



2023 INTEGRATED ANNUAL REPORT

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

IMPROVING LIVES THROUGH WATER





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ABOUT OUR COVER PAGE

Our cover page presents our purpose through four images. The first image, featuring the De Hoop Dam, serves as a visual metaphor for continuity and a water-secure future. The dam's majestic presence symbolises the resilience of our water resources and anchors our vision to be a strategic water management partner and catalyst for the creation of sustainable socio-economic development.

The second image showcases Kwata Primary School, embodying our dedication to community upliftment. Coupled with a detailed narrative in our report, this image highlights our active support and engagement with the local community, emphasising the integral role of community-centric initiatives in our broader mission.

The third image captures the ongoing Southern Extension Project, featuring the extension of our water pipeline. Reflecting our commitment to better serving our members, it demonstrates both our dedication to meeting current water needs and a significant enhancement in our water distribution capabilities.

The fourth image, emblematic of the next phase in the Olifants Management Model (OMM) Programme, signifies physical expansion and the recognition of the region's growth potential. This launch site for the northern limb, featuring our inaugural water treatment plant, showcases our proactive approach to evolving challenges and sustainable water management.

Together, these four images form a visual narrative that seamlessly links with our purpose of improving lives through water.



LIST OF ACRONYMS

AFS	Annual Financial Statements
BOQ	Bills of Quantity
CBO	Community-Based Organisations
CMA	Catchment Management Area
DBE	Department of Basic Education
DWS	Department of Water and Sanitation
ECD	Early Childhood Development
ERM	Enterprise Risk Management
FID	Final Investment Decision
FinCom	Finance Committee
IFRS	International Financial Reporting Standards
IR	Integrated Report
IRBA Code	Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors
IT	Information Technology
ISSB	International Sustainability Standards Board
King IV	King IV™ Code on Corporate Governance
LDARD	Limpopo Department of Agriculture and Rural Development
Lebalelo or the Association	Lebalelo Water User Association
ManCom	Management Committee
MEC	Member of the Executive Council
OMM	Olifants Management Mode
OMM Programme	Olifants Management Model Programme
ORWRDP	Olifants River Water Resources Development Project
RemCom	Remuneration Committee
RFP	Request for Proposals
SE2	Southern Extension 2
SeCom	Social and Ethics Committee

ABOUT THIS REPORT

We are pleased to present the Lebalelo Water User Association (Lebalelo or the Association) Integrated Report for the period 1 July 2022 to 30 June 2023. This report provides a concise and balanced overview to our stakeholders, demonstrating our approach to fulfilling our mandate in the short, medium and long term. It is built upon our understanding of the interconnectedness of various internal and external factors and how they impact our ability to create sustainable value. The report also illustrates the extent to which we are continually strengthening both our organisational culture and our capacity to respond effectively to challenges and opportunities, with the aim of remaining fit-for-purpose as time and circumstances evolve.

REPORTING PRINCIPLES

As a legal entity established in terms of the National Water Act of 1998 (Act 36 of 1998), we are not obligated to produce an integrated report and, therefore – subject to the National Water Act – have some flexibility in what we disclose. However, we are committed to transparency and adhering to integrated reporting standards and best practices.

Our reporting process, as well as the contents of this report, are in line with the National Water Act of 1998 (Act 36 of 1998) and our Constitution, and we are guided by the Integrated Reporting (<IR>) Framework of the International Sustainability Standards Board (ISSB) and the King IV™ Code on Corporate Governance (King IV). Our Annual Financial Statements (AFS) adhere to the International Financial Reporting Standards (IFRS) and are externally assured by Diemont, Zimmerman & Bolink.

TARGET AUDIENCE AND MATERIALITY

This report has been prepared for stakeholders with an interest in the Association's performance and prospects, as detailed on **page 6 of this report**.

Nevertheless, we anticipate that the report will appeal to a broader readership owing to its comprehensive coverage of our stakeholder engagement and long-term strategic prospects. The report focuses on those issues we have identified as being most material to our ability to create value and deliver on our purpose: improving lives through water. Material matters are continuously assessed to ensure our strategic objectives remain relevant in a dynamic and evolving operating environment.

ASSURANCE

Lebalelo's assurance framework is designed to provide the most effective, cost-efficient and integrated assurance coverage across the Association. Our approach combines both top-down and bottom-up methodologies, aligning with the objectives of King IV. This approach ensures sufficient assurance concerning critical risks and processes. Moreover, this model fosters a robust internal control environment and enhances the accuracy of information that management and other stakeholders rely upon for decision-making purposes.

FORWARD-LOOKING STATEMENTS

This report may include specific forward-looking statements, distinct from historical financial data, and should not be interpreted as definitive outcomes. Readers are advised to exercise caution and not overly rely on these forward-looking statements. These statements could encompass projections of future events, trends or plans based on existing expectations, predictions and assumptions.

As with any forward-looking statement or projection, unanticipated events can introduce uncertainty and unforeseen changes that could not have been anticipated or accounted for at the time of drafting this report. While the Association has strived for accuracy and thoroughness of the information within this report, any forward-looking statements are applicable only as of the date of their formulation. Actual results may substantially differ from those either explicitly or implicitly indicated, and the Association has no obligation to publicly update or modify these statements, or to provide revisions after the report's publication date.

