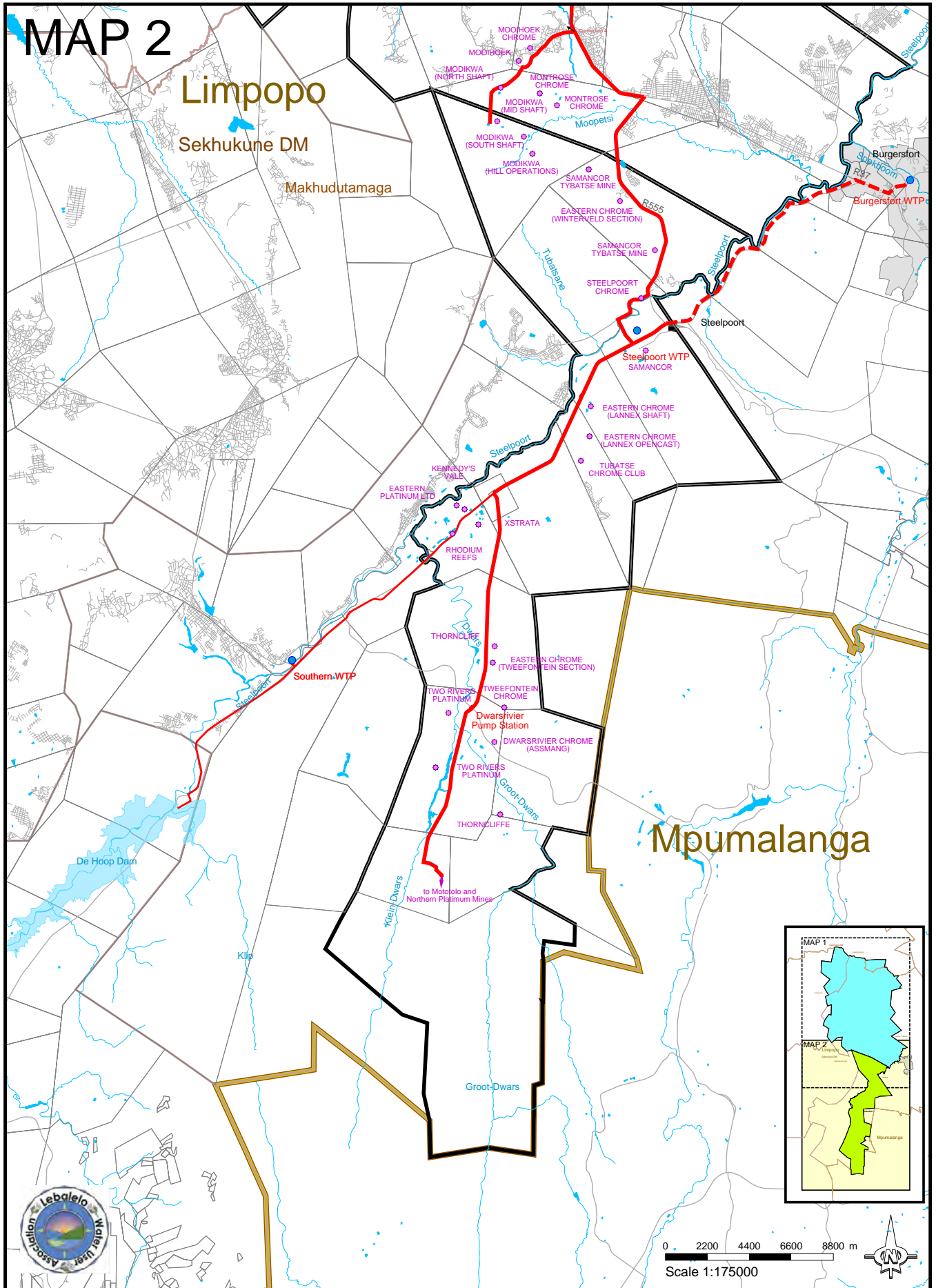


Figure 3: The Association's Schematic Layout

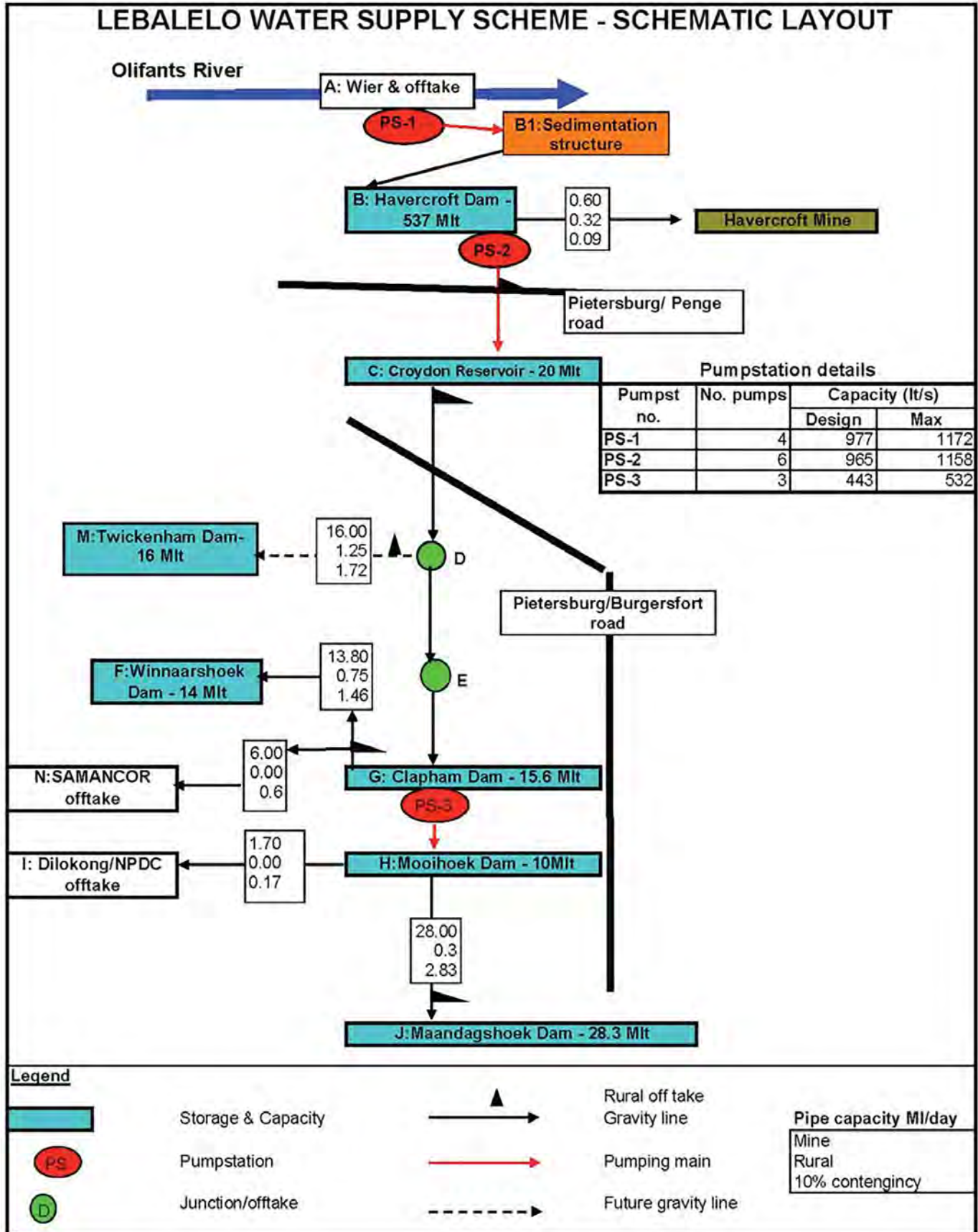
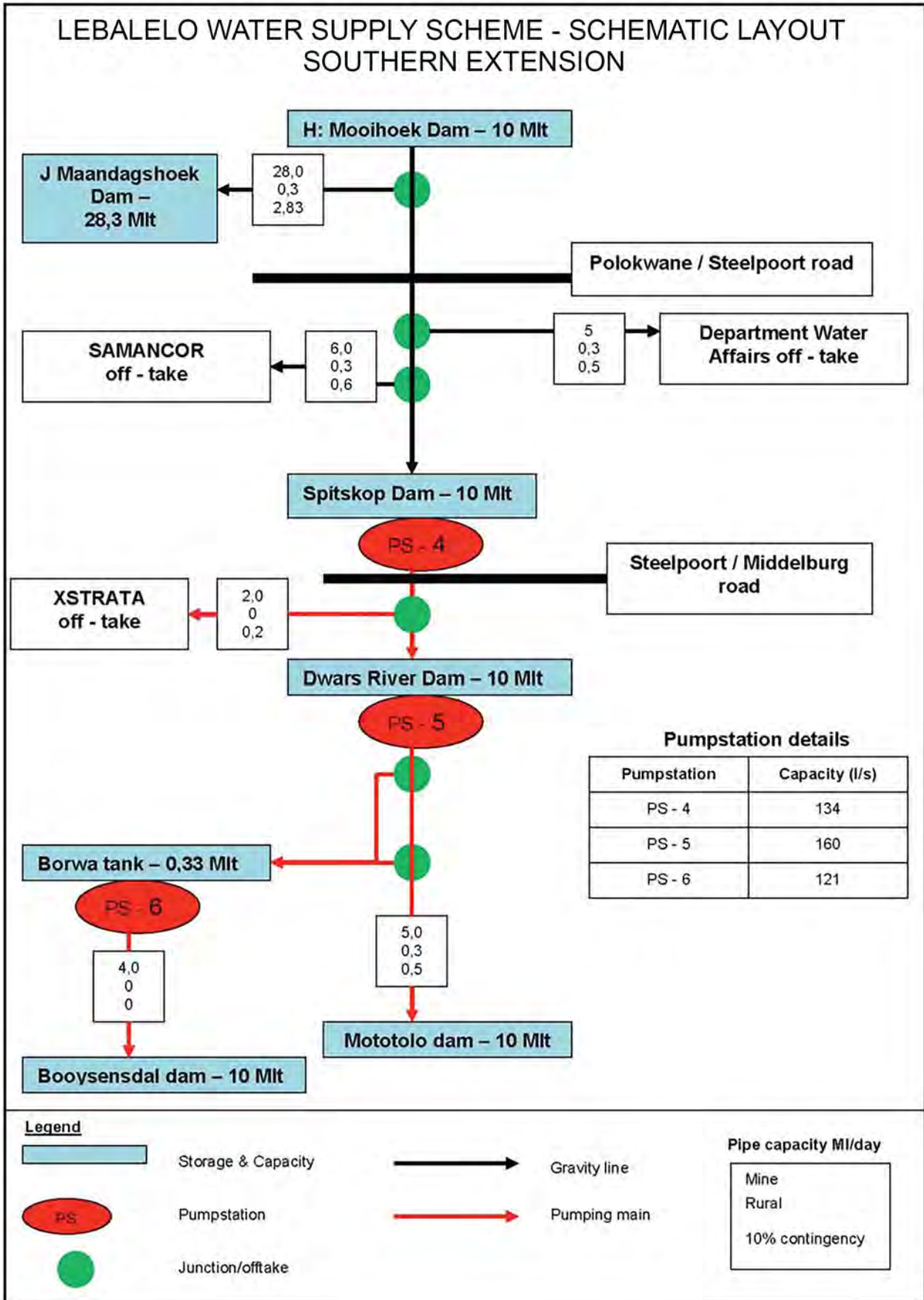


Figure 4: The Association's Schematic Layout - Southern Extension



4.2.3 Operations Report

Introduction

While the pipeline is approximately 20 years into its 50-year average useful lifespan our maintenance management system has allowed for the methodical care and planned upkeep of the Association’s assets.

Safety, Health and the Environment

The Association continues to strive for a target of zero incidents. In this regard the Association continues to ensure the provision of a healthy and safe working environment for its employees, by adhering to high safety standards, and ensuring that the appropriate policies, procedures, and controls are in place. Where appropriate, material issues and risks related to employee health and safety and the environment are escalated to the ManCom through the SeCom.

The Association complies with the requirements prescribed by the Occupational Health and Safety Act. Safety, Health, and Environment assurance (SHE) Committees are in place and conduct monthly meetings. All accidents and/or occupational diseases associated with our business activities are recorded, reported and acted on.

Through continued focus on the health and safety of our employees, we are proud to report that 123 908 fatality-free shifts and 16 971 accident-free shifts were achieved by the end of June 2022. In line with our aim to continually improve the health and safety of our working environment, our employees undergo periodic medical fitness examinations.

Water Off Take

The total volume of water delivered to Members and clients declined in 2022 (9 003 330 m<sup>3</sup>) compared to 2021 (10 035 050 m<sup>3</sup>) primarily because of loadshedding and the impact of COVID-19 on Members.

Water Losses

There has been a significant improvement in reducing water losses compared to previous years. The Association’s water losses target level is below 5%. In the period under review 0.39% water losses were recorded compared to 1.62% in 2021 and 4.9% the year before.

Energy Saving through a Centralised Control Philosophy

In a move to manage electricity consumption, the Association has implemented zero peak-time pumping and focused on reducing high standard-time pumping (as indicated in the graphs below).

Through continuous monitoring of our system, our control room operators were able to effect zero peak-time pumping; a remarkable achievement given Eskom’s implementation of loadshedding, of which there were over 60 occurrences at an average of 163.11 hours per month.

The continuous monitoring of our system through the Association’s SCADA monitoring system, as well as telemetry communications through GPRS, radio, satellite and the cloud, has played an important role in balancing peak time pumping and ensuring 100% up time, all the while reinforcing the importance of the Association’s centralised control philosophy.