APPROVAL

Lebalelo acknowledges its responsibility to ensure the integrity and completeness of this report. The Social and Ethics Committee (SeCom) – in its capacity to provide oversight over the integrated report on behalf of the Management Committee (ManCom) – has applied its collective judgment and examined the content of this report. ManCom is satisfied this report was developed in line with all relevant frameworks and standards, encompasses all significant matters, and offers an equitable and impartial depiction of the Association's performance in the period under review. ManCom approved the 2023 Integrated Report on 8 November 2023.

CONTACT DETAILS AND FEEDBACK

In this report, we demonstrate the ongoing progress of our reporting journey. Our emphasis has been on creating a report that is both concise and transparent. We appreciate and encourage written comments and feedback from our stakeholders regarding this report and any other general concerns. Kindly email your comments to: info@lebalelo.co.za.

ABOUT LEBALELO

Lebalelo is a Water User Association, with members composed of both the commercial mining sector and the South African Department of Water and Sanitation. The Association was established in 2002, to supply bulk raw water to both the mining sector and communities in the Eastern Limb of the Bushveld Igneous Complex in Limpopo South Africa.

OUR GOAL

Our goal is to become a key strategic water management partner for both the public and private sectors while supporting sustainable socio-economic development in the communities in which we operate.

OUR PURPOSE



Improving lives through water.

OUR VISION



To be a strategic water management partner and catalyst for the creation of sustainable socio-economic development in the region in which we operate.

OUR VALUES

Lebalelo's values drive the behaviour of the Association's management and staff and form the backbone of the culture of the organisation. In this regard, we endeavour to meet the following objectives.



Act safely, with integrity and are open and honest in our communication.



Care, respect, value and work with our stakeholders.



Lead by example and aspire to empower people.



Manage resources under our control sustainably and efficiently.

STAKEHOLDERS

Stakeholder engagement is an important part of the Association's ability to create sustainable value. Throughout the year under review, we diligently maintained an extensive communication network, nurturing robust connections between the Association and our primary stakeholders. Our commitment to fostering constructive engagement with stakeholders is grounded in our core values. These values serve as the guiding principles for our organisational conduct, ensuring their meticulous application in all interactions with stakeholders. Our approach to stakeholder engagement also adheres to fundamental principles of inclusivity, materiality and responsiveness, reflecting industry best practice.

The Association has actively strengthened stakeholder relations with Government. During the period under review, as in years prior, we engaged with key stakeholders such as representatives of Mogalakwena Local Municipality, Polokwane Local Municipality and Sekhukhune District Municipality, the Limpopo and Mpumalanga Departments of Water and Sanitation as well as the national Department of Water and Sanitation (DWS) and traditional authorities. We also engaged vigorously with all our Commercial Members, non-member users and potential members.

These interactions culminated in an invitation to attend the Presidential Imbizo in the Sekhukhune district on 14 July 2023. During this event, President Ramaphosa specially referenced the Olifants Management Model (OMM) Programme in his address. In addition, Minister of Water and Sanitation, Mr Senzo Mchunu, confirmed the Government's funding commitment to the OMM Programme and outlined the benefits it would bring to the community at large.








QUALITY OF OUR RELATIONSHIPS





The needs, priorities and interests of our stakeholders can either be a risk or opportunity in achieving our strategy, depending on how effectively we respond. Consequently, the quality of each of our stakeholder relationships either supports or impedes our ability to fulfil our mandate.

We classify our stakeholder relationships into five categories.




1	One-way relationships	One-way communication with limited interaction		
2	Developing relationships	Developing two-way communication; relationship still new	4	Good relationships Good relationship based on two-way communication and constructive engagement
3	Connected relationships	Collaborative engagement based on mutual benefit and characterised by joint decision-making and actions	5	Strong relationships Strong relationship that integrates stakeholders into governance and strategy through meaningful collaboration











Stakeholder	Contribution to value creation	How we engaged	Quality of relationship
Members	Lebalelo's infrastructure is owned by the Association and funded by its members, as outlined on page 15 of this report.	Meetings, Annual General Meeting (AGM), periodic reports and targeted information sessions	Strong relationship that integrates stakeholder engagement into governance and strategy through meaningful collaboration
Needs and expectations	 Strong and experienced management team  Reliable water supply	 Ethical culture  Transparency  Legal and regulatory compliance	
Value created for stakeholder	<ul style="list-style-type: none"> ◆ Provision of bulk raw water to our members ◆ Highly skilled management team that is accessible and open to constructive relationships ◆ Prompt response to queries ◆ Robust engagements at members' meetings, AGM and responding to stakeholder needs and material matters 		

Stakeholder	Contribution to value creation	How we engaged	Quality of relationship
Communities and traditional authorities	Communities provide a labour force and support environmental stewardship	Meetings, publications, periodic reports, Socio-economic Development (SED) initiatives	Developing two-way communication. Maintaining and improving relationships with our communities is an ongoing effort.
Needs and expectations	 Contribution to sustainable development through SED initiatives  Ethical culture, transparency; legal and regulatory compliance  Sustainable job creation and fair remuneration  Easy access for engagement and prompt response to queries		
Value created for stakeholder	<ul style="list-style-type: none"> ◆ Community investments through a robust SED strategy 		