Figure 5: Accumulated Water Usage

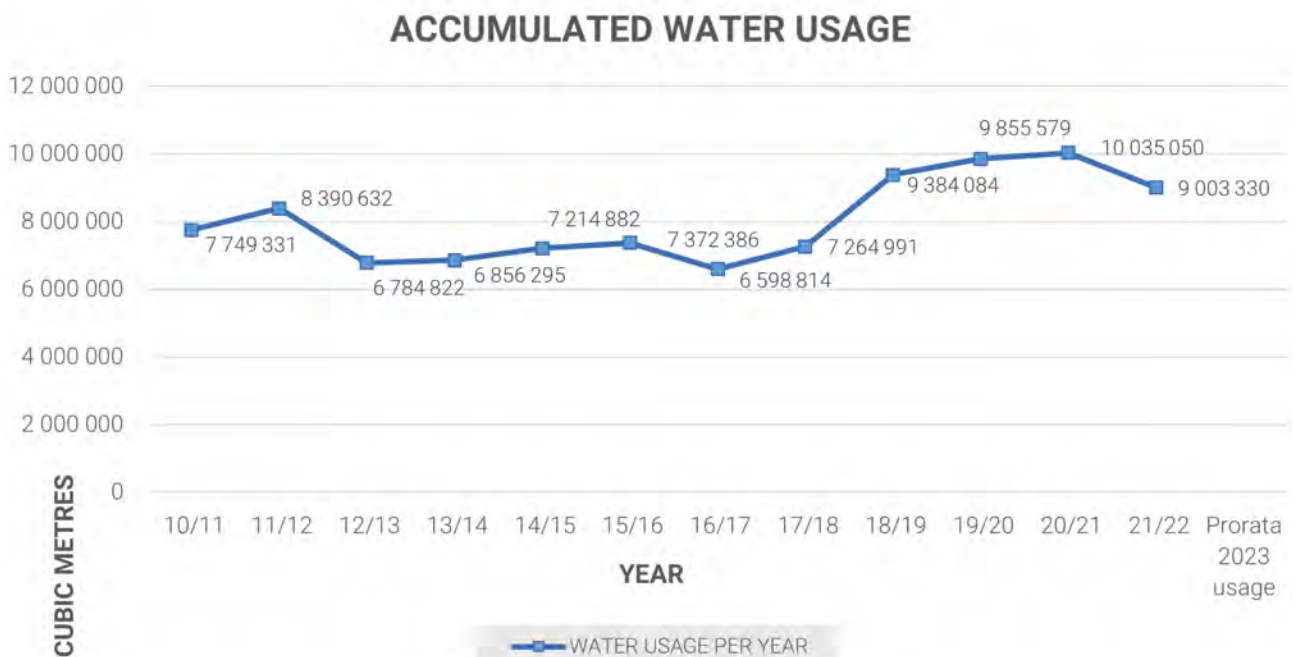


Figure 6: Havercroft Peak Pumping Chart

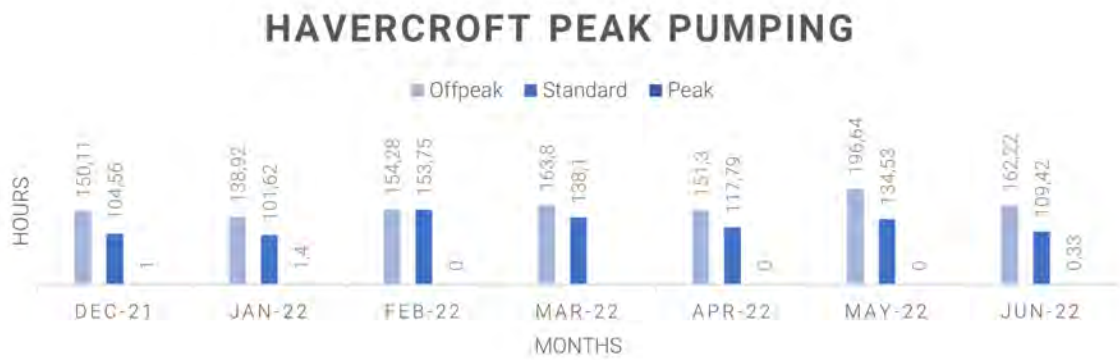


Figure 7: Clapham Peak Pumping Chart

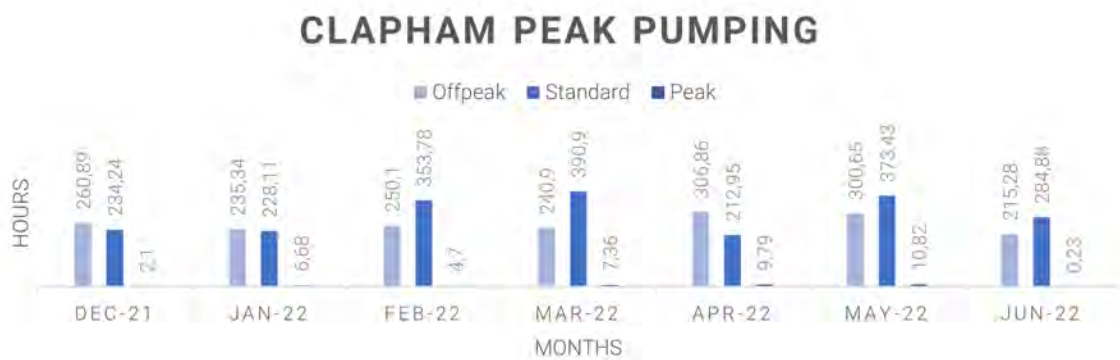


Figure 8: Borwa Peak Pumping Chart

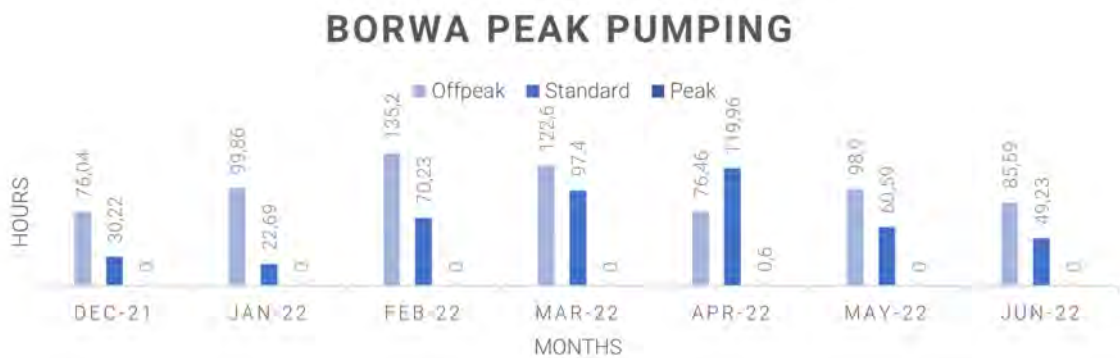
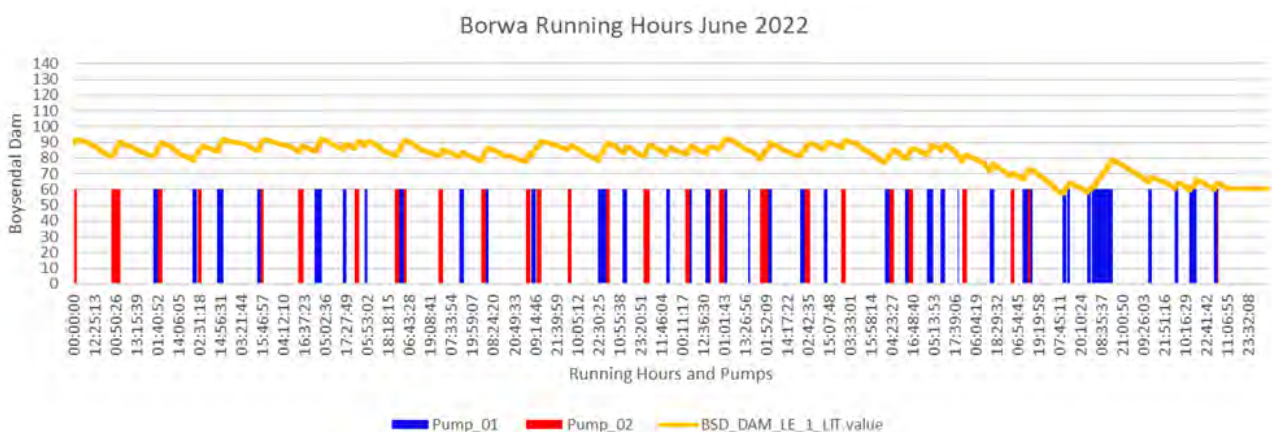


Figure 9: Borwa Running Hours and Pumps





# Our planned maintenance system helps us stay in business

## 4.3 Projects

### 4.3.1 Stay in Business Projects

Part of the Association's strategic lever of operational excellence was the implementation of a planned maintenance system. This system highlights issues that require capital budgets to stay in business, i.e. more than just day-to-day care and maintenance attention. Projects that have been completed and those that are in progress are indicated below.

#### Completed Projects

##### *Vandalised Infrastructure Refurbishment*

The project included the installation of 14 pre-cast concrete air valve chambers, the installation of 59 manhole covers equipped with Smartlock capabilities, the replacement of 45 tamper-proof air valves, one scour valve and the repair of 15 damaged valve chambers.

##### *Erosion Protection Structures*

The project involved the construction of 25 erosion protection structures to protect the Association's pipeline from stormwater during floods. The project was divided into two contracts and two different contractors were appointed. The highly erodible soil and the absence of vegetation due to overgrazing required the construction and maintenance of gabion and concrete structures to protect the pipeline from being exposed to the elements. Although continuous maintenance and refurbishment of the structures will be required, the project has proven to be successful during the past rainy season.

##### *Maximo Asset Management System Implementation*

The Maximo Asset Management System (AMS) was implemented to aid with the recording of maintenance data and to assist with the planning and scheduling of preventative, routine and reactive maintenance actions. The system also manages the inventory and stock systems and was successfully integrated with the Sage-Evolution financial system.

##### *Mechanical Flow Meter Monitoring*

The Association makes use of mechanical flow meters to measure the water flow at points where electricity is not readily available. To assist in accessing meter readings on a regular basis, 15 battery-operated recording and transmitting devices were installed and connected to the remote mechanical flow meters. The devices make use of cell phone technology and have a battery life of up to five years depending on the frequency of monitoring. The system assists with the monitoring of remote water meters.

##### *Research studies*

- A study for an alternative energy back-up system for the Clapham Pump Station was conducted. This system will allow for pumping during load shedding and unpredictable power outages. The study information will be used in the OMM Programme Study Phase;
- A consultant inspected the existing potable water network status at Ga-Phala and Shakung communities to assist with a request from the communities. The project was put on hold due to the possible early roll-out of projects connected to the OMM Programme;
- A study on alternatives for upgrading the access road to Havercroft was completed by a contractor. It was conducted to assist with maintenance of the road, as it is the main access road to the Havercroft Pump Station and residential village. The project was, however, put on hold due to activities on the road from unknown sources, and the project will be reviewed at a later stage. As the road forms part of the Sekhukhune District Municipality, the Association has no jurisdiction over it; and
- A project to automate the dosing of flocculant at the weir pump station was completed. This installation will assist in reducing the sediment load in the storage dams.



## Projects In Progress

### **Clapham Dam Emergency Overflow Pipeline and Appurtenant Works.**

The construction of an emergency overflow pipeline downstream of the Clapham Dam became necessary due to development of infrastructure below the dam overflow structure. To prevent the flooding of houses and subsequent damage to lower lying property downstream of the dam, a new pipeline to the Matadi river and a new overflow structure are to be constructed. Part of the contract is the installation of scour pipes from existing scour chambers, to assist with the prevention of damage to lower lying infrastructure during scouring of the Association's main pipeline for maintenance purposes, as well as rehabilitation work on the Clapham dam wall. The expected completion date is August 2022.

**Table 1: Project Progress and Cost**

<b>Progress on site</b>	77%
<b>Contract price</b>	R5.64 million
<b>Total project cost (incl. professional fees)</b>	R7.18 million

### **Civil Infrastructure Refurbishment Projects**

The contract is a combination of refurbishment projects and includes;

- Access road rehabilitation at the weir sedimentation tanks;
- Erosion protection measures on the pipeline between Croydon and Clapham Dams;
- Erosion protection work on the Twickenham pipeline;
- The replacement of the Marula Dam fence and the installation of a new motorised access gate and associated works; and
- Minor refurbishment work at Havercroft, Mooihoek, Spitskop, Dwarsrivier and Marula Dams as a result of a dam safety inspection.

The expected completion date is October 2022.

**Table 2: Project Progress and Cost**

<b>Progress on site</b>	58%
<b>Contract price</b>	R6.86 million
<b>Total project cost (incl. professional fees)</b>	R8.26 million

### **Cathodic Protection (CP) and Alternating Current Interference (ACI) Mitigation on Twickenham Pipeline**

The project involves the installation of Cathodic Protection and Alternating Current Interference mitigation measures on the Twickenham pipeline. The project will be conducted in the 2022/2023 financial year.

**Table 3: Project Progress and Cost**

<b>Progress on site</b>	Construction starts August 2022
<b>Contract price</b>	R6.65 million
<b>Total project cost (incl. professional fees)</b>	R7.23 million

### **Housing Infrastructure Refurbishment**

Refurbishment work has started on the housing and ablution infrastructure at the Havercroft offices and residential village. Two units and the village guard house have been completed. Local contractors, that are registered on the Association's database, have been used. Progress has been slower than anticipated due to the need to allow for time to train local SMME's. Due to the anticipated expansion of the Association, and the requirement of additional living units, two mobile units were procured and installed. Each unit consists of a kitchen area, bathroom and two bedrooms.

**Table 4: Project Progress and Cost**

<b>Progress on site</b>	99%
<b>Contract price</b>	R0.745 million
<b>Final total contract price</b>	R0.745 million

### **Research studies**

A consultant is currently researching the root causes of high maintenance on the weir abstraction pumps.

**Table 5: Project Progress and Cost**

<b>Progress on site</b>	50%
<b>Contract price</b>	R0.07 million
<b>Total contract price</b>	R0.07 million

**Projects Planned for the Current Financial Year**

The following projects are planned for the 2022/2023 financial year.

***Replacement of Pre-cast Manholes and Cover Slabs***

The installation of pre-cast manholes and cover slabs is an extension of previous projects to replace vandalised manhole structures that were not covered. The replacement of the pre-cast manholes and cover slabs will be done by the Association's staff with the aid of local SMME's.

***Installation of Lightning Protection on Security System***

Lightning protection devices will be installed on the existing security system of the Association to protect vulnerable equipment. This will be done by expert contractors in collaboration with the current security service provider, to align with the system currently in operation.

***Approval of Fire Plans for the Association's Infrastructure.***

Fire plans for all the Association's infrastructure is required to be approved by the local authority's fire department. In order to align the current system and build on the knowledge of the current fire protection and fire suppression system, the work will be done by the same consultant that designed the current fire suppression system.

***Lebalelo Pipeline Cathodic Protection (CP) and Alternating Current Interference (ACI) Mitigation.***

A consultant is investigating and designing the Association's main pipeline CP system to ensure that the pipeline is sufficiently protected against cathodic and alternating current interference. The design will point out any non-compliance of the current CP system as well as evaluate the impact of ACI on the system and prioritise actions that are required to mitigate the influence of ACI on the pipeline.





# Capital projects expand the Association's network

## 4.3.2 Capital Projects

### Southern Extension 2 (SE2) Project

Water users along the Association's Southern Extension pipeline, from the Spitskop Pump Station to Mototolo Mine, indicated that their water usage needs are increasing. Due to the constraints on the Southern Extension's pipe size, a second pipeline was envisioned to provide additional water to both Members and Non-Members of the Association.

Towards the end of 2019, a Concept Study called the Southern Extension 2 (SE2) Project was prepared and presented to mines interested in taking part in the extension of the water supply system from Spitskop pump station to Mototolo Mine.

During the Preliminary Design Phase, the project was divided into two phases namely Phase 1 from Spitskop to Dwarsrivier (to be completed by September 2023), and Phase 2 from Dwarsrivier pump station to Mototolo Mine (to be completed at a later stage as agreed with the Mototolo Mine).

Phase 1 of the project was divided into three tenders for the supply of coated and lined steel pipes, the construction of a pumpstation at Spitskop and a steel pipeline between Spitskop and Dwarsrivier, and the construction of a 10 MI concrete reservoir at Dwarsrivier. The tenders for Phase 1 came in at a combined price of R389,67 million. The project is anticipated to start in September 2022 and is a 12-month contract.

**Table 6: Project Progress and Cost**

<b>Progress on site</b>	Tender stage
<b>Original contract price</b>	R336 million
<b>Total contract price (phase 1)</b>	R389.67 million



**Olifants Management Model (OMM) Programme**

**Introduction**

South Africa is a water-stressed country and is facing several water concerns. In this context the provision of water supply and sanitation services cannot be separated from the effective management of water resources. Sustainable solutions require a systematic approach of integrated solutions rather than addressing issues in isolation.

**OMM Programme Overview**

The OMM Programme is the Association’s flagship programme. Its development is in line with the 3 stages of the Association’s strategy – firstly, to look internally and strengthen governance processes; secondly, to engage and become a strategic water partner to Government; and thirdly, to develop business opportunities for our communities via a comprehensive socio-economic development (SED) programme.

The OMM Programme is a collaboration between Commercial Users and Government, in response to the President’s call for the public and private sectors to work together to address the infrastructure backlog, which aims to fast-track potable and bulk raw water infrastructure to supply communities and mines in Sekhukhune and Mogalakwena municipal areas in the Limpopo province. Not only will the OMM Programme unlock the strategic mineral and industrial potential in the region, it will also provide much needed potable water to a yard connection (for approximately 380 000 people), water security, significant job creation and socio-economic development.