Stakeholder	Contribution to value creation	How we engaged	Quality of relationship
Employees	Our employees are essential for delivering on our commitments to stakeholders, supporting our integrated value proposition and sustaining the Association	We engage with employees formally and informally to understand their needs and expectations, enabling us to respond effectively	Good relationship based on two-way communication and constructive engagement
Needs and expectations	 Fair remuneration and recognition  Career development and advancement opportunities  A positive work environment that fosters diversity and equal opportunity		
Value created for stakeholder	<ul style="list-style-type: none"> ◆ We provided our employees with the support they need to adapt to new ways of working 		

Stakeholder	Contribution to value creation	How we engaged	Quality of relationship
Regulators	Our regulators ensure we comply with legislative obligations while acting in the best interests of our stakeholders	<ul style="list-style-type: none"> Regular and extensive interaction and engagements Accurate, timeous and comprehensive statutory reporting Formal interaction and participation in industry forums and policy discussions 	Strong relationship that integrates stakeholder engagement into governance and strategy through meaningful collaboration
Needs and expectations	 <p>Timely, transparent reporting and disclosures</p>	 <p>Maintaining legal compliance in a complex regulatory landscape</p>	 <p>Active participation and contributions to policy</p>
Value created for stakeholder	<ul style="list-style-type: none"> Contribution to industry forums and policy development A strong governance framework and culture of ethical leadership Easy access for engagement and prompt response to queries 		

Stakeholder	Contribution to value creation	How we engaged	Quality of relationship
Suppliers	We collaborate with suppliers to enhance our ability to deliver on our mandate. These suppliers play a crucial role in influencing the quality of our proposition. We prioritise suppliers who align with our values and commitment to our stakeholders	Formal and informal engagements to share our needs and feedback on the services delivered	Strong relationship that integrates stakeholder engagement into governance and strategy through meaningful collaboration
Needs and expectations	 <p>Strong, responsive and experienced management team</p>	 <p>Ethical culture; transparency</p>	 <p>Participation in the Association's supply chain through meaningful and sustainable business opportunities</p>
Value created for stakeholder	<ul style="list-style-type: none"> Easy access for engagement and prompt response to queries 		

Stakeholder	Contribution to value creation	How we engaged	Quality of relationship
Municipalities	We collaborate with municipalities in the delivery of our mandate. They foster engagements with the communities and provide buy-in and support for our projects	Formal and informal engagements to share our needs and feedback on the services delivered	Developing two-way communication; relationship gradually improving
Needs and expectations	 <p>Strong, responsive and experienced management team</p>  <p>Reliable water supply</p>	 <p>Ethical culture; transparency</p>	 <p>Participation in the Association's supply chain through meaningful and sustainable business opportunities</p>  <p>Contribution to policy development</p>
Value created for stakeholder	<ul style="list-style-type: none"> Easy access for engagement and prompt response to queries Implementation of SED initiatives 		

CHAIRMAN'S REPORT



It is with great pleasure that I present to you the Lebalelo Water User Association's 2023 Integrated Report. This report serves as a comprehensive overview of our strategic endeavours, stakeholder engagements and the dynamic operational environment we navigate within the water industry. As we reflect on the period under review, we acknowledge the challenges that both communities and the private sector encountered. The accelerating climate crisis, rolling electricity load shedding and the rising cost of living continue to confront us all. We remain cognisant of the increased poverty, unemployment and inequality, which have added to the challenges facing South African society.

Improving lives through water

Since its establishment in 2002, Lebalelo has held steadfast to our mission of supplying bulk raw water to the mining sector. Our significance lies in the provision of this critical resource to the mining sector, which is a key contributor to South Africa's economy. We are acutely aware of our important role in sustaining employment and fostering the development of local communities.

The R25 billion Olifants Management Model Programme (OMM Programme) is the Association's flagship capital expenditure initiative. Developed in collaboration between the commercial users and the Department of Water and Sanitation (DWS), the initiative will fast-track the construction of bulk raw and potable water infrastructure, serving not only commercial water users, including mining companies and industrial users, but also targeted communities in the Sekhukhune District Municipality and Mogalakwena Local Municipality. In addition, the OMM Programme will enhance water supply to the Polokwane Local Municipality.

This collaboration between the public and private sectors has evolved into a trust-based and mutually beneficial alliance. We firmly believe the model can serve as a pioneering collaboration framework between Government and the commercial sector for addressing other pressing challenges in our nation, such as the delivery of potable water to communities in need.

On 22 December 2022, the Department of Water and Sanitation's Deputy Director General: Regulation, Compliance and Enforcement issued the amended licence to the Association. It confirms that the water volume, which is licensed to the Association, may now be split to be abstracted from two resources: the Olifants River at the Havercroft Weir and the De Hoop Dam from the Steelpoort River.

The next big step in Lebalelo's journey

This will be Lebalelo's final integrated report under its current identity following the approval of the amended Constitution by the Minister on 25 July 2023. By this time next year, we expect to have made meaningful strides in ushering in a transformed and collaborative Water User Association whose mandate will include assisting the water services authorities in their mandates to provide potable water to communities. Badirammogo Water User Association, as we will then be called, will begin construction on the OMM Programme in Q1 of 2024. Although the final approval of an amended Constitution requires the physical signing off by members post-year end, this amended Constitution marks the inception of Badirammogo, complete with an expanded membership base, an innovative new structure and a collaborative step change, wherein there is a 50:50 membership and financial investment in the scheme by Government and the commercial sector, with the OMM Programme becoming a key focus.

Envisaged within this new framework is a shared ownership model, in which the ownership of the Association is divided between Institutional Members, represented by the DWS and the relevant municipalities on one hand and Commercial Members on the other.

Stakeholder engagement

Lebalelo's unique position as a Water User Association has allowed us to forge strong partnerships with our stakeholders. We do not just construct, operate and maintain water infrastructure; we are collaborators working towards the growth and well-being of our communities. Through initiatives like community upliftment, education support and small enterprise development, we have demonstrated our commitment to making a positive impact beyond our core operations. These collaborative initiatives underscore our unyielding dedication to the well-being of the populace within our operational domain. Further information on our SED initiatives is provided on **page 35 of this report**.

Our collaborative endeavours aim to establish lasting and viable water solutions for the region. During the period under review, our engagement with a diverse spectrum of stakeholders – spanning local communities as well as national, provincial and local Government and commercial water users – has demonstrated our commitment to trust-based and mutually beneficial relationships.

CHAIRMAN'S MESSAGE *continued*

Governance

In the realm of governance, the Association is undergoing a significant transformation to align it with the evolving collaborative dynamics and institutional compliance demands, as well as our amended Constitution. This transition will include a newly constituted Management Committee (ManCom) and sub-committees, and changes in the ownership structures, all requiring careful navigation as we embrace this new era.

To mitigate potential risks, Lebalelo has introduced an external whistle-blowing hotline, underscoring our commitment to vigilance, particularly as we engage in larger projects. Additionally, we prioritised the strengthening of cybersecurity by appointing IT specialists to enhance our IT governance; a crucial step given our expanding project portfolio and increased scrutiny.

Outlook

Our journey continues to be one of growth, collaboration and adaptability. Lebalelo remains steadfast in its commitment to providing vital water resources to the mining industry and positively contributing to the communities we serve. As we negotiate the road ahead, we are confident our strategic approach, strong stakeholder relations and adaptability will enable us to overcome obstacles and embrace opportunities.

While our journey has been marked by successes, we acknowledge the hurdles facing us. Escalating electricity costs and the reality of load shedding cast shadows on our path, while the downward trend in raw water consumption by our members necessitates innovative solutions for sustainability.

Amid these triumphs and tribulations, we must not forget the intricate web of our operational environment and the crucial role our stakeholders play in fulfilling our mandate.

I am excited to highlight the OMM Programme, which stands as a testament to our dedication to innovation and collaboration. This project not only addresses the critical water infrastructure needs of the region, but also showcases the power of collaboration between the public sector and private sector in solving complex challenges. We believe the success of the OMM Programme will pave the way for similar models to address other sector-specific issues.

Acknowledgements

I take this opportunity to commend Minister Senzo Mchunu and his team for their support and commitment to providing water security to all communities. The successes we have achieved in the year under review are a direct result of harmonious collaboration and we eagerly look forward to the continuation of this constructive journey.

On behalf of the Management Committee, I extend our heartfelt appreciation to Mr Bertus Bierman, the Chief Executive Officer (CEO); his steady hand, tireless efforts and stewardship have piloted Lebalelo through the turbulent waters to the promise we see in the OMM Programme. I also extend thanks to Mr Bierman's leadership team and all the dedicated individuals within the Lebalelo Water User Association.



We are equally grateful to our members and their representatives for their willingness to continue this journey with us. Our commitment to growth, adaptability and collaboration remains steadfast. Together, we will overcome difficulties and seize opportunities, steering the Association towards a brighter, more sustainable future.

Lastly, I would like to express my gratitude to my fellow Management Committee members for their invaluable time, commitment, guidance and endorsement of the Association's mission of improving lives through water.

A handwritten signature in black ink that reads "Prakashim Moodliar".

Prakashim Moodliar
Chairman

CEO'S REPORT



As we look back on the year under review, it is evident that our commitment to delivering reliable water services and contributing to socio-economic development remains stronger than ever. Our operations in the Sekhukhune district of Limpopo highlight the important role we play in sustaining the mining industry, local communities and other critical sectors of the economy. Every drop of water we deliver contributes to job creation, economic growth and societal well-being.

Reflecting on our three-stage strategy

Our current strategy was approved in the 2019/2020 period. In the short term (1–3 years), we focused on the critical task of stabilising the Association. This included reviewing our governance framework, enhancing operational effectiveness and refining our brand. We are proud to report meaningful progress in all three areas as detailed on **pages 16 and 17 of this report.**

In the medium term (4–7 years), our objective was to establish ourselves as a strategic water partner for the Department of Water and Sanitation (DWS) while investing in potable water. We successfully secured an implementation agreement with DWS for the Olifants Management Model (OMM) Programme worth R25 billion, marking the successful completion of the second stage of our strategy.