**Key Stakeholder Alignment Milestones**

In 2016, a gazetted notice of intent to disestablish the Association prompted the mining industry to review its role in the Association and support the move towards a public-private collaboration model.

The OMM Programme was borne out of a Commercial Member-funded concept study to accelerate the implementation of the DWS’s Olifants River Water Resource Development Project (ORWRDP) and expand it to provide potable water infrastructure to defined areas in Limpopo as well as socio-economic development.

Following the proposal to Government in July 2020, a series of dialogues ensued which led to a Government alignment workshop in which guiding principles for the proposed Programme were established and led to the formation of a joint steering committee.

A Memorandum of Intent (MoI) was thus signed between DWS and the Association on 12 July 2021 with the intent of addressing issues relating to the supply of water and to provide a framework for how parties would work together to set up the Programme.

Despite a cabinet reshuffle on 5 August 2021, there has been continued Government dialogue through alignment meetings, including one with the then newly-appointed Minister of Water and Sanitation, Mr Senzo Mchunu, in

September 2021, and meetings with the Minister, the Premier of Limpopo and Mayors of key municipalities in Limpopo in October 2021 and January 2022.

Negotiations between the Commercial User Consortium (CUC) and Government commenced in December 2021, which concluded with the submission of a negotiated proposal for approval on 31 January 2022. The signing of the Heads of Terms for an OMM Framework Agreement on 25 March 2022 between CUC Members (represented by the Association) and DWS initiated the start of the next implementation phase of the Programme and confirmed key areas of negotiation between Institutional and Commercial Members, such as governance structures, programme scope, funding of CAPEX, securing of pipeline capacity, resourcing partnerships, and more. The agreement also confirmed joint responsibility for the funding of study costs (by both institutional, i.e. Government, and commercial users), and that the Programme will be implemented by the Association.

The signing of the MoI and the Heads of Terms, as well as the development of the Early Business Case Report, demonstrate the alignment of the key stakeholders of the OMM Programme, and these three important moments in the history of the Programme paved the way for its official launch.



### Launching The Programme

The OMM Programme was officially launched by the Minister of Water and Sanitation Mr. Senzo Mchunu on the 9<sup>th</sup> of May 2022. The event was attended by senior officials from Government as well as senior executives and officials from mining companies.

In his speech, the Minister said the OMM Programme is significant as it brings Government and the private sector together.

“This is a 50:50 partnership, and we aim to deliver on our mandate from Government’s side,” he said, further adding that the partnership enjoys trust from business and the sector.



## Olifants Management Model (OMM) Programme



# OMM Programme Scope



### Re-sequence ORWRDP

Re-sequence the construction of the Olifants River Water Resources Development Project (ORWRDP) and expand it to include potable water provision to meet revised water needs and reduce capital infrastructure costs;



### Resourcing Partnership

To partner with Government and the private sector to source appropriately skilled and competent staff to support the OMM programme and establish a resourcing partnership to construct, operate and maintain defined bulk raw water and potable water infrastructure, including the Flag Boshielo and De Hoop Dams;



### Augment Supply

Enable water supply to Mogalakwena by moving a portion of the Association’s current supply from Flag Boshielo Dam to De Hoop Dam; and



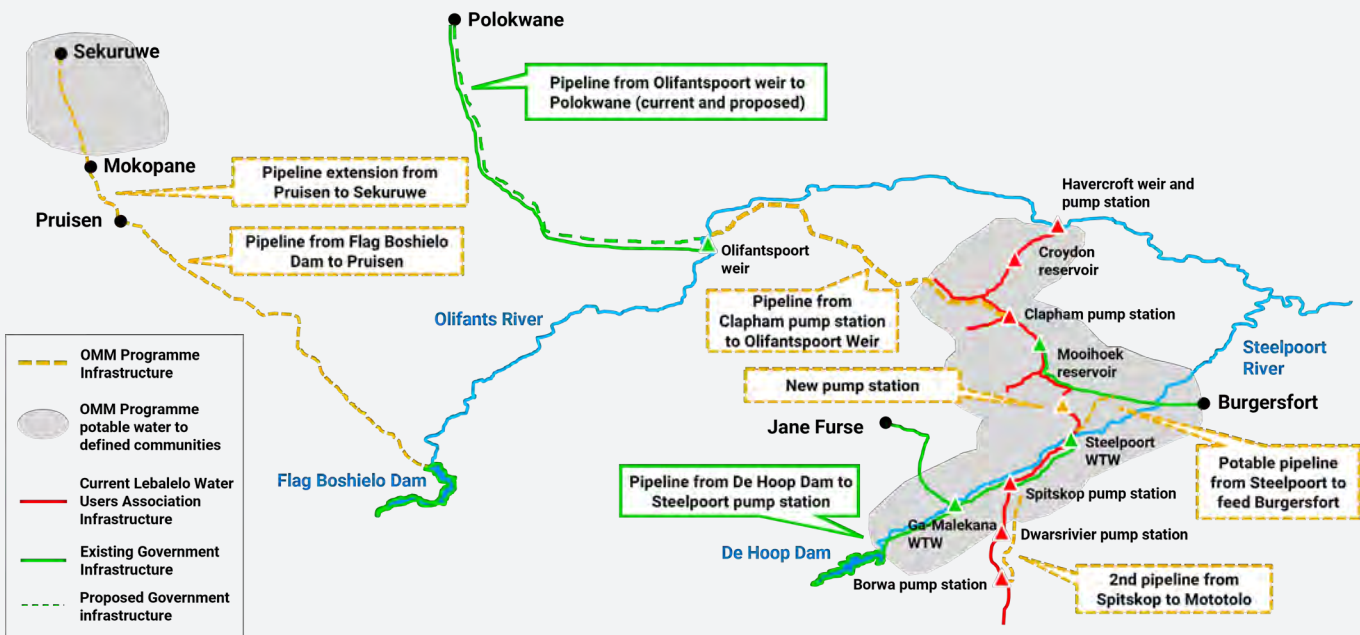
### Socio-Economic Development

Socio-economic development focused on potable water, sanitation services, connectivity, education and enterprise development.

# OMM Programme Infrastructure

The map below provides an overview of the infrastructure that will be built as part of the OMM Programme.

Figure 10: The OMM Programme Implementation Overview



### Socio-Economic Benefits

The OMM Programme represents a significant opportunity for socio-economic development (SED) in the regions in which it will operate given the extent of the infrastructure programme across the Limpopo province and its associated capital and operational spend.

### Looking Forward

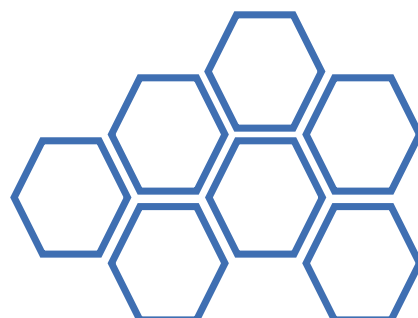
Key milestones for the OMM Programme going forward include:

- The appointment of the main study consultants for the Programme Pre-Feasibility phase commencement;
- The launch of the OMM Programme in Limpopo Province;
- A site visit to the project area by stakeholders from Government and commercial users; and
- The renaming, re-branding and transformation of the Association including finalisation of the updated Constitution and Members’ Agreement.

### OMM Operational Expenditure

The OMM Programme’s 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 OMM Programme operational budget is attached to this report as part of Annexure A.



# We achieved a net surplus of over R38m despite setbacks

## 4.4 Finance

### 4.4.1 Annual Financial Statements

The Association's audited Annual Financial Statements are included from page 44 of this Annual Report.

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 Association as at 30 June 2022, 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.

### 4.4.2 Scheme Funding

The Members funded the original scheme. The total cost of the original scheme amounted to R231 million. To increase the assurance of supply from the Olifants River, Members also financed the raising of the Flag Boshielo dam at a cost of R225 million. The scheme was extended (the Southern Extension) at a cost of R165 million that was funded by the Members involved in that extension. The final cost of the scheme amounts to R621 million. This amount will increase with the inclusion of the Booy-sendal and Twickenham infrastructure that was funded by the applicable Members

### 4.4.3 Financing Infrastructure of the Association

The current infrastructure belongs to and is financed by the Members of the Association. The OMM Programme will see a step change in the way the Association is financed. It is envisaged that future infrastructure will be financed using a combination of external debt and annual contributions from Members. The current funding model will be radically revamped to a new model that is underpinned by the principle of a systems tariff rather than the current arrangements. The existing raw water infrastructure in place will be incorporated

into the OMM Programme in the form of initial capital contributions, and recognition will be provided to those Members that contributed towards the capital expenditure of the existing infrastructure historically through a capital credit mechanism which effectively reduces their annual contributions towards the OMM Programme. The funding model and budget are subject to consideration by the Association's Members at the forthcoming AGM.

### 4.4.4 Costing Criteria

The following costing criteria were 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; and
- the water tariff includes a raw water cost from the Flag Boshielo Dam as well as a cost for the raising of the dam. It also includes tariffs for catchment management charges and levies for the purposes of the water research commission as determined from time to time.

### 4.4.5 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 as Annexures A through C.

### 4.4.6 Statement of Comprehensive Income for the Business Plan

A projected five-year income statement is set out in Annexure D together with the assumptions for the projected statement of comprehensive income and a summary of capital expenditure.

#### 4.4.7 Financial Report

Amid the economic strain caused by the COVID-19 pandemic, and the uncertainty surrounding the disestablishment of the Association, the Association was able to achieve a net surplus of R38 571 922 in the current year ending on 30 June 2022, signalling significant growth compared to the deficit of R9 325 588 from the previous reporting period.

Contributing to this increase in net surplus was a 12% increase in operating income despite a 14% decline in water usage compared to the previous year. The other contributing factors were the recoupment of pre-feasibility study costs for the Southern Extension 2 (SE2) project and the OMM Programme. The Association recouped a total of R83 140 499 from participating Members and spent R34 566 993 on pre-feasibility study costs in the current year for both the OMM Programme and SE2 project. In the previous year, we incurred R34 042 619 on the OMM Programme pre-feasibility study costs, which was paid from the refurbishment fund as we were unable to recoup the costs from participating Members due to the OMM Programme agreement only being signed in 2021/2022 financial year. The Refurbishment Fund will be replenished with R34 042 619 from the surplus from the OMM Programme.

The COVID-19 levy, which was previously billed to Members, was discontinued on 31 December 2021. By the end of the project, the Association had generated a total of R29 234 044 in funding and spent R29 679 665 on COVID-19-related community-based projects. The shortfall of R445 621 was covered by the Association.

Provision of R1 035 000 in bad debts was made for the community potable water services rendered to Sekhukhune District Municipality (SDM) to alleviate water shortages in surrounding villages. However, because of a change of leadership at SDM, this amount may still be recovered. A letter of demand has been issued, which will be followed by legal action should payment not be received.

At the Havercroft pump station, we experienced a 30% increase in electricity charges due to exceeding the notify maximum demand. Following engagements with Eskom, the charges have since stabilised, almost to the pre-surge period. The increase in administration expenses by 8% was attributed mainly to an increase in legal fees as a result of the registration of a servitude, community unrest and other legal consulting services.

In terms of Socio-Economic Development (SED) projects, we have continued with the Nal'iBali reading project, provided free Wi-Fi, installed smart teaching boards to surrounding schools in our area of operations and empowered local youth through the Business Enterprise Program. We have also refurbished the Bakone Traditional Authority offices as a way of strengthening the relationship with the local leaders. There has been a 27% saving on social development costs compared to the previous reporting year.

Because of loadshedding there have been higher than expected costs, due mainly to the cost of electrical spares because of breakdowns and high overtime costs as electricians have had to travel to various pump stations to restore electricity. The Association is looking into alternative energy supply options.

Water tariffs continue to be managed at levels where cost recovery is important while ensuring the sustainability of the Association. The Association's average tariff for the review period was R11.74/kl (2021: R12.81/kl) this was due to a decline in the water usage in the current year by 14%.

#### 4.4.8 The Way Forward

The following is planned for the 2022/2023 financial year:

- Replenish the refurbishment fund to an acceptable level of R100 million, this will be achieved by billing members on a monthly basis at R0.50/kl as per their water entitlement. The refurbishment fund will be utilised to cover our working capital expenditure with more ease and to maintain our aging infrastructures; and
- Socio-Economic Development (SED) funding will be moved out of working capital and will be recouped as part of fixed costs from members on a monthly basis, the levy has been increased from R0.10/kl to R0.20/kl as per water requirements.
  - The majority of SED spend will go to Education with the proposal to upgrade 1 – 3 schools at R2.5m per school from the following funds:
    - R1.2m from SED budget;
    - R2.0m from OMM Programme budget;
    - R1.5m from Social Fund (to be agreed with communities); and
    - Donor funding will be sought to fill the funding gap.

The increase in year-on-year total scheme expenditure will be capped at 8%. We aim to improve on our cash collection policy by billing interest at the prime lending rate and restricting water consumption on long-outstanding accounts.

**Contributing to the net surplus was a 12% increase in operating income**

## Our human resources are key to our success

### 4.5 Human Resources

Human Resources are a core corporate asset of the Association, with the calibre of our people being a key ingredient to our success. Key performance indicators (KPIs) are included in management and staff performance management agreements, the outcomes of these agreements translate into short-term incentives.

As stated by our Chairman, in September 2021 we achieved 100 000 fatality-free shifts as well as 10 000 injury-free shifts. As a token of our appreciation, and in order to encourage safety in the organisation, the Association made an ex gratia payment to all the employees who played a part in this achievement.

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 labour and employment legislation together with our policies, best practice and corporate governance stipulations form the basis upon which the Association's relationship with employees is anchored. We therefore proactively comply with all applicable legislation, including but not limited to:

- 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);
- 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).

All our policies are in line with the appropriate legislation as well as the relevant guidelines issued by the Government from time to time. We have systems in place to monitor changes to legislation and, if changes occur, the implications on our operations are assessed and communicated to relevant stakeholders. The day-to-day operation of the Association's policies, operating rules, regulations, technical and administrative procedures are approved by the Management Committee and implemented.

4.5.1 Organisational Structure

The Association’s 38 current posts are set out in the table below as well as in the organisational structure that follows.

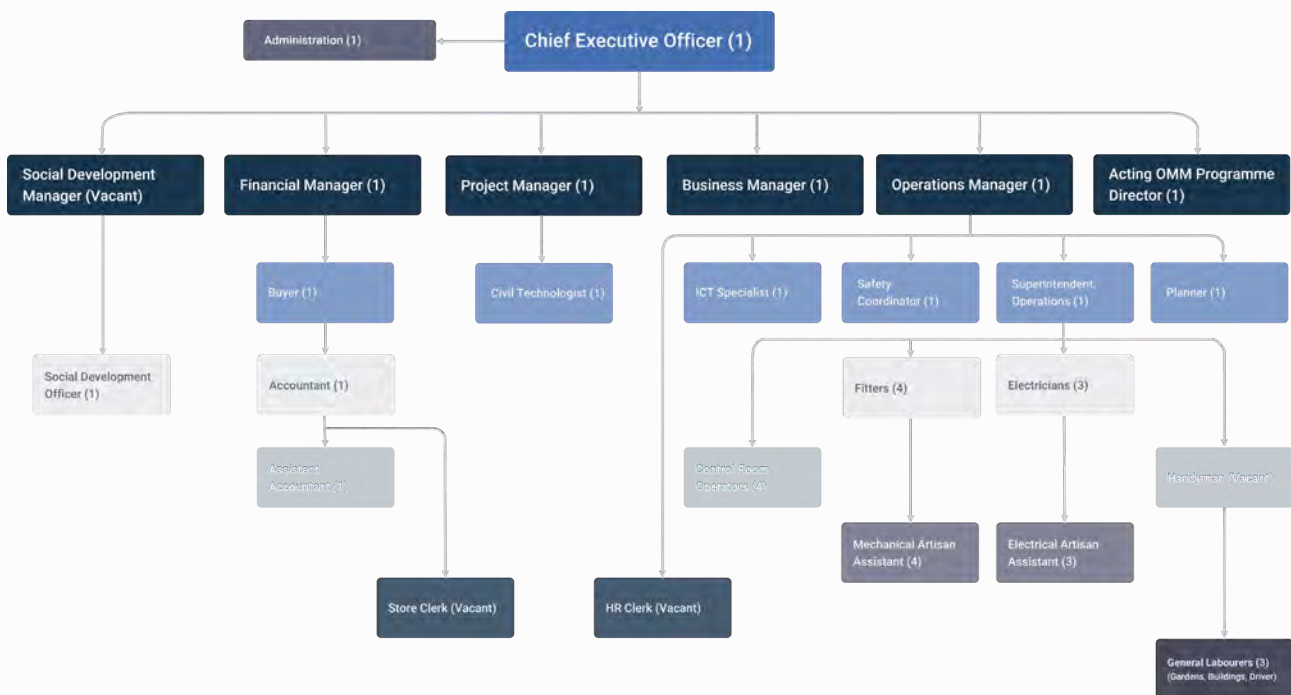
Table 7: The Association’s Current Posts

Post Description	Number of Posts
Chief Executive Officer	One
OMM Programme Director	One
Business Manager	One
Administration	One
Operations Manager	One
Superintendent	One
Planner	One
Electricians	Three
Fitters	Four
Artisan Assistant	Seven
Control Room Operators	Four

Buyer	One
Financial Manager	One
Civil Technologist	One
Financial/Accountant/Bookkeeper	One
Driver	One
Financial/Bookkeeper/Assistant	One
Project Manager	One
General Labourers	Three
Safety Coordinator	One
Social Development Officer	One
ICT Specialist	One
<b>Total</b>	<b>38</b>

Figure 11: The Association’s Organisational Structure





#### 4.5.2 Employment Equity

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

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

#### 4.5.3 Workforce Profile

The following table contains the Association's 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.

A key workforce change is the shift in the Association's senior management representivity, which now comprises 60% African males.

Overall, 80% of the Association's workforce is African, 31% are women and 28% are African women.

The Association's workforce profile does not include employees with disabilities.

**Table 8: The Association's Workforce Profile**

Occupational levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	0	0	0	1	0	0	0	0	0	0	1
Senior management	3	0	0	2	0	0	0	0	0	0	5
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, junior management, supervisors, foremen and superintendents	3	0	0	1	2	0	0	0	0	0	6
Semi-skilled and discretionary decision makers	4	2	0	0	4	0	0	0	0	0	10
Unskilled and defined decision-making	10	0	0	0	5	0	0	1	0	0	16
<b>Total Permanent</b>	<b>20</b>	<b>2</b>	<b>0</b>	<b>4</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>38</b>
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
<b>Grand total</b>	<b>20</b>	<b>2</b>	<b>0</b>	<b>4</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>38</b>

**African males now constitute 60% of the Association's senior management**

#### 4.5.4 Skills Development

The Association is committed to a culture of skills development. The industry standard for skills development spend is 1% of total payroll costs. As is evident from the table below, our skills development spend of 1.77% surpasses this standard.

The Association observes compliance of the Employment Equity and Skills Development Acts, and this compliance is monitored via accepted procedures and guidelines.

**Table 9: Skills Development by Percentage of Payroll.**

	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 %
<b>Full Staff Complement</b>	R37 229 042	1.84%	R684 278,74	R659 227,29	1.77%
<b>HDI (Africans, Coloureds, Indians, White females)</b>	R22 514 306	1.82%	R677 435,95	R652 635,02	1.75%

#### 4.5.5 Redressing Inequalities

The table below includes the Association's statement on redressing inequalities.

**Table 10: Statement on Redressing Inequalities**

List of HDI targeted for assistance:

##### **Increased corporate social responsibility programmes within our communities**

Brief description of assistance required:

**Social development, school infrastructure and WI-FI access, sustainable potable water supply infrastructure within area of operation of Association.**

Brief description of assistance rendered:

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

Target amount to be spent on assistance rendered to communities:

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

Actual total amount (one and two above) spent as percentage of total amount:

**96%**

#### 4.5.6 The Way Forward

As has been reported elsewhere in this Annual Report, the signing of the Heads of Terms for an OMM Framework agreement (between CUC Members and DWS), and the subsequent launch of the OMM Programme by the Minister of Water and Sanitation, has paved the way for a new institutional arrangement and will see the transformation and radical expansion of the Association.

The ambitious transformation plan will encompass both the Association and the OMM Programme and is expected to come into effect by 1 July 2023. The OMM Programme will bring with it a fundamental shift in the Association's staff complement.



## Responsible corporate citizenship is fundamental to our sustainability and stakeholder trust

### 4.6 Social Development

#### 4.6.1 Stakeholder Relationships

A healthy relationship with identified stakeholders ensures open, transparent and efficient communication and informs the Association's strategy and related activities. We have identified some of our key stakeholders:

- The Minister of Water and Sanitation, the Director-General and the staff of the Department of Water and Sanitation in Pretoria;
- The regional offices of the Department of Water and Sanitation in Polokwane and Mbombela;
- The Chairperson designate and members of the proto-Olifants River Catchment Management Agency (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 Executive Mayor, Municipal Manager and staff of the Mogalakwena Local Municipality (MLM);
- The Mayor, Municipal Manager and staff and ward councillors representing some 103 villages situated adjacent to the Association's pipeline in the Fetakgomo Greater Tubatse Local Municipal (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);
- The Chairman and Chief Executive Officer (CEO) and staff of Infrastructure South Africa (ISA);
- The Association's Users;
- The Association's management and staff;
- Other Governmental Departments and their staff; and
- Potential new Members within the Northern and Eastern Limb of the Bushveld Igneous Complex.

**4.6.2 Corporate Social Responsibility**

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

The Association has established a Corporate and Social Responsibility (CSR) programme aimed at contributing positively to the Socio-Economic Development (SED) of people in the areas in which we operate. Through the following key projects, we aimed to achieve two key objectives: firstly, the restoring of community trust and, secondly, the repairing the Association’s brand.

**Education**

The Association believes that education is key to addressing poverty, which is why we allocated significant budget to educational programmes in the past financial year.

**Installation of Interactive Learning Whiteboards**

The Association installed interactive learning whiteboards in seven (7) primary schools out of eleven (11). The schools that benefitted most recently include Mabu (at Sehunyane village), Mahlo (at Malokela village), Mohlophing (at Motloulela village), and Mohlala Primary School (at Motloulela village). The whiteboards have been found to be particularly beneficial when teaching Mathematics and English. Going forward, the plan is to equip the remaining 4 primary schools as well as install 7 whiteboards at the Kwata Primary School, as part of the OMM Programme’s pilot SED project.

**Donation of School Desks**

In response to the extreme overcrowding of classrooms at Molopo Primary School at Malokela village during the outbreak of COVID-19, the Association assisted the Department of Education by purchasing sixty single learner desks to assist with social distancing.

**Reading Campaign**

Following the Association’s three-year partnership with Nal’ibali (a national reading campaign for enjoyment), the Association approached the Limpopo Provincial Department of Education (LPDE) with a proposal to assist with ECD-related programmes in its area of operation. The resultant reading campaign project started in June 2021, and aims to:

- Increase access to and use of reading materials in the target communities;
- Spread awareness of the importance and benefits of reading for enjoyment;
- Train adults to run reading activities for children; and
- Support adults to create regular, enjoyable opportunities for children to engage with books and stories.

The programme has created 16 job opportunities for local youths and established 80 reading clubs (community, ECD, and primary schools-based) led by fully trained

staff and volunteers. We have established a working relationship with three radio stations in the catchment area: Thobela FM, Mphahlele FM and Moutse FM, that broadcast a combined 24 stories per month (288 per annum) to a listenership of approximately 3,557,500 people in the Association’s area. 15 717 Newspaper supplements and 1 676 Read Aloud storybooks have been distributed to the 80 reading clubs since the start of the project.

**Community Wi-Fi Project**

Internet access plays a crucial role in socio-economic development. The Association rolled-out an ‘Affordable Access to Wi-Fi and Data’ project in strategic locations such as schools and clinics, which provides wireless Internet connectivity to users at a cost of just R5 per day for an uncapped connection.

15 community-access Internet points were installed across including Mmutlane Technical High School (Malokela), Lesedi-Sedi School (Moroke), and Ntwampe Technical High School (Moroke) as well as Mmutlane Clinic (Ga-Phala).

Through Internet connectivity, the project aims to plough back into the community by driving economic activity and developing local businesses that will harness the online economy. The project has already created business opportunities for local youth as ‘Wi-Fi Entrepreneurs’ who make money selling data and monitoring infrastructure uptime and reporting downtime.



**We worked to restore community trust and repair our brand through key CSR initiatives**

### Youth Enterprise Development Programme (YEDP)

50 matriculants participated in the Youth Enterprise Development Programme (YEDP) conducted by JA South Africa (JASA). The programme comprised two parts, namely 6 months of classroom sessions followed by 6 months of mentoring and coaching.

During the classroom sessions, participants learned:

- Necessary skills to establish sustainable business;
- About available business funding opportunities;
- Characteristics and qualities of a successful businessperson;
- Requirements of a successful business;
- How to draw up a bankable business plan;
- Marketing and branding skills;
- Goal-setting for entrepreneurs; and
- Cash flow management, bookkeeping and record keeping skills.

During the mentoring and coaching sessions participants were encouraged to start small businesses and were provided with access to opportunities for further support, such as finance and business incubation. By the end of the programme, eight businesses were active and turning over R32 300 per month.

### Institutional Strengthening & Capacity Building

#### Donation and Refurbishment of the five (5) mobile units

The Association refurbished and donated 5 mobile units for the following beneficiaries:

**Table 11: The Association's Mobile Unit Beneficiaries**

Primary (Direct) Beneficiary Name	Responsible & Benefiting Department	Name of the village	Purpose of the unit
Shai Primary School	Limpopo Department of Education	Modubeng	Of the two units donated to the school, one is being used as a classroom and the other as an office for the principal.
Malokela Circuit Office of Education	Limpopo Department of Education	Ga-Phala, Kwata Primary School	The unit is being used as a Grade R Model Classroom, where ECD practitioners from the whole of the Malokela Circuit can receive training. It is also used as a Quarterly Reflection Tool (QRT).
Pelo le Diatla Drop-in Centre	Limpopo Department of Social Development	Ga-Phala, Mmutlane Clinic	The unit is being used as a place of safety for vulnerable children, especially after school hours and during school holidays.
Letolwane Traditional Authority	Coghsta	Shakung	The unit is being used as the Traditional Authority's Office and for holding community meetings.

### Community Noticeboards

The Association in consultation with its valued stakeholders, including Traditional Leaders, installed community noticeboards to ensure public access to information. Beneficiaries include Mmutlane Clinic, Babina Tlou Ba Shai, Babina Noko Ba Phala, and Letolwane Traditional Authority.

### Empowerment and Development of the local SMMEs

The Association developed a Local Supplier Database to benefit local businesses through projects and sub-contracts. Sixty (60) local companies are currently registered on the database, of which 18 local companies benefitted from various projects.



The Association spent **R3 022 153** on SED initiatives during the reporting period

**Planned Social Development Programmes for the Current Financial Year**

The Association is planning the following activities at an operational level for 2022/2023 financial year:

- Creation of employment opportunities for local youth in collaboration with government through Government’s Youth Employment Scheme (YES) Programme;
- Installation of the interactive learning whiteboards at Makofane Primary School in Shakung Village to bring the total number primary schools equipped to 8, and the equipping of all learning classrooms at Kwata Primary School in Ga-Phala with interactive learning whiteboards as part of the OMM Programme’s SED programme;

- Provision of a teacher training programme to enable schools to become high-performing;
- Retaining the reading campaign by Nal’ibali to keep on promoting a culture of reading among children;
- Providing training to local SMMEs on business management skills in particular on how to complete a Bill of Quantity (BOQ) with a good understanding of rates;
- Providing free access to Internet for three of the identified schools (Ntwampe, Mmutlane and Mape Secondary Schools); and
- Supporting agricultural cooperatives and subsistence farming practices to promote food security in our areas of operation.

**4.6.3 OMM Programme’s Socio-Economic Development Programme**

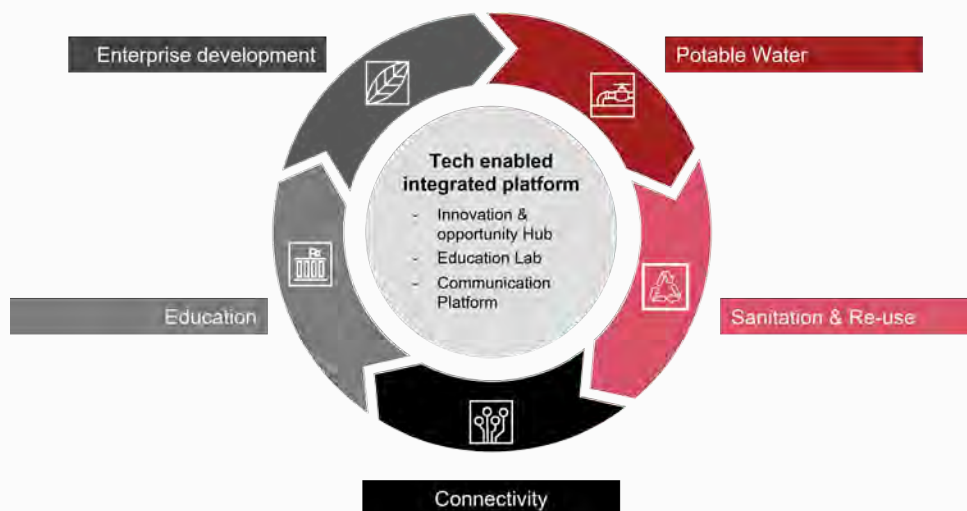
The OMM Programme’s Socio-Economic Development (SED) programme aims to achieve the following:

- The provision of infrastructure to allow for clean water to communities, which is critical to wellbeing and SED;
- Significant job creation in Limpopo Province;
- The creation of additional employment through mining and downstream beneficiation and manufacturing developments;
- The acceleration of local and regional skills development given the wider skill-base requirement;

- Economic expansion through accelerated bulk raw water provisioning to take advantage of the mining commodity cycle and development of other industries;
- The creation of enabling infrastructure, which is essential to the industrialisation of the Bushveld Igneous Complex; and
- Alignment with the District Development Model.

Five proposed priority areas have been identified to steer activities, and a central hub concept will underpin all collaboration, inclusivity and transparency. It is envisaged that all SED projects will align to the themes presented in the diagram below.

*Figure 12: The OMM Programme’s Proposed SED Themes*



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During the reporting period significant progress was made in hosting three successful workshops (potable water and sanitation, education and enterprise development) with key stakeholders, as well as in identifying priority areas, such as:

- Interim potable water solutions;
- High performing schools pilot programme;
- Low-cost sanitation initiatives;
- Community involvement; and
- Connectivity.

#### **Increasing SED Spend**

The Association plans to expand significantly on the current SED programme spend through the OMM Programme. The Association aims to further enhance its SED spend through the establishment of an SED Collaboration Forum to increase commitment and availability of funding for the SED Programme.