Our long-term strategy (spanning 8–25 years) will centre on being the catalyst to create a collaborative model between the private and public sectors and socio-economic development initiatives to ultimately drive exponential socio-economic growth in the region.

I am pleased to report we have made headway in the execution of our strategy, to the extent that we are now engaging with our members on our transformation journey. This journey is built on several focus areas including creating a vision for the future, enhancing leadership capabilities, integrating and sustaining transformation, as well as the successful rollout of our collaboration model. Further information can be found on **page 17 of this report.**

Financial performance

During the review period, Lebalelo's operating income amounted to R160.7 million (2022: R132.6 million), including the Refurbishment Fund. The increase in operating income can be attributed to a 21% improvement in revenue streams from raw water supplied to members and non-members, a 28% growth in electricity charges recoveries, and a 13% increase in fixed operating revenue. The increase in the unit price of water by 5% and electrical charges by 8% has partially offset the decrease in water demand, contributing to higher revenue even with reduced consumption.

Operating expenses for the same period amounted to R44.4 million, 16% lower than the budget and slightly lower than the previous year's R47.1 million. Reduced operating expenses can be attributed to strategies such as optimal pump scheduling aligned with off-peak electricity rates, and real-time monitoring and control systems that enable informed decisions on pump usage. Changes in weather patterns also influenced savings in raw water costs.

Lebalelo's net surplus from operations as at 30 June 2023 stood at R53.4 million, a marked improvement from the prior year's net deficit from operations of R62.7 million. The net surplus generated from Southern Extension 2 (SE-2) and the OMM programme amounted to R124.0 million in the current year. The relatively higher surplus is as a result of the three-month advance invoicing process, which was agreed to by the participating members to secure a positive cash flow for both SE-2 and OMM. Your attention is drawn to **note 23 of the Annual Financial Statements** for a more detailed statement of comprehensive income.

Our overall financial position has improved, with the solvency ratio increasing from 5 to 9, which indicates a greater ability to meet our long-term obligations. Lebalelo's liquidity ratio remains stable at 1, reflecting sufficient short-term cash flow to cover its obligations. However, the decline in the asset turnover from 25% to 19% highlights the need to optimise asset utilisation.

Given the economic climate, Lebalelo is pleased with its financial position and performance during the review period.

Achieving efficiencies through operational excellence

Our commitment to operational excellence has proven instrumental in efficiently meeting industry demands while ensuring sustainability. During the period under review, the Association achieved efficiencies in our supply of water to members and other users, delivering a total of 8,950,000 m³. This volume represents a decrease from the 9,003,330m³ delivered in 2022 and 10,035,050 m³ in 2021, marking a reduction of 0.6% and 10.8%, respectively. This decline in water volumes is primarily attributed to load shedding affecting our operations.

We continued to closely monitor water losses, with the Association targeting a level of less than 5%. Remarkably, a 0.25% loss was recorded during the period under review, signifying a substantial improvement compared to 0.39% in 2022 and 1.62% in 2021. This reduction in reflects a positive trend in our ongoing efforts to enhance water management efficiency, bolstered by several contributing factors.

Notably, the period experienced reduced demands by members, wet conditions resulting from La Niña, and heightened environmental protection efforts. These factors collectively played a significant role in minimising water losses, underscoring our resilience and adaptability to various challenges.

Finding sustainable ways of using power, such as pumping more during the off-peak period, underscores our dedication to responsible resource management and streamlined operations, in line with our core values of delivering value beyond water services through collaborative partnerships that empower all stakeholders.

CEO'S REPORT *continued*

In our pursuit of zero incidents, we place importance on creating a safe working environment, upholding high safety standards, and adhering to comprehensive safety standards. Compliance with health and safety regulations is rigorously enforced through dedicated committees and regular safety audits. We are proud of having achieved over 133 000 fatality-free shifts (zero fatalities since our establishment) and over 27 000 accident-free shifts during the year under review.

Our approach to maintenance is characterised by rigour and diligence, as evidenced by primary and secondary injection testing of switchgears, meticulous transformer upkeep, and the application of vibration and oil analysis, all complemented by continuous monitoring to optimise pump efficiency. The team's diligent weekly and monthly inspections contribute significantly to the overall health and efficiency of our systems.

Notably, our dedication to excellence in maintenance has yielded tangible results, exemplified by projects like the cathodic treatment of the artery 7 pipeline.

Investing in our doorstep communities

At Lebalelo, we are more than providers of water; we are enablers of progress. Our commitment to aiding local communities, developing small enterprises, and investing in education demonstrates our dedication to making a tangible impact beyond our core operations.

Our education initiatives aim to create and support high-performing schools by equipping them with potable water, ablution facilities with low-flush water, Wi-Fi, solar power and other facilities. Through these and other initiatives, we aim to improve skills in science, technology, engineering and mathematics (STEM) subjects, particularly in the primary levels of our schoolchildren.

In terms of connectivity, we have collaborated with reputable telecommunications entities to install Wi-Fi infrastructure to connect multiple users to the Internet. This will enhance connectivity in remote regions and schools.