#### **The Way Forward**

In terms of quick wins, the SED programme aims to expand on existing projects (e.g. youth leadership and entrepreneur development), work with existing Water Service Authority (WSA) projects, collaborate with schools and build on existing technology infrastructure.

An SED Collaboration Forum will be established to ensure good governance and transparency around the planning, approval and implementation of SED projects.



# We are transforming and rebranding and will become a 50:50 collaboration between Commercial Users and Government

## 4.7 Ownership

Admission as a Member of the Association is achieved by any person or entity who, as a condition of a licence issued in terms of Section 41 of the 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.

Currently, 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; and
- The "Ordinary Members" or Members who will not use water for mining but for non-industrial or non-mining purposes.

Through the OMM Programme, renegotiation of the Association's Constitution and Members' Agreement have commenced. The subsequent changes to these two founding documents will see a radical change in the way the Association will move forward. It will result in, among a range of changes, a 50:50 partnership between Commercial Users and Government, a change in the Association's membership with the admission of additional Members and will realise a change in representation on the Management Committee.

The members currently involved in the Association are:

**Table 12: The Association's Members**

Institution	Represented by
Anglo-American Platinum Ltd	Mr P Moodliar
Tubatse Alloys	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 W Louw
Samrec (Pty) Ltd	Mr H Jones
Samancor Chrome Ltd	Ms H Booysen
Corridor Mining Resources	Mr D Maloba
Department of Water and Sanitation	Mr L Manus



#### 4.7.1 Management Control

The Management Committee of the Association is established in terms of chapter 8 of the 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.

##### Details of the Management Committee

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

The committee consists of the following Members:

**Table 13: The Association's Management Committee**

Name	Representing	Position	Period of office
Mr P Moodliar	Anglo-American Platinum Ltd	Chairman	1 July 2021- 30 June 2022
Mr J Jansen	ARM Mining Consortium / African Rainbow Minerals Ltd	Deputy-Chairman	1 July 2021- 30 June 2022
Mr W Louw	Impala Platinum Ltd	Member	1 July 2021- 30 June 2022
Mr L Manus	DWS	Member	1 July 2021- 30 June 2022
Mr J A Bierman	The Association	Member (CEO)	1 July 2021- 30 June 2022
Vacant	Provincial Government	N/A	N/A

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 is committed to representivity in its ranks, and the partnership with the DWS through the OMM Programme provides a further opportunity for transformation. Further, the Management Committee has ensured that Historically Disadvantaged Individuals (HDI) are adequately represented within its sub-committees.

#### 4.7.2 Voting Powers

Voting powers calculated on the water allocation of the Members are as follows:

**Table 14: The Association's Voter's List**

Members	Water use entitlement (m <sup>3</sup> /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	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
<b>Total</b>	<b>76,725</b>	<b>100</b>	<b>10,000</b>

# Good governance underpins all our business activities

## 4.8 Governance, Risk and Compliance

Through adherence to legislation, King IV and other corporate governance prescripts, the Association has continued to ensure good corporate governance, pro-active risk mitigation and ongoing compliance.

### 4.8.1 The Management Committee (ManCom)

During the year under review, the Management Committee (ManCom):

- Reviewed and approved the Commitment, Participation and Accession Agreements to facilitate the admission of new Members to the Association;
- Reviewed and approved the Heads of Terms for the OMM Framework Agreement;
- Reviewed and provided their inputs in the Charter for Water User Associations following its publication for comments;
- Approved the revised Constitution of the Association, Members' Agreement and Delegation of Authority to create efficiencies, manage material procurement and to accommodate the OMM Programme;
- Reviewed and approved the ManCom, FinCom and SeCom Charters;
- Approved the Charter for the OMM Programme's PSC; and
- Embarked on a self-assessment exercise as recommended by King IV.
- During the financial year the Management Committee met on 6 occasions:

**Table 15: ManCom Meetings**

Date of meeting	General purpose of meeting
16 September 2021	Management Committee Meeting
29 September 2021	Annual General Meeting
18 November 2021	Management Committee Meeting
20 January 2022	Management Committee Meeting
21 April 2022	Management Committee Meeting
28 June 2022	Management Committee Meeting

ManCom subscribed to Principle 11 of the King IV Report in its governance of risk. Principle 11 states that the Governing Body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.

Accordingly, ManCom considers both associated risks and opportunities when developing and overseeing the Association's strategy. ManCom has developed a Risk Matrix to monitor and address risks and opportunities in the organisation.

**Table 16: ManCom Risk Matrix**

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

#### 4.8.2 Association Sub-Committees

The Management Committee is authorised to establish Sub-Committees to assist it in the execution of its duties, powers and authorities. The Management Committee has delegated to each of the Sub-Committees established, such authority as is required to enable such Sub-Committees to fulfil their respective functions.

##### The Finance Committee (FinCom)

During the year under review, the FinCom reviewed and signed-off its Governance 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 J Jansen as Chairperson of the FinCom, Mr L Manus, Mr B Bierman (as CEO) and Mr J Mahapa (as Financial Manager). Invitations to attend meetings were extended to Chairperson of the Management Committee, Operations Manager, Projects Manager, GRC Manager, Business Manager and Social Development Officer. The Administrations Manager and after his departure, the Business Manager, acted as secretaries of the Committee.

The FinCom met on 7 occasions during the year under review.

**Table 17: FinCom Meetings**

Date of meeting	General purpose of meeting
22 July 2021	Finance Committee Meeting
26 August 2021	Finance Committee Meeting
26 October 2021	Finance Committee Meeting
24 February 2022	Finance Committee Meeting
22 April 2022	Finance Committee Meeting
22 June 2022	Finance Committee Meeting
28 June 2022	Special Finance Committee Meeting

The Association has continued to ensure good corporate governance, pro-active risk mitigation and ongoing compliance

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

**Table 18: FinCom Risk Matrix**

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

**The Remuneration Committee (RemCom)**

The Remuneration Committee is a subcommittee of the Finance Committee and comprises of the Chairman of ManCom, Mr Moodliar and the Chairman of FinCom, Mr Jansen. 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:

**Table 19: RemCom Meetings**

Date of meeting	General purpose of meeting
11 April 2022	Approval of the Safety Incentive
13 June 2022	Review of job grades and salaries

### The Social and Ethics Sub-Committee (SeCom)

During the year under review the SeCom reviewed and signed-off its Governance 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 W Louw as chairperson of the SeCom, Ms Y Mfolo, Ms H Oberholzer, Mr B Bierman (as CEO) and Mr E Moloto (as Social Development Officer).

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

**Table 20: SeCom Risk Matrix**

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	Environmental	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

### Operations Committee (OpsCom)

The day-to-day management of the Association is delegated to the CEO and the OpsCom through a formally approved Delegation of Authority Framework in accordance with Principle 10 of King IV Report. OpsCom consists of the Chief Executive Officer, Mr Bertus Bierman, the Operations Manager, Mr Thembani Makhubele, the Business Manager, Mr Mduduzi Luthuli, the Projects Manager, Mr Carel Taljaard, the Financial Manager, Mr Joseph Mahapa, the Social Development Officer, Mr Edward Moloto, and Governance, Risk, Compliance and Legal Manager, Mr Alistair Collier.

Invitations to attend meetings were extended to Chairperson of the Management Committee, Operations Manager, Projects Manager and GRC Manager. The Administrations Manager and, after his departure, the Business Manager, acted as secretaries of the Committee.

The SeCom met on 4 occasions during the reporting

**Table 19: SeCom Meetings**

Date of meeting	General purpose of meeting
2 September 2021	Social and Ethics Committee
24 February 2022	Social and Ethics Committee
22 April 2022	Social and Ethics Committee
17 June 2022	Social and Ethics Committee

### Association Secretary

There is no requirement that the Association have a secretary, only a Chief Executive Officer. An appropriately qualified and experienced person has been appointed to assist with the work of the Office of the Chief Executive Officer. Mr Mduduzi Luthuli currently holds this position.



## **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 2022

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## 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 2022

### General Information

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<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	Supplying bulk raw water to surrounding mines and public entities
<b>Chairpersons of committees</b>	P. Moodliar J.C. Jansen W. Louw
<b>Chief Executive Officer</b>	J.A. Bierman
<b>Business address</b>	8a Charbury Road Lynnwood Manor Village Lynnwood 0081
<b>Postal address</b>	P.O. Box 2075 Polokwane 0700
<b>Bankers</b>	ABSA Bank Limited First National Bank a division of FirstRand Bank Limited
<b>Auditors</b>	Diemont, Zimmerman & Bolink Chartered Accountants (SA) Registered Auditors
<b>Prepared by</b>	The annual financial statements were independently compiled by: T. van Niekerk Professional Accountant (SA)

## Lebalelo Water User Association

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Annual Financial Statements for the year ended 30 June 2022

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

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## 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 2022

### Responsibilities and Approval of the Management Committee

The Management Committee is required by the National Water Act No. 36 of 1998 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 then ended, in conformity with accounting policies. 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 entity's accounting policies and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

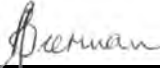
The Management Committee acknowledges that it is ultimately responsible for the systems of internal financial control established by the Association and places considerable importance on maintaining a strong control environment. To enable the Management Committee to meet these responsibilities, the Management Committee sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner based on the corporate governance principles set out in the National Water Act No. 36 of 1998, the Companies Act No. 71 of 2008 and King IV Report. 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 2023 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 pages 4 and 5 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

  
\_\_\_\_\_  
**W. Louw**  
Chairperson  
Social and Ethics Committee

19 September 2022

**Diemont, Zimmerman & Bolink**Geoktrooieerde Rekenmeesters (S.A.) · Geregistreeerde Ouditeure  
Chartered Accountants (S.A.) · Registered Auditors25 Watermelon St  
Platinum Park  
Bendor  
PolokwanePrivate Bag X7001  
Bendor Park  
0713Tel: 015 297 2731  
Fax: 086 605 9114  
e-mail: dzb@dzb.co

## Independent Auditor's Report

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### To the Management Committee of 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 21, which comprise the Statement of Financial Position as at 30 June 2022, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the 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 2022, 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 No. 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.

We have determined that there are no 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 No. 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.

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## Independent Auditor's Report

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### 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.

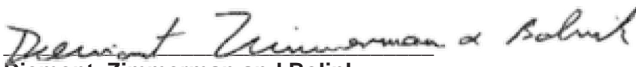
### Auditor's responsibilities for the audit of the Annual Financial Statements

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: J.B. Stamp CA (SA), RA

**19 September 2022**  
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 2022

### Report of the Management Committee

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The Management Committee submits its report for the year ended 30 June 2022.

#### 1. Review of activities

##### Main business and operations

The Association is engaged in terms of its water use license, in supplying bulk 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	
P. Moodliar	Chairperson - Management Committee	
J.C. Jansen	Chairperson - Finance Committee	
M. Motlhageng	Chairperson - Social and Ethics Committee	Resigned 31 January 2022
W. Louw	Chairperson - Social and Ethics Committee	
J.A. Bierman	Chief Executive Officer	
L. Manus	Ordinary Member	
Vacant	Local Government	

A full description of the Management Committee and Subcommittees are set out in the annual report.

#### 3. Secretary

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

#### 4. Auditors

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

**Lebalelo Water User Association**

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 2022

**Statement of Financial Position as at 30 June 2022**

Amount in Rands	Note(s)	2022	2021
<b>Assets</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	2	334 768 135	343 874 118
Intangible assets and long term pre-payments	3	82 762 520	92 403 226
Other financial assets	4	5 081 767	2 412 039
		<b>422 612 422</b>	<b>438 689 383</b>
<b>Current Assets</b>			
Consumable stock	5	3 215 035	1 983 708
Trade and other receivables	6	27 925 305	21 502 465
Other financial assets	4	137 478 554	137 149 560
Cash and cash equivalents	7	57 517 497	23 800 011
		<b>226 136 391</b>	<b>184 435 744</b>
<b>Total Assets</b>		<b>648 748 813</b>	<b>623 125 127</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Capital reserve		397 327 896	397 327 896
Retained surplus		96 829 425	58 257 503
		<b>494 157 321</b>	<b>455 585 399</b>
<b>Liabilities</b>			
<b>Non-current Liabilities</b>			
Deferred income	8	69 651 993	78 639 346
<b>Current Liabilities</b>			
Trade and other payables	9	14 480 709	13 593 822
Deferred income	8	8 987 354	8 987 354
Provisions	10	11 636 537	11 128 779
Short term payables	11	49 834 899	55 190 427
		<b>84 939 499</b>	<b>88 900 382</b>
<b>Total Liabilities</b>		<b>154 591 492</b>	<b>167 539 728</b>
<b>Total Equity and Liabilities</b>		<b>648 748 813</b>	<b>623 125 127</b>

**Lebalelo Water User Association**

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Annual Financial Statements for the year ended 30 June 2022

**Statement of Comprehensive Income**

Amount in Rands	Note(s)	2022	2021
Revenue	12	215 764 614	128 594 679
Direct cost	13	(47 120 707)	(36 956 812)
<b>Gross surplus</b>		<b>168 643 907</b>	<b>91 637 867</b>
Other income	14	9 121 383	9 134 555
Operating expenses		(143 415 559)	(114 821 015)
<b>Operating surplus (deficit)</b>		<b>34 349 731</b>	<b>(14 048 593)</b>
Investment revenue	15	6 372 786	6 874 753
Finance costs	19	(2 150 595)	(2 151 748)
<b>Surplus (deficit) for the year</b>		<b>38 571 922</b>	<b>(9 325 588)</b>
Other comprehensive income		-	-
<b>Total comprehensive surplus (deficit) for the year</b>		<b>38 571 922</b>	<b>(9 325 588)</b>

## Lebalelo Water User Association

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Annual Financial Statements for the year ended 30 June 2022

### Statement of Changes in Equity

Amount in Rands	Capital reserve 2022	Retained surplus 2022	Total equity 2022
<b>Balance at 01 July 2020</b>	<b>397 327 896</b>	<b>67 583 091</b>	<b>464 910 987</b>
Surplus/(deficit) for the year	-	(9 325 588)	(9 325 588)
Other comprehensive income	-	-	-
<b>Total changes</b>	<b>-</b>	<b>(9 325 588)</b>	<b>(9 325 588)</b>
<b>Balance at 01 July 2021</b>	<b>397 327 896</b>	<b>58 257 503</b>	<b>455 585 399</b>
Surplus/(deficit) for the year	-	38 571 922	38 571 922
Other comprehensive income	-	-	-
<b>Total changes</b>	<b>-</b>	<b>38 571 922</b>	<b>38 571 922</b>
<b>Balance at 30 June 2022</b>	<b>397 327 896</b>	<b>96 829 425</b>	<b>494 157 321</b>

**Lebalelo Water User Association**

Established in terms of Section 92(1) of the National Water Act, 1998 (Act No. 36 of 1998).  
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Annual Financial Statements for the year ended 30 June 2022

**Statement of Cash Flows**

Amount in Rands	Note(s)	2022	2021
<b>Cash flows from operating activities</b>			
Cash receipts from customers		205 967 941	132 674 666
Cash paid to suppliers and employees		(162 473 923)	(138 168 836)
Cash generated from (used in) operations	20	43 494 018	(5 494 170)
Interest income	13	6 372 786	6 874 753
Finance costs	19	(2 150 595)	(2 151 748)
<b>Net cash from operating activities</b>		<b>47 716 209</b>	<b>(771 165)</b>
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment	2	(5 644 473)	(18 186 046)
Movement in other financial assets		(2 998 722)	36 477 880
<b>Net cash from investing activities</b>		<b>(8 643 195)</b>	<b>18 291 834</b>
<b>Cash flows from financing activities</b>			
Movement in short term payables		(5 355 528)	(4 054 921)
<b>Net cash from financing activities</b>		<b>(5 355 528)</b>	<b>(4 054 921)</b>
<b>Total cash movement for the year</b>		<b>33 717 486</b>	<b>13 465 748</b>
Cash at the beginning of the year		23 800 011	10 334 264
<b>Total cash at end of the year</b>	7	<b>57 517 497</b>	<b>23 800 011</b>



## 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 2022

## Accounting Policies

### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared on a going concern basis in accordance with accounting policies as set out below. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

#### 1.1 Property, plant and equipment

The cost of an item of Property, plant and equipment is recognised as an asset when -

- it is probable that future economic benefits associated with the item will flow to the Association; and
- the cost of the item can be measured reliably.

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Item	Average useful life
Pipeline	50 Years
Civil works	45 Years
Ventilation and cranes	20 Years
Mechanical	15 Years
Electrical	15 Years
Valves	10 Years
Fencing	10 Years
Furniture and fittings	10 Years
Instrumentation and meters	8 Years
Borehole pumps	5 Years
Tools and equipment	5 Years
Motor vehicle	4 Years
IT Equipment	3 Years
Alarm system and safety ropes	1 Year

The residual value, depreciation method and the useful life of each asset are reviewed at the end of each reporting period. If expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposable proceeds, if any, and the carrying amount of the line item.

## Lebalelo Water User Association

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

Annual Financial Statements for the year ended 30 June 2022

### Accounting Policies

#### 1.2 Intangible assets and 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.

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. Intangible assets and long term pre-payments are carried at cost less any accumulated amortisation and any impairment losses, to accurately reflect the timeframe in which the asset is realised and in which the future economic benefits will flow to the entity.

Amortisation is provided to write down the intangible assets and 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.

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## 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 2022

### Accounting Policies

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#### 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 Consumable stock

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

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

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

#### 1.5 Revenue

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

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

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

#### 1.6 Borrowing costs

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

## Lebalelo Water User Association

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

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

#### Amount in Rands

#### 2. Property, plant and equipment

	2022			2021		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Plant and equipment - Existing scheme	278 861 630	(79 847 383)	199 014 247	273 425 911	(72 256 629)	201 169 282
Furniture and fixtures	715 655	(582 066)	133 589	606 173	(516 981)	89 192
Motor vehicles	16 270 310	(10 652 688)	5 617 622	16 270 310	(7 722 209)	8 548 101
IT equipment and infrastructure	4 383 182	(3 095 935)	1 287 247	4 873 432	(2 635 046)	2 238 386
Tools and equipment	4 235 886	(3 735 416)	500 470	4 124 173	(3 376 401)	747 772
Plant and equipment - Southern Extension	172 729 412	(45 918 785)	126 810 627	172 615 412	(42 904 184)	129 711 228
Plant and equipment - Booyssendal Platinum	1 999 842	(595 509)	1 404 333	1 784 100	(413 943)	1 370 157
<b>Total</b>	<b>479 195 917</b>	<b>(144 427 782)</b>	<b>334 768 135</b>	<b>473 699 511</b>	<b>(129 825 393)</b>	<b>343 874 118</b>

#### Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Scrapping and Disposals	Transfers	Depreciation	Closing balance
Plant and equipment - Existing Scheme	201 169 282	4 779 506	(39 786)	114 527	(7 009 282)	199 014 247
Furniture and fixtures	89 192	109 482	-	-	(65 085)	133 589
Motor vehicles	8 548 101	-	-	-	(2 930 479)	5 617 622
IT equipment and infrastructure	2 238 386	314 031	(12)	(114 527)	(1 150 631)	1 287 247
Tools and equipment	747 772	111 712	-	-	(359 014)	500 470
Plant and equipment - Southern Extension	129 711 228	114 000	-	-	(3 014 601)	126 810 627
Plant and equipment - Booyssendal Platinum	1 370 157	215 742	-	-	(181 566)	1 404 333
	<b>343 874 118</b>	<b>5 644 473</b>	<b>(39 798)</b>	<b>-</b>	<b>(14 710 658)</b>	<b>334 768 135</b>

#### Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Scrapping and 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
	<b>341 201 214</b>	<b>18 186 046</b>	<b>(667 723)</b>	<b>(14 845 419)</b>	<b>343 874 118</b>

## 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 2022

### Notes to the Annual Financial Statements

#### Amount in Rands

#### 3. Intangible assets and long term pre-payments

	2022			2021		
	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	(8 461 295)	2 641 047	11 102 342	(7 933 086)	3 169 256
ESKOM POD Cost	3 168 837	(2 538 332)	630 505	3 168 837	(2 412 231)	756 606
Exemption from Water Resource Development Charge - as per note 8	224 730 097	(146 099 129)	78 630 968	224 730 097	(137 112 733)	87 617 364
<b>Total</b>	<b>246 861 276</b>	<b>(164 098 756)</b>	<b>82 762 520</b>	<b>246 861 276</b>	<b>(154 458 050)</b>	<b>92 403 226</b>

#### Reconciliation of intangible assets and long term pre-payments - 2022

	Opening balance	Amortisation	Total
Servitudes	860 000	-	860 000
Capital Costs - ESKOM Powerline	3 169 256	(528 209)	2 641 047
ESKOM POD Cost	756 606	(126 101)	630 505
Exemption from Water Resource Development Charge as per note 8	87 617 364	(8 986 396)	78 630 968
	<b>92 403 226</b>	<b>(9 640 706)</b>	<b>82 762 520</b>

#### Reconciliation of intangible assets and 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 note 8	96 603 761	(8 986 397)	87 617 364
	<b>102 043 933</b>	<b>(9 640 707)</b>	<b>92 403 226</b>

## Lebalelo Water User Association

Established in terms of Section 92(1) of the National Water Act, 1998 (Act No. 36 of 1998).  
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Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Amount in Rands	2022	2021
<b>4. Other financial assets</b>		
<b>At amortised cost</b>		
<b>Fixed deposits - ABSA (ESKOM Guarantees)</b>	5 081 767	2 412 039
Interest rates ranging from 4.85% to 4.85% (2021: 3.88% to 4.75%) per annum. Refer to note 21.		
<b>Fixed deposits - ABSA (Designated funds)</b>	37 987 148	42 569 289
Interest rates ranging from 4.54% to 5.56% (2021: 3.40% to 4.18%) per annum. Refer to note 11.		
<b>Fixed deposits - ABSA (Community support services and social development)</b>	11 636 537	11 128 779
Interest rates ranging from 4.54% to 4.85% (2021: 3.45% to 4.28%) per annum. Refer to note 10.		
<b>Fixed deposits - ABSA</b>	38 292 406	36 705 572
Interest rates ranging from 4.54% to 5.56% (2021: 3.40% to 4.18%) per annum.		
<b>Fixed deposits - FNB</b>	32 696 982	31 556 076
Interest rates ranging from 4.35% to 6.47% (2021: 4.35% to 4.35%) per annum.		
<b>Depositor Plus - ABSA</b>	16 865 481	15 189 844
Interest rates ranging from 5.05% to 5.05% (2021: 3.00% to 3.00%) per annum.		
	<u>125 694 840</u>	<u>124 371 755</u>
	<b><u>142 560 321</u></b>	<b><u>139 561 599</u></b>
<b>Non-current assets</b>		
At amortised cost	<u>5 081 767</u>	<u>2 412 039</u>
<b>Current assets</b>		
At amortised cost	<u>137 478 554</u>	<u>137 149 560</u>
	<b><u>142 560 321</u></b>	<b><u>139 561 599</u></b>
<b>5. Consumable stock</b>		
Consumable stock	<u>3 215 035</u>	<u>1 983 708</u>
<b>6. Trade and other receivables</b>		
Trade receivables	18 705 738	8 775 036
Deposits - ESKOM	9 178 093	9 178 093
Deposits - Other	41 474	41 474
VAT	-	3 507 862
	<u>27 925 305</u>	<u>21 502 465</u>

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### Notes to the Annual Financial Statements

Amount in Rands	2022	2021
<b>7. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	7 009	647
Bank balances	5 331 006	15 516
Short-term deposits	52 179 482	23 783 848
	<b>57 517 497</b>	<b>23 800 011</b>
<b>8. Deferred income</b>		
Non-current pre-payment	69 651 993	78 639 346
Current pre-payment	8 987 354	8 987 354
	<b>78 639 347</b>	<b>87 626 700</b>

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, be exempted for a period of 25 years from the payment of the water resource development charge, in respect of the first 17 million cubic metres per annum, as determined in terms of the Pricing Strategy.

### 9. Trade and other payables

Trade payables	3 787 580	6 459 110
VAT	702 086	-
Raw water payables - Refer to note 21	1 559 870	1 559 870
Accrued payroll expenses	5 639 909	3 892 610
Other payables	2 791 264	1 682 232
	<b>14 480 709</b>	<b>13 593 822</b>

### 10. Provisions

#### Reconciliation of provisions - 2022

	Opening balance	Additions	Total
Community support services and social development	11 128 779	507 758	11 636 537

#### Reconciliation of provisions - 2021

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

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.

## Lebalelo Water User Association

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Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Amount in Rands	2022	2021
<b>11. Short term payables</b>		
Payables due to members - Southern Extension	12 768 684	18 207 382
Payables due to members - Southern Extension 2 Project	-	5 873 010
Payables due to members - Northern Extension Mogalakwena	38 019 560	35 164 956
	<b>50 788 244</b>	<b>59 245 348</b>
<b>12. Revenue</b>		
Variable operating costs	41 737 414	35 707 261
Fixed operating costs	82 494 592	74 803 886
Covid-19 Project Levy	8 392 109	18 083 532
Feasibility - OMM Project	51 620 000	-
Feasibility - Southern Extension 2 Project	31 520 499	-
	<b>215 764 614</b>	<b>128 594 679</b>
The feasibility revenue consist of amounts received and accrued from the participating members in the Southern Extension 2 project and the Olifants Management Model (OMM) project. Project feasibility amounts were recognised as revenue and expenses as both the projects are in the research phase.		
<b>13. Direct cost</b>		
<b>Supplying bulk raw water</b>		
Electricity	41 616 893	31 227 478
Water	5 445 716	5 677 336
Other direct cost	58 098	51 998
	<b>47 120 707</b>	<b>36 956 812</b>
<b>14. Other income</b>		
Amortisation of pre-payment - Refer to note 8	8 987 354	8 987 354
Insurance claims received	12 629	-
Rental income	92 400	92 400
Tender income	29 000	-
Other income	-	54 801
	<b>9 121 383</b>	<b>9 134 555</b>
<b>15. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	528 044	168 936
Interest charged on trade and other receivables	-	754 355
Other financial assets	5 844 742	5 951 462
	<b>6 372 786</b>	<b>6 874 753</b>
<b>16. Auditor's remuneration</b>		
Fees	550 000	550 000



## Lebalelo Water User Association

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### Notes to the Annual Financial Statements

Amount in Rands	2022	2021	
<b>17. Employee cost</b>			
The following items are included within employee benefits expense:			
<b>Employee costs</b>			
Compensation	37 036 565	31 267 722	
Skills development levy	281 377	221 274	
Unemployment insurance fund	73 405	57 299	
Workmen's compensation	60 047	55 555	
Other short term employee costs	615 648	300 461	
	<b>38 067 042</b>	<b>31 902 311</b>	
Details relating to employees of the Association is disclosed in the annual report.			
<b>18. Management Committee' remuneration</b>			
<b>Executive</b>			
<b>2022</b>			
	Compensation	Retention	Total
J.A. Bierman	3 686 855	2 677 312	6 364 167
<b>2021</b>			
	Compensation	Retention	Total
J.A. Bierman	3 195 726	2 677 312	5 873 038
<b>19. Finance costs</b>			
Interest paid on designated funds	1 844 336	2 141 140	
Late payment of tax	262 243	-	
Other finance cost	44 016	10 608	
	<b>2 150 595</b>	<b>2 151 748</b>	
<b>20. Cash generated from (used in) operations</b>			
Surplus	38 571 922	(9 325 588)	
<b>Adjustments for:</b>			
Depreciation and amortisation	24 351 364	24 486 125	
Loss / (profit) on sale of assets	39 798	667 725	
Interest received	(6 372 786)	(6 874 753)	
Finance costs	2 150 595	2 151 748	
Movements in provisions	507 758	470 928	
<b>Changes in working capital:</b>			
Consumable stock	(1 231 327)	(241 257)	
Trade and other receivables	(6 422 840)	7 146 941	
Trade and other payables	886 887	(14 988 685)	
Deferred income	(8 987 353)	(8 987 354)	
	<b>43 494 018</b>	<b>(5 494 170)</b>	

## Lebalelo Water User Association

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Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

### Amount in Rands

#### 21. 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. During the year, two additional guarantees were issued, R1 231 000 on behalf of the Dwars River Southern Extension 2 Line and R 1 325 000 on behalf of the Spitskop Southern Extension 2 Line. The total amount of the guarantee is invested in long term investments as per note 4.

The Department: Water and Sanitation (DWS) issued the Association with an account statement showing an amount of R35 937 866.98 (2021: R59 684 421.15) due by the Association. The basis of calculation, assumptions used and invoices issued is currently the subject of a joint review process by the DWS and the Association. This review process has indicated that the DWS has charged the Association operational costs on four off-take points, namely on the 16 000 000 m<sup>3</sup>, the 3 880 000 m<sup>3</sup> and the 1 001 462 m<sup>3</sup> at an assumed metered point at Havercroft, whilst in reality the Association has only one metered off-take point. In order to rectify this matter the DWS has undertaken to review and reverse incorrectly levied 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 in the metered point 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 DWS. 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 DWS and is due to the DWS upon receipt of appropriate Tax Invoices. The DWS has to date of issue of the financial statements only partially reduced the invoices for operational cost and interest. The management of the Association has evaluated the progress on the review process and issue of reduced invoices and has not identified any evidence that would require an adjustment to the amounts already provided that has been included in the raw water payable as per note 9.

#### 22. Commitments

The commitments, disclosed as part of the projected capital expenditure summary, is supplementary information presented as part of the annual report and does not form part of the audited annual financial statements.

#### 23. Detailed Statement of Comprehensive Income

The Detailed Statement of Comprehensive Income is supplementary information presented as part of the annual report and does not form part of the audited annual financial statements.

#### 24. Events after the reporting period

The annual financial statements were authorised for issue on Monday, 19 September 2022 by the Management Committee of the Association.

## Lebalelo Water User Association

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Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

#### Amount in Rands

#### 25. 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 program 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 utilised borrowing facilities are monitored by the Association.

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.