Regarding small, medium and micro-sized enterprises (SMME), our approach recognises the demand for specialised skills in our industry and business in general, including trained tradespeople. While it may not always be possible to source these skills directly from the local communities, we encourage our partners to engage and train local individuals in various trades, such as plumbing, electrical work, solar technology and more. This approach ensures these trained individuals can subsequently be employed by our partners, creating employment opportunities within the local community. Further, our contractors commit to employ local personnel, including in the Southern Extension 2 project.



CEO'S REPORT *continued*

During the year under review, and in collaboration with the Limpopo Department of Basic Education, we executed extensive upgrades at Kwata Primary School in the Ga-Phala village as a pilot project for the OMM Programme SED School Upgrade Programme (SUP) initiative. These upgrades encompass the transformation of existing pit latrines into closed-loop water-based ablution facilities, creating an under-roof school gathering area, the refurbishment of the school vegetable garden, providing backup electrical infrastructure to protect against load shedding and the provision of Wi-Fi facilities and teachers aids in the form of electronic interactive boards and curriculum-based computer and software systems. The success of our intervention project at Kwata serves as a compelling example of what we can achieve through collaboration. Based on its success, we have identified six additional schools where we can replicate similar initiatives to further benefit our children within our doorstep communities.

Additional information on our SED initiatives can be found on **page 34 of this report**.

Olifants Management Model (OMM) Programme

The OMM Programme stands as a testament to our capacity for innovation. This transformative initiative not only addresses water infrastructure needs, but also exemplifies the power of collaboration between the public and private sectors. The programme's mission is to streamline and expedite the provision of bulk raw and potable water infrastructure to supply commercial water users and a population of 390 000 people within the areas of Sekhukhune District and Mogalakwena Local Municipalities, as well as enhance water supply to Polokwane Local Municipality. While the study phase is slated for completion by June 2024, our team has already embarked on the initial construction phase of the Southern Extension 2 pipeline and pump station. Looking ahead, the construction stages will encompass Phase 2B and 2B+, extending from Flag Boshielo Dam to Sekuruwe, along with the commencement of two water treatment plants in the Mogalakwena area in early 2024.

As we progress with the OMM Programme, we reaffirm our commitment to shaping the future of water resource management. However, we must acknowledge the upcoming challenges. The fluctuating landscape of electricity costs, combined with the issue of load shedding, poses operational hurdles that require strategic solutions. The evolving trend of reduced water consumption emphasises the need for adaptability in our services. We believe through collaboration and transformation we are well poised to respond to these challenges.

Collaborating with key stakeholders to enhance security

While the growth of construction cartels threatens the integrity and efficiency of construction projects across the country, we remain committed to achieving our vision through collaboration with industry peers, traditional authorities, communities, and local, provincial and national Government to combat these issues and safeguard our shared vision of sustainable development and community empowerment.



Outlook

As we look towards the future, Lebelelo remains a beacon of progress and promise. Our commitment to operational excellence, stakeholder engagement and community upliftment drives our every action. I have no doubt the dedication of our team, together with the trust of our partners, members and communities, will continue to propel us forward and enable us to create a sustainable and prosperous future for the communities we serve.

Acknowledgements

Our team is the driving force behind our accomplishments. It is your dedication, expertise and determination that enable us to overcome obstacles and seize opportunities. The operational milestones we have achieved and the progress we have made would not have been possible without each of you.

I extend my gratitude to our members, stakeholders and partners for their support. Lebelelo's journey is a collective effort and, together, we are building a stronger, more sustainable future for our industry and our communities.

Finally, on behalf of our members and employees, I would like to express my deep appreciation to Minister Senzo Mchunu and his team at the DWS for their encouragement and partnership with the OMM Programme and our overall mission for many years.

Bertus Bierman
CEO



OUR BUSINESS MODEL

SUSTAINING VALUE CREATION THROUGH THE SIX CAPITALS

Lebalelo leverages six capitals as inputs to drive our operations and create value for stakeholders. These capitals form the foundation of the Association's business model, enabling responsible water management, infrastructure maintenance, innovation and stakeholder engagement, all in pursuit of our mission to improve lives through water



FINANCIAL CAPITAL

Although Lebalelo is a non-profit organisation, financial capital plays a pivotal role in sustaining the Association's ability to provide reliable water services while facilitating its broader impact on other capitals. It empowers Lebalelo to maintain and expand critical water infrastructure, optimise water treatment processes, and invest in sustainable practices.



- ◆ Operating income: R144.8 million
- ◆ Operating expenses: R44.4 million
- ◆ Net surplus: R149.1 million
- ◆ Access to cost-effective funding



MANUFACTURED CAPITAL

Lebalelo has invested in the development and maintenance of water infrastructure, treatment facilities and distribution networks. These assets are critical to the efficient delivery of water services to members and communities.



- ◆ Augmentation and maintenance of infrastructure



HUMAN CAPITAL

A skilled and dedicated workforce is essential for the operation, maintenance and innovation of water services. Investments in employee training, development and well-being contribute to enhanced human capital. This, in turn, positively impacts the efficiency and effectiveness of the Association's operations.