<b>At 30 June 2022</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Trade and other payables	14 454 421	-	-	-
<b>At 30 June 2021</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Trade and other payables	13 593 822	-	-	-

##### Credit risk

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

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

**LEBALELO WATER USER ASSOCIATION**  
**DETAILED STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 30 June 2022

	2022 R	2022 R	2022 R	2022 R	2022 R	2022 R	2022 R
	Havercroft to Maandagshoek	Southern Extension	Booyensdal Platinum	Olifants Management Model	Southern Extension 2	Other	Total
<b>Gross revenue</b>	<b>114,052,093</b>	<b>14,726,519</b>	<b>3,845,502</b>	<b>51,620,000</b>	<b>31,520,499</b>	-	<b>215,764,614</b>
Fixed operating costs	68,712,436	11,103,876	2,678,280	-	-	-	82,494,592
Fixed electricity	3,952,691	756,724	457,499	-	-	-	5,166,914
Variable electricity	11,051,976	2,865,919	709,723	-	-	-	14,627,618
Raw water	21,491,797	-	-	-	-	-	21,491,797
Water research fund	451,084	-	-	-	-	-	451,084
Covid-19 support (Contributions by members)	8,392,109	-	-	-	-	-	8,392,109
Project Feasibility Study (Contributions by participating members)	-	-	-	51,620,000	31,520,499	-	83,140,499
<b>Cost of revenue</b>	<b>41,100,518</b>	<b>4,523,319</b>	<b>1,496,870</b>	-	-	-	<b>47,120,707</b>
Fixed electricity	4,984,908	1,541,916	440,901	-	-	-	6,967,725
Variable electricity	30,669,894	2,981,403	1,055,969	-	-	-	34,707,266
Raw water	3,870,107	-	-	-	-	-	3,870,107
Water research fund	1,575,609	-	-	-	-	-	1,575,609
Maintenance: Potable water infrastructure	-	-	-	-	-	-	-
<b>Gross surplus</b>	<b>72,951,575</b>	<b>10,203,200</b>	<b>2,348,632</b>	<b>51,619,999</b>	<b>31,520,498</b>	-	<b>168,643,907</b>
<b>Other income</b>	-	-	-	-	-	<b>13,303,776</b>	<b>13,303,776</b>
Profit/(Loss) on disposal of fixed assets	-	-	-	-	-	(39,798)	(39,798)
Interest received	-	-	-	-	-	6,372,786	6,372,786
Finance Costs	-	-	-	-	-	(2,150,595)	(2,150,595)
Other Income	-	-	-	-	-	41,629	41,629
Rent received	-	-	-	-	-	92,400	92,400
Amortisation- deferred income	-	-	-	-	-	8,987,354	8,987,354
<b>Total income</b>	<b>72,951,575</b>	<b>10,203,200</b>	<b>2,348,632</b>	<b>51,619,999</b>	<b>31,520,498</b>	<b>13,303,776</b>	<b>181,947,683</b>
<b>Fixed operating costs</b> (Refer to next page)	<b>91,606,961</b>	<b>6,086,256</b>	<b>2,129,156</b>	<b>26,907,110</b>	<b>7,659,883</b>	<b>8,986,396</b>	<b>143,375,762</b>
Retained surplus/(deficit) for the year	(18,655,386)	4,116,944	219,476	24,712,889	23,860,615	4,317,381	38,571,922
Transfer of interest to non-distributable reserve	-	-	-	-	-	-	-
Accumulated surplus/(deficit) at beginning of year	(66,243,666)	6,684,962	11,115,268	(5,841,000)	-	112,541,941	58,257,503
<b>Accumulated surplus/(deficit) at the end of the year</b>	<b>(84,899,052)</b>	<b>10,801,907</b>	<b>11,334,744</b>	<b>18,871,890</b>	<b>23,860,616</b>	<b>116,859,323</b>	<b>96,829,425</b>

**LEBALELO WATER USER ASSOCIATION**  
**DETAILED STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 30 June 2022

Notes	2022 R	2022 R	2022 R	2022 R	2022 R	2022 R	2022 R
	Havercroft to Maandagshoek	Southern Extension	Booyensdal Platinum	Olifants Management Model	Southern Extension 2	Other	Total
<b>Fixed operating costs</b>	<b>91,606,961</b>	<b>6,086,256</b>	<b>2,129,156</b>	<b>26,907,110</b>	<b>7,659,883</b>	<b>8,986,396</b>	<b>143,375,761</b>
Administrative expenses	8,832,054	89,641	-			-	8,921,695
Consultant fees	3,560,459					-	3,560,459
Concept Study	-			26,907,110	7,659,883	-	34,566,993
Covid-19 support	432,913					-	432,913
Depreciation	12,168,712	3,014,601	181,656			-	15,364,969
Amortisation						8,986,396	8,986,396
Strategy	7,592,571					-	7,592,571
Personnel costs	38,782,192					-	38,782,192
Transport	1,035,146					-	1,035,146
Security and safety	8,421,041	918,115	450,123			-	9,789,279
Software development and training	88,028					-	88,028
Social Responsibility	3,529,912					-	3,529,912
<b>MAINTENANCE</b>							
Abnormal maintenance	1,106					-	1,106
Access roads	-					-	-
Air conditioners	16,945					-	16,945
Civil	61,059	106,886				-	167,945
Cleaning	41,595					-	41,595
Cranes	57,093	80,778				-	137,871
Dams	87,887					-	87,887
Electrical	1,125,717	187,368	451,362			-	1,764,447
Environment	209,869	20,037	10,000			-	239,906
Fabrication	24,039					-	24,039
Gardens and irrigation	4,004					-	4,004
Herbicide	1,272,974	425,181	51,007			-	1,749,162
Instrumentation	1,416,108	685,621	186,815			-	2,288,544
Lubricants and workshop consumables	35,714		2,267			-	37,981
Mechanical	1,969,291	260,546	461,074			-	2,690,911
Offices and workshop	10,874					-	10,874
Pest control	194,967	19,075	2,687			-	216,729
Pipe lines	23,061	199,310	298,965			-	521,336
Personnel housing	290,941					-	290,941
Plant hire	18,250	9,500	4,500			-	32,250
Safety ropes	-					-	-
Telemetry	127,786					-	127,786
Tools and equipment	82,159	28,701	28,701			-	139,561
Water quality (purification)	92,494	40,896				-	133,390

**LEBALELO WATER USER ASSOCIATION**  
**DETAILED STATEMENT OF COMPREHENSIVE INCOME**

Notes	for the year ended 30 June 2022						
	2021 R	2021 R	2021 R	2021 R	2021 R	2021 R	2021 R
	Havercroft to Maandagshoek	Southern Extension	Booysendal Platinum	Olifants Management Model	Southern Extension 2	Other	Total
<b>Gross revenue</b>	<b>112,996,894</b>	<b>12,432,986</b>	<b>3,164,800</b>			-	<b>128,594,679</b>
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	18,381,078	-	-	-	-	-	18,381,078
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
<b>Cost of revenue</b>	<b>30,143,818</b>	<b>5,783,187</b>	<b>1,483,062</b>			-	<b>37,410,066</b>
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
<b>Gross surplus</b>	<b>82,853,076</b>	<b>6,649,799</b>	<b>1,681,738</b>			-	<b>91,184,612</b>
<b>Other income</b>						13,857,560	<b>13,857,560</b>
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
<b>Total income</b>	<b>82,853,076</b>	<b>6,649,799</b>	<b>1,681,738</b>	<b>-</b>	<b>-</b>	<b>13,857,560</b>	<b>105,042,172</b>
<b>Fixed operating costs (Refer to next page)</b>	<b>92,544,943</b>	<b>5,701,234</b>	<b>1,294,188</b>	<b>5,841,000</b>	<b>-</b>	<b>8,986,396</b>	<b>114,367,761</b>
Retained surplus/(deficit) for the year	(9,691,867)	948,565	387,550	(5,841,000)	-	4,871,164	(9,325,588)
Transfer of interest to non-distributable reserve							
Accumulated surplus/(deficit) at beginning of year	(56,551,799)	5,736,396	10,727,718	-	-	107,670,776	67,583,091
<b>Accumulated surplus/(deficit) at the end of the year</b>	<b>(66,243,666)</b>	<b>6,684,962</b>	<b>11,115,268</b>	<b>(5,841,000)</b>	<b>-</b>	<b>112,541,941</b>	<b>58,257,503</b>

**LEBALELO WATER USER ASSOCIATION**  
**DETAILED STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 30 June 2022

Notes	2021 R	2021 R	2021 R	2021 R Olifants	2021 R	2021 R	2021 R
	Havercroft to Maandagshoek	Southern Extension	Booyensdal Platinum	Management Model	Southern Extension 2	Other	Total
<b>Fixed operating costs</b>	<b>92,544,943</b>	<b>5,701,234</b>	<b>1,294,188</b>	<b>5,841,000</b>	<b>-</b>	<b>8,986,396</b>	<b>114,367,753</b>
Administrative expenses	8,185,978	-	-	-	-	-	8,185,978
Consultant fees	4,529,281	68,188	-	-	-	-	4,597,469
Project Concept Study	-	-	-	5,841,000	-	-	5,841,000
Covid-19 support	8,144,457	-	-	-	-	-	8,144,457
Depreciation	11,702,211	3,001,370	141,839	-	-	-	14,845,421
Amortisation	654,310	-	-	-	-	8,986,396	9,640,706
Strategy	1,851,949	-	-	-	-	-	1,851,949
Loss on disposal of assets	32,013,789	-	-	-	-	-	32,013,789
Personnel costs	667,725	-	-	-	-	-	667,725
Software development and training	1,101,321	-	-	-	-	-	1,101,321
Security and safety	11,598,624	860,970	381,925	-	-	-	12,841,518
Social Development	104,625	-	-	-	-	-	104,625
Transport	4,834,564	-	-	-	-	-	4,834,564
<b>MAINTENANCE</b>							
Abnormal maintenance	3,779	-	114,551	-	-	-	118,330
Access roads	-	-	-	-	-	-	-
Air conditioners	10,573	-	-	-	-	-	10,573
Cathodic protection	-	-	-	-	-	-	-
Civil	48,166	257,980	39,550	-	-	-	345,696
Cleaning	31,544	177	240	-	-	-	31,961
Cranes	160,357	-	-	-	-	-	160,357
Dams (Silt removing)	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	-	-	-	240,374
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	-	-	-	1,031,920
Pipe lines	375,797	175,720	215,464	-	-	-	766,980
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





LEBALELO WATER USER ASSOCIATION - REVISED BUDGET - 01/07/2022 TO 30/06/2027 (SOUTHERN EXTENSION)													
SOUTHERN EXTENSION -SUMMARY	2021/2022		2022/2023		INCREASE (DECREASE) year on year Budget (2023 vs June 2022)	2023/2024		2024/2025		2025/2026		2026/2027	
	Approved Budget R/m <sup>3</sup>	Actual R/m <sup>3</sup>	Forecast Expenditure AS AT 30.06.2022	Unit Cost revised Budget 2022/2023 R/m <sup>3</sup>		Revised Budget 2022/2023	Budget R/m <sup>3</sup>	Revised Budget	Budget R/m <sup>3</sup>	Revised Budget	Budget R/m <sup>3</sup>	Revised Budget	Budget R/m <sup>3</sup>
<b>WORKING CAPITAL</b>													
1 STORES	0.37	1,491,194	486,639	0.36	1,587,103	95,939	1,687,071	0.40	1,844,200	0.35	1,667,479	0.38	1,833,939
2 UPGRADING INFRASTRUCTURE	0.63	2,650,000	102,000	0.30	1,200,000	-1,350,000	-	-	-	-	-	-	-
3 OFFICE EQUIPMENT	-	-	-	0.06	243,723	243,723	-	-	-	-	-	-	-
4 TOOLS AND EQUIPMENT	0.04	175,994	-	0.09	348,054	172,060	320,829	0.03	128,974	0.03	139,291	0.03	150,435
5 REPLACEMENTS OUT OF REFURBISHMENT FUND	0.19	779,880	208,640	0.11	451,576	-328,364	-	0.00	57,240	-	-	0.01	61,819
6 CAPITAL PROJECTS	-	-	284,000	0.07	-	-	-	-	-	-	-	-	-
<b>SUB TOTAL: WORKING CAPITAL</b>	<b>1.23</b>	<b>4,997,048</b>	<b>1,058,479</b>	<b>0.94</b>	<b>3,680,406</b>	<b>-1,410,316</b>	<b>2,007,900</b>	<b>0.43</b>	<b>2,030,414</b>	<b>0.38</b>	<b>1,806,770</b>	<b>0.42</b>	<b>2,046,193</b>
<b>FINANCED OUT OF REPLACEMENT AND REFURBISHMENT FUND</b>	<b>-1.35</b>	<b>-5,603,953</b>	<b>-1,058,479</b>	<b>-0.94</b>	<b>-3,830,406</b>	<b>1,514,896</b>	<b>-2,027,423</b>	<b>-0.43</b>	<b>-2,030,414</b>	<b>-0.38</b>	<b>-1,806,770</b>	<b>-0.42</b>	<b>-2,046,193</b>
<b>A. SUB TOTAL: WORKING CAPITAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FIXED OPERATIONAL COSTS</b>													
21 ADMINISTRATIVE EXPENSES	0.05	108,280	107,569	0.03	121,200	-77,080	0.03	130,920	0.03	144,012	0.03	158,413	0.04
22 SECURITY & SAFETY	0.20	1,177,080	1,093,428	0.36	1,409,023	231,932	0.33	1,515,362	0.36	1,694,971	0.39	1,859,146	0.40
23 MAINTENANCE	0.86	3,656,228	1,466,580	0.81	3,666,882	181,654	0.75	3,470,732	0.80	3,756,126	0.85	4,055,392	0.91
24 DEPRECIATION (GAAP)	1.38	5,666,307	5,666,307	1.38	5,666,307	-	1.30	6,054,812	1.40	6,539,196	1.48	7,062,332	1.58
25 FIXED ELECTRICITY COSTS-Cathodic Protection	0.01	60,000	56,011	0.01	60,000	-	0.01	69,060	0.02	79,488	0.02	91,491	0.02
<b>SUB TOTAL: FIXED OPERATIONAL COSTS excl Electrical costs</b>	<b>2.39</b>	<b>10,546,905</b>	<b>8,326,903</b>	<b>2.68</b>	<b>10,883,411</b>	<b>3,346,506</b>	<b>2.43</b>	<b>11,270,885</b>	<b>2.62</b>	<b>12,213,793</b>	<b>2.76</b>	<b>13,229,774</b>	<b>2.97</b>
FIXED ELECTRICITY COSTS (Motocals & Booyensdall)	0.29	756,723	754,101	0.27	859,675	105,574	0.26	989,486	0.30	1,138,899	0.34	1,310,873	0.39
<b>B SUB TOTAL: FIXED OPERATIONAL COSTS</b>	<b>2.68</b>	<b>11,303,628</b>	<b>9,081,004</b>	<b>2.95</b>	<b>11,743,086</b>	<b>439,469</b>	<b>2.69</b>	<b>12,260,372</b>	<b>2.92</b>	<b>13,352,692</b>	<b>3.10</b>	<b>14,540,646</b>	<b>3.36</b>
<b>% Increase in Rand Value year on year on budget(2021/2022) vs budget(2021/2022) (Motocals and Booyensdall)</b>					<b>3.89%</b>			<b>4.41%</b>		<b>8.91%</b>		<b>8.90%</b>	<b>8.99%</b>
<b>TOTAL OPERATIONAL BUDGET (Fixed Cost)(A+B)</b>	<b>2.88</b>	<b>11,310,628</b>	<b>9,088,004</b>	<b>2.95</b>	<b>11,743,086</b>	<b>439,469</b>	<b>2.69</b>	<b>12,260,372</b>	<b>2.92</b>	<b>13,352,692</b>	<b>3.10</b>	<b>14,540,646</b>	<b>3.36</b>
<b>Increase % year on year on unit cost per m<sup>3</sup></b>				<b>2.22%</b>									
Water Demand in m <sup>3</sup>		4,064,519	3,846,227		4,064,519	218,292		4,443,219		4,667,957		4,788,001	4,828,001
Water requirements in m <sup>3</sup> - Motocals Booyensdall & Glenmore		2,632,692	2,636,406		3,099,519	324,024		3,413,219		3,747,957		3,848,001	3,848,001
Water requirements in m <sup>3</sup> - Booyensdall Mine only		747,172	747,172		865,000	117,828		900,000		920,000		940,000	980,000
<b>VARIABLE OPERATIONAL COSTS</b>													
ELECTRICITY COSTS According to Demand (Energy Cost)	2.48	6,528,942	3,791,153	1.86	5,913,243	2,122,090	2.13	7,963,829	2.45	9,176,700	2.82	10,844,317	12,481,809
<b>C Total Variable Cost</b>	<b>2.48</b>	<b>6,528,942</b>	<b>3,791,153</b>	<b>1.86</b>	<b>5,913,243</b>	<b>2,122,090</b>	<b>2.13</b>	<b>7,963,829</b>	<b>2.45</b>	<b>9,176,700</b>	<b>2.82</b>	<b>10,844,317</b>	<b>12,481,809</b>
<b>Increase % year on year on electrical cost per m<sup>3</sup></b>					<b>40.18%</b>								
<b>A+B+C Total O &amp; M Budget(Fixed &amp; Variable)</b>	<b>5.36</b>	<b>17,632,570</b>	<b>12,874,156</b>	<b>4.79</b>	<b>17,656,329</b>	<b>2,561,348</b>	<b>4.82</b>	<b>20,224,201</b>	<b>5.37</b>	<b>22,529,392</b>	<b>5.92</b>	<b>25,384,963</b>	<b>28,329,053</b>