- ◆ 51 employees
- ◆ Fair remuneration for fair work
- ◆ Relationship with labour union
- ◆ Health and wellness benefits



SOCIAL AND RELATIONSHIP CAPITAL

Lebalelo's success is deeply intertwined with our ability to foster positive social relationships and build trust among stakeholders. Strong social and relationship capitals are essential for collaboration, effective governance and community engagement, all of which are crucial for achieving the Association's mission.



- ◆ R1 944 782 invested in SED initiatives
- ◆ R2 845 844 invested in OMM Programme schools project
- ◆ R481 511 spent on stakeholder engagement, advertising and public relations



INTELLECTUAL CAPITAL

This encompasses the knowledge, expertise and innovations that the Association possesses. It includes water management strategies, IT policies and procedures, and best practices. Leveraging intellectual capital allows the Association to continuously improve our processes, optimise resource allocation, and stay abreast of evolving trends in the water industry.



- ◆ R0.9 million in training spend
- ◆ Expertise derived from information capital
- ◆ Brand recognition
- ◆ Institutional knowledge
- ◆ Operational systems, policies and procedures



NATURAL CAPITAL

The natural environment is at the heart of the Association's operations, particularly in the form of raw water. Sustainable management of this natural resource is fundamental to ensuring a continuous and reliable water supply. Additionally, efforts to preserve local ecosystems, support biodiversity and reduce environmental impacts are essential components of the Association's commitment to natural capital.



- ◆ Environmental stewardship policy and practices

BUSINESS ACTIVITIES AND OUTPUTS

OUTCOMES

Our business model culminates in specific outcomes that have an impact on our stakeholders and broader operating environment. We are dedicated to creating sustainable value for our stakeholders while prudently managing trade-offs and negative impacts on our environment and society.

Our business activities leverage a diverse range of capital resources, which we transform into our core activities and outputs, primarily centred on water management and service delivery. These essential functions are reinforced by various support functions encompassing areas such as infrastructure maintenance, regulatory compliance, financial management, technology, stakeholder engagement and environmental sustainability.

Internal and external factors influencing our business model and our ability to create stakeholder value:

INTERNAL FACTORS

- Financial capital
- Human capital
- Technology and infrastructure
- Governance framework

EXTERNAL FACTORS

- Regulatory environment
- Economic conditions
- Environmental factors
- Social and demographic trends
- Technological advances
- Market dynamics
- Stakeholder expectations
- Reputation

- Net surplus: R149.1 million
- Improved solvency ratio: 9
- Stable liquidity ratio: 1

- Property and plant equipment asset base
- Asset turnover: 19%
- Enhanced reliability and effectiveness of bulk water infrastructure operations

- 82% black employees
- Skilled workforce as reflected in staff complement of 51
- 31% women employees
- Strong organisational ethos underpinned by a high-performance culture
- A safe working environment:
 - 100% fatality-free shifts
 - 27 000 accident-free shifts

- Reaching the community with Nal'ibali:
 - 96 activations with 8 313 children reached
 - 360 partners trained
 - 90 reading clubs established
 - 32 job opportunities created
- Installing interactive whiteboards at eight schools
- 15 Wi-Fi access points provided to the community
- 7 SMMEs completed basic business financial management training

- Developed IT policy
- Ongoing improvements to ERM framework
- Ongoing improvements to governance framework and policies

- Water and electricity efficiencies
- Resilience in the face of water and electricity interruptions
- Effective waste management

MEMBERSHIP

The Lebelelo Water User Association was established on 1 February 2002 in accordance with the provisions set out in Chapter 8 of the [National Water Act of 1998 \(Act 36 of 1998\)](#).

This establishment adhered to specific sections and schedules within the Act, including:

- ◆ Schedule 4 (Management and Planning of Water Management Institutions)
- ◆ Schedule 5 (Model Constitution of Water User Association)

Membership of the Association is granted to entities meeting specific criteria. This includes those who are entitled to use water as a requirement of a licence issued under Section 41 of the National Water Act or those with a lawful existing use as outlined in Section 32 of the Act. This right can be exercised from water sources and facilities controlled by the Association, subject to the organisation’s admission as members, as stipulated in the Constitution and Members’ Agreement or in terms of an Off Take agreement with the Association.

Membership is divided into two categories:

Industrial members	Ordinary members
Those whose principal business is mining and who intend to use water for industrial or mining-related purposes.	Those who plan to use water for non-industrial or non-mining purposes.

Members of the Association:

Institution	Member	Alternate Member
Anglo American Platinum	Mr P Moodliar	Mr C Stockill
Tubatse Alloys	Ms H Booyesen	
ARM Mining Consortium/African Rainbow Minerals	Mr J Jansen	
Rustenburg Platinum Mines	Ms Y Mfolo	Ms H Oberholzer
Northam Platinum	Mr Z Tsotetsi	
Impala Platinum	Mr W Louw	
Samancor Chrome	Ms H Booyesen	
Corridor Mining Resources	Mr K Nkadimeng	
Department of Water and Sanitation	Mr L Manus	



OUR BUSINESS VALUE DRIVERS AND STRATEGY

As we move into a new phase of our journey, Lebalelo looks back at its achievements in terms of its three-stage strategy.