**Mr J Jansen**  
 APPROVED: MR J JANSSEN  
 CHAIRPERSON: FINANCIAL COMMITTEE  
 LEBALELO WATER USER ASSOCIATION

**Mr P Moodliar**  
 APPROVED: MR P MOODLIAR  
 CHAIRPERSON: MANAGEMENT COMMITTEE  
 LEBALELO WATER USER ASSOCIATION

**30 August 2022**  
 DATE

**23 August 2022**  
 DATE

**23 August 2022**  
 DATE

LEBALELO WATER USER ASSOCIATION - REVISED BUDGET : 01/07/2022 TO 30/06/2027 - BOOYSENDAL

BOOYSENDAL SUMMARY	2021/2022		2022/2023		2023/2024		2024/2025		2023/2024		2024/2025		2024/2025	
	Approve Budget R/m <sup>3</sup>	Actual R/m <sup>3</sup>	FORECAST EXPENDITURE AS AT 30.06.2022	Unit Cost revised Budget 2022/2023 R/m <sup>3</sup>	REVISIED BUDGET 2022/2023	INCREASE (DECREASE) Budget Lines 2023 vs June 2022	REVISIED BUDGET R/m <sup>3</sup>	Budget R/m <sup>3</sup>	REVISIED BUDGET R/m <sup>3</sup>	Budget R/m <sup>3</sup>	REVISIED BUDGET R/m <sup>3</sup>	Budget R/m <sup>3</sup>	REVISIED BUDGET R/m <sup>3</sup>	Budget R/m <sup>3</sup>
<b>WORKING CAPITAL</b>														
1 STORES	0.74	642,603	108,000	0.71	603,994	-38,609	0.23	203,763	0.26	220,064	0.28	237,669	0.22	190,311
2 UPGRAIDING INFRASTRUCTURE	1.93	1,670,422	226,414	0.92	778,977	-891,445	0.99	841,295	1.02	870,859	1.15	976,419	-	124,251
3 TOOLS AND EQUIPMENT	0.65	564,735	7,920	0.51	433,484	-131,251	0.03	27,433	0.21	179,956	0.04	31,998	0.04	34,558
4 REPLACEMENTS OUT OF REFURBISHMENT FUND	0.44	380,425	224,400	1.24	1,050,739	670,314	1.34	1,134,798	1.44	1,225,582	1.56	1,323,629	1.68	1,429,519
5 CAPITAL PROJECTS	0.17	144,225	-	0.62	527,679	383,444	0.41	348,493	0.44	376,373	0.39	327,213,176	0.42	-
<b>SUB TOTAL: WORKING CAPITAL</b>	<b>3.93</b>	<b>3,402,420</b>	<b>566,734</b>	<b>3.99</b>	<b>3,394,874</b>	<b>-80,990</b>	<b>2.99</b>	<b>2,555,782</b>	<b>3.38</b>	<b>2,872,793</b>	<b>3.41</b>	<b>2,896,987</b>	<b>2.38</b>	<b>1,778,638</b>
FINANCED OUT OF REPLACEMENT AND REFURBISHMENT FUND	-3.93	-3,402,420	-566,734	-3.99	-3,394,874	294,985	-2.00	-2,207,289	-2.94	-2,498,420	-3.02	-2,569,714	-2.09	-1,778,638
<b>A SUB TOTAL: WORKING CAPITAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FIXED OPERATIONAL COSTS</b>														
21 ADMINISTRATIVE EXPENSES	0.30	263,993	270,000	0.32	276,000	12,407	0.55	298,080	0.38	321,926	0.37	347,681	0.38	375,495
22 SECURITY & SAFETY	0.71	613,463	540,148	0.74	628,596	15,113	0.73	661,001	0.84	713,881	0.82	770,992	0.85	832,671
23 MAINTENANCE	1.52	1,313,291	442,965	1.41	1,199,006	-114,285	1.43	1,285,224	1.63	1,387,278	1.36	1,274,750	1.50	1,471,905
24 DEPRECIATION (GAAP)	0.04	30,414	28,161	0.04	30,414	-	0.03	28,161	0.04	31,048	0.03	32,600	0.04	35,208
25 FIXED ELECTRICITY COSTS	0.93	457,469	434,553	0.99	500,171	42,672	0.68	575,697	0.78	662,627	0.90	762,684	1.03	877,849
<b>B SUB TOTAL: FIXED OPERATIONAL COSTS</b>	<b>3.10</b>	<b>2,678,280</b>	<b>1,715,827</b>	<b>3.10</b>	<b>2,634,186</b>	<b>-44,094</b>	<b>3.16</b>	<b>2,848,163</b>	<b>3.39</b>	<b>3,116,761</b>	<b>3.39</b>	<b>3,188,706</b>	<b>3.67</b>	<b>3,593,128</b>
Increase % year on year Budget(2020/2021) vs budget(2021/2022) Rand Value														
TOTAL OPERATIONAL BUDGET (Fixed Cost)(A+B)	3.10	2,678,280	1,715,827	3.10	2,634,186	-44,094	3.16	2,848,163	3.39	3,116,761	3.39	3,188,706	3.67	3,593,128
Increase % year on year on unit cost per m <sup>3</sup> (Budget)														
Water requirements in m <sup>3</sup> (Forecast/month)		865,000	723,132		865,000	82,681		900,000		850,000		940,000		980,000
<b>VARIABLE OPERATIONAL COSTS</b>														
50 ELECTRICITY COSTS According to Demand (Energy Cost)	2.12	1,832,415	1,059,534	1.69	1,458,776	-373,639	1.94	1,746,990	2.23	2,055,469	2.57	2,417,276	2.96	2,900,680
Increase % year on year on cost per m <sup>3</sup> (Budget)														
C Total Variable Cost	2.12	1,832,415	1,059,534	1.69	1,458,776	-373,639	1.94	1,746,990	2.23	2,055,469	2.57	2,417,276	2.96	2,900,680
A+B+C Total O & M Budget (Fixed & Variable)	5.21	4,510,695	2,775,361	4.79	4,092,962	-417,733	5.11	4,595,152	5.62	5,172,230	5.96	5,605,982	6.63	6,493,808

Mr J Jansen

APPROVED: MR J JANSEN  
CHAIRPERSON: FINANCIAL COMMITTEE  
LEBALELO WATER USER ASSOCIATION

23 August 2022

DATE

Mr P Moodliar

APPROVED: MR P MOODLIAR  
CHAIRPERSON: MANAGEMENT COMMITTEE  
LEBALELO WATER USER ASSOCIATION

30 August 2022

DATE

## Projected Five-Year Statement of Comprehensive Income

YEAR	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Water Use in m <sup>3</sup>	9 723 910	10 979 090	11 274 249	11 274 249	11 274 249
<b>Revenue</b>					
<b>Fixed Operating Income</b>	<b>76 868 151</b>	<b>77 864 771</b>	<b>81 949 714</b>	<b>85 896 703</b>	<b>89 867 605</b>
<b>Raw Water</b>	<b>23 337 383</b>	<b>27 447 724</b>	<b>29 313 047</b>	<b>30 440 471</b>	<b>31 567 896</b>
<b>Water Research Fund</b>	<b>486 195</b>	<b>658 745</b>	<b>789 197</b>	<b>901 940</b>	<b>1 014 682</b>
<b>Electricity Income</b>	<b>47 438 472</b>	<b>60 946 217</b>	<b>70 997 832</b>	<b>80 992 606</b>	<b>84 767 739</b>
Fixed	6 360 709	7 279 673	8 331 483	9 535 353	3 527 536
Variable	41 077 763	53 666 544	62 666 349	71 457 253	81 240 203
<b>TOTAL REVENUE</b>	<b>148 130 201</b>	<b>166 917 458</b>	<b>183 049 790</b>	<b>198 231 720</b>	<b>207 217 923</b>
<b>Cost of Revenue</b>					
Electricity Charges - Fixed Costs	6 360 709	7 279 673	8 331 483	9 535 353	3 527 536
Electricity Charges - Variable Costs	41 077 763	53 666 544	62 666 349	71 457 253	81 240 203
Raw Water Charges	5 720 527	6 114 049	5 366 452	5 795 768	6 259 430
<b>COST OF REVENUE</b>	<b>53 158 999</b>	<b>67 060 266</b>	<b>76 364 284</b>	<b>86 788 374</b>	<b>91 027 169</b>
<b>GROSS SURPLUS</b>	<b>94 971 202</b>	<b>99 857 192</b>	<b>106 685 506</b>	<b>111 443 346</b>	<b>116 190 754</b>
Administration Costs	7 826 360	8 201 688	8 325 098	8 806 078	9 316 408
Personnel Costs	40 118 584	42 277 288	44 650 906	46 637 962	48 086 801
Maintenance	11 526 769	9 897 824	10 575 714	11 117 801	12 090 574
Social Responsibility	1 944 782	2 152 021	2 128 703	2 277 489	2 437 948
Consultants Fees	70 000	75 150	80 690	86 649	93 059
Community Water Supply	-	439 164	450 970	450 970	450 970
Software Development & Training	1 415 000	1 384 950	1 454 198	1 526 907	1 603 253
Transport	1 849 846	1 997 834	2 157 660	2 330 273	2 516 695
Security & Safety	10 841 809	11 338 852	12 025 775	12 662 574	13 271 897
Governance	1 275 000	100 000	100 000	-	-
<b>Depreciation</b>	<b>11 306 909</b>	<b>12 036 670</b>	<b>13 134 195</b>	<b>13 658 883</b>	<b>14 554 675</b>
Havercroft	5 670 188	5 953 697	6 563 951	6 563 951	6 892 148
Southern Extension	5 606 307	6 054 812	6 539 196	7 062 332	7 627 319
Booyseval	30 414	28 161	31 048	32 600	35 208
Amortisation					
<b>FIXED COSTS</b>	<b>88 175 059</b>	<b>72 413 470</b>	<b>76 685 913</b>	<b>80 220 724</b>	<b>84 048 458</b>
<b>Operating Surplus</b>	<b>6 796 143</b>	<b>27 443 722</b>	<b>29 999 593</b>	<b>31 222 622</b>	<b>32 142 295</b>
Interest received	6 946 337	7 623 605	8 576 555	9 648 625	10 854 703
Other Income	150 000	157 500	165 375	173 644	182 326
Deferred Income	8 987 354	8 987 354	8 987 354	8 987 354	8 987 354
Less: Amortisation	-8 987 354	-8 987 354	-8 987 354	-8 987 354	-8 987 354
Less: Finance Costs	-2 258 125	-2 371 031	-2 489 583	-2 614 062	-2 744 765
<b>NETT SURPLUS</b>	<b>11 634 355</b>	<b>32 853 795</b>	<b>36 251 941</b>	<b>38 430 829</b>	<b>40 434 559</b>

YEAR	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Consumer Price Index (CPI or CPIX)	4,65%	4,50%	4,50%	4,50%	4,50%
Water Use Growth (%)	8%	13%	3%	0%	0%
Water Purchase Cost Increase (%)	5%	7%	-12%	8%	8%
Prime Interest Rate (%)	9,00%	9,75%	10,25%	10,25%	10,25%

## Capital Expenditure Summary

YEAR	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
<b>Capital Works</b>	<b>6 009 679</b>	<b>17 838 693</b>	<b>16 440 593</b>	<b>9 417 915</b>	<b>4 312 706</b>
Havercroft	5 482 000	17 490 200	16 064 220	9 090 642	4 312 706
Southern Extension	-	-	-	-	-
Booyssendal	527 679	348 493	376 373	327 273	-
<b>Upgrading Infrastructure &amp; Refurbishment</b>	<b>7 341 415</b>	<b>8 354 660</b>	<b>5 417 465</b>	<b>2 955 948</b>	<b>460 690</b>
Havercroft	5 362 438	7 513 365	4 546 626	1 979 529	336 439
Southern Extension	1 200 000	-	-	-	-
Booyssendal	778 977	841 295	870 839	976 419	124 251
<b>Movabale Assets</b>	<b>7 626 265</b>	<b>6 797 561</b>	<b>6 358 429</b>	<b>5 481 966</b>	<b>5 949 034</b>
Havercroft	2 907 642	3 423 667	2 702 433	2 081 900	2 248 453
Southern Extension	2 630 406	2 007 900	2 030 414	1 806 770	2 046 193
Booyssendal	2 088 217	1 365 994	1 625 582	1 593 296	1 654 388
<b>Less Refurbishment Fund Contributions</b>	<b>-20 977 359</b>	<b>-32 990 914</b>	<b>-28 216 487</b>	<b>-17 855 829</b>	<b>-10 722 430</b>
Havercroft	-13 752 080	-28 427 232	-23 313 279	-13 152 071	-6 897 598
Southern Extension	-3 830 406	-2 007 900	-2 030 414	-1 806 770	-2 046 193
Booyssendal	-3 394 873	-2 555 782	-2 872 794	-2 896 988	-1 778 639
<b>Expansion &amp; Other Projects</b>	<b>530 393 641</b>	<b>575 379 836</b>	<b>1 198 975 795</b>	<b>1 592 989 421</b>	<b>2 267 026 432</b>
Southern Extension - 2 Project	389 673 092				
Olifants Management Model (OMM)	140 102 631	574 731 022	1 198 294 540	1 592 274 103	2 266 275 349
Nyl Biodiversity Project	617 918	648 814	681 255	715 318	751 083
<b>Less Expansion &amp; Other Project Fund Contributions</b>	<b>-530 393 641</b>	<b>-575 379 836</b>	<b>-1 198 975 795</b>	<b>-1 592 989 421</b>	<b>-2 267 026 432</b>
Southern Extension - 2 Project	-389 673 092				
Olifants Management Model (OMM)	-140 102 631	-574 731 022	-1 198 294 540	-1 592 274 103	-2 266 275 349
Nyl Biodiversity	-617 918	-648 814	-681 255	-715 318	-751 083
<b>Total Capital Expenditure Requirements</b>	<b>0</b>	<b>0</b>	<b>-0</b>	<b>-0</b>	<b>0</b>

## Generic Financial Indicators/Ratios

Indicators/Ratios	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Gross Revenue (R)	148 130 201	166 917 458	183 049 790	198 231 720	207 217 923
Average Water Use Charge	59%	56%	48%	51%	56%
Operating Surplus (% of GR)	64%	60%	58%	56%	56%
Total Expenditure	141 334 058	139 473 736	153 050 197	167 009 098	175 075 627
Operating Costs (% of GR)	60%	43%	42%	40%	41%
Cost of Revenue (% of GR)	36%	40%	42%	44%	44%
Finance Costs (% of GR)	2%	1%	1%	1%	1%
Manpower Costs (% of GR)	27%	25%	24%	24%	23%
Training costs per employee (R/year)	43 447	31 127	26 819	20 696	18 463
Working Ratio	95%	84%	84%	84%	84%
Gross Surplus Margin	64%	60%	58%	56%	56%
Average Debtors Days	29	26	24	24	26

# 2022 ANNUAL REPORT

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