LEBALELO'S ACHIEVEMENTS

Short-term strategy (1–3 years)

Following its near dissolution in 2016, the Association had to stabilise its operations and social licence to operate in several ways.

Focus area	Progress	Comment
Strengthening governance	Achieved	A new governance framework has been implemented.
Repairing the brand	In progress	We are in the process of launching a new brand, which will be introduced under the name Badirammogo.
Restoring community trust	In progress	We are actively engaged in the implementation of our SED initiatives, a key step in the process of restoring community trust.
Achieving operational excellence	Achieved	We have improved energy efficiencies, heightened our commitment to environmental stewardship and prioritised occupational health and safety. These achievements underscore our commitment to operational excellence.
Transforming our people	In progress	We are building a high-performance culture, reinforced by a positive organisational climate, competitive and fair rewards, and a safe working environment.

Medium-term strategy (4–7 years)

Build a trusted platform for SED in the region.

Focus area	Progress	Comment
Expanding the Association's role to build, maintain and operate bulk and potable water infrastructure.	In progress	By actively working to build, maintain and operate bulk and potable water infrastructure, we are reinforcing our role as a crucial contributor to the accessibility and reliability of water resources in the Limpopo region.
Establishing an SED collaboration forum to align members with common SED initiatives and infrastructure to foster social harmony.	In progress	We are actively working on the establishment of an SED Collaboration Forum, aimed at aligning our members with shared SED initiatives and infrastructure to promote social harmony. This initiative is accompanied by an increase in SED expenditure, with a particular focus on water, education and community infrastructure, as part of our ongoing commitment to the betterment of our communities.

Long-term strategy (8–25 years)

Focus area	Progress	Comment
Catalyse the creation of game-changing businesses or initiatives to drive exponential socio-economic growth in the region.	In progress	Our ongoing efforts are dedicated to fostering the development of groundbreaking businesses and initiatives with the potential to drive exponential socio-economic growth within the region. This commitment underscores our vision for a more prosperous and sustainable future for the communities we serve.

In the coming year, our strategy and business plan will align with our newly introduced brand and corporate identity. At the core of our journey is a commitment to improving lives through water and socio-economic development initiatives, a vision that directs our course. This vision finds expression in the ongoing execution of the OMM Programme, a testament to our dedication to collaboration and sustainable socio-economic development.

Simultaneously, a significant milestone in our evolution unfolds as we transition into the Badirammogo Water User Association, an embodiment of a 50:50 membership representation of institutional representatives and commercial representatives. As this transformation takes shape, we are implementing a comprehensive strategic road map, cultivating capable leadership and fostering strategic collaborative relationships, all of which contribute to the development of our resources and capabilities.

OMM PROGRAMME



BUILDING A VISION FOR THE FUTURE

Our vision is rooted in the purpose of the Association: 'Improving lives through water'. As we continue to drive the implementation of the OMM Programme, collaboration and socio-economic advancement will remain key priorities.

We will embark on a rebranding exercise, transitioning into Badirammogo Water User Association, with membership evenly distributed between institutional and commercial stakeholders.



TRANSFORMATIONAL ROAD MAP

Our transformation road map is currently being developed, and we expect to finalise it once approved by the ManCom in the upcoming reporting period. As we expand from a small organisation to over 300 employees by 2029, we view this transition as an opportunity to instil the right ethos and culture, thus shaping the Association into a high-performing and socially responsible entity.



ENHANCING LEADERSHIP CAPABILITIES

The recent letter of approval by the Minister of our amended Constitution and name change to Badirammogo Water User Association underscores the necessity for transformative leadership. Our mission is to establish a fully transformed leadership team that aligns with our objectives, possesses the requisite skills and competencies, and remains attuned to the needs of our members. The existing management team, complemented by new hires, is set to play a crucial role in this transformation.



BUILDING RESOURCES AND CAPABILITY

As part of our efforts to develop the capabilities and expertise we need to execute our mandate, we will use the resources of members, explore opportunities in the open market, and cultivate partnerships with skilled contractors. At the same time, we are committed to nurturing emerging talent while leveraging the knowledge and proficiency of internationally renowned individuals and contractor firms.



DEVELOPING THE OMM PROGRAMME

The OMM Programme, designed to deliver bulk water to mining entities and collaborate in the provision of potable water local communities, is progressing well. Construction phases are already underway, with more to follow.

Our OMM Programme management unit – responsible for the study phase and programme implementation – plays a pivotal role in delivering our commitments, engaging with members, and extending services to other sectors.

In addition, our collaborative model, which has proven to be unique and effective, holds the potential to be adopted in various sectors across South Africa, enhancing service delivery and promoting co-operation.

FIVE-YEAR BUSINESS PLAN

The formulation of a business plan is established within the framework of the Act, as delineated by Sections 91(1)(f), 93(1), and 94(3), along with Schedule 5 – which provides a template constitution for water user associations – and Schedule 4, which pertains to the administration and strategic planning of water management institutions. In particular, clauses 21, 22, 23, and 24 within Schedule 4 outline the specific components that must be included in a business report.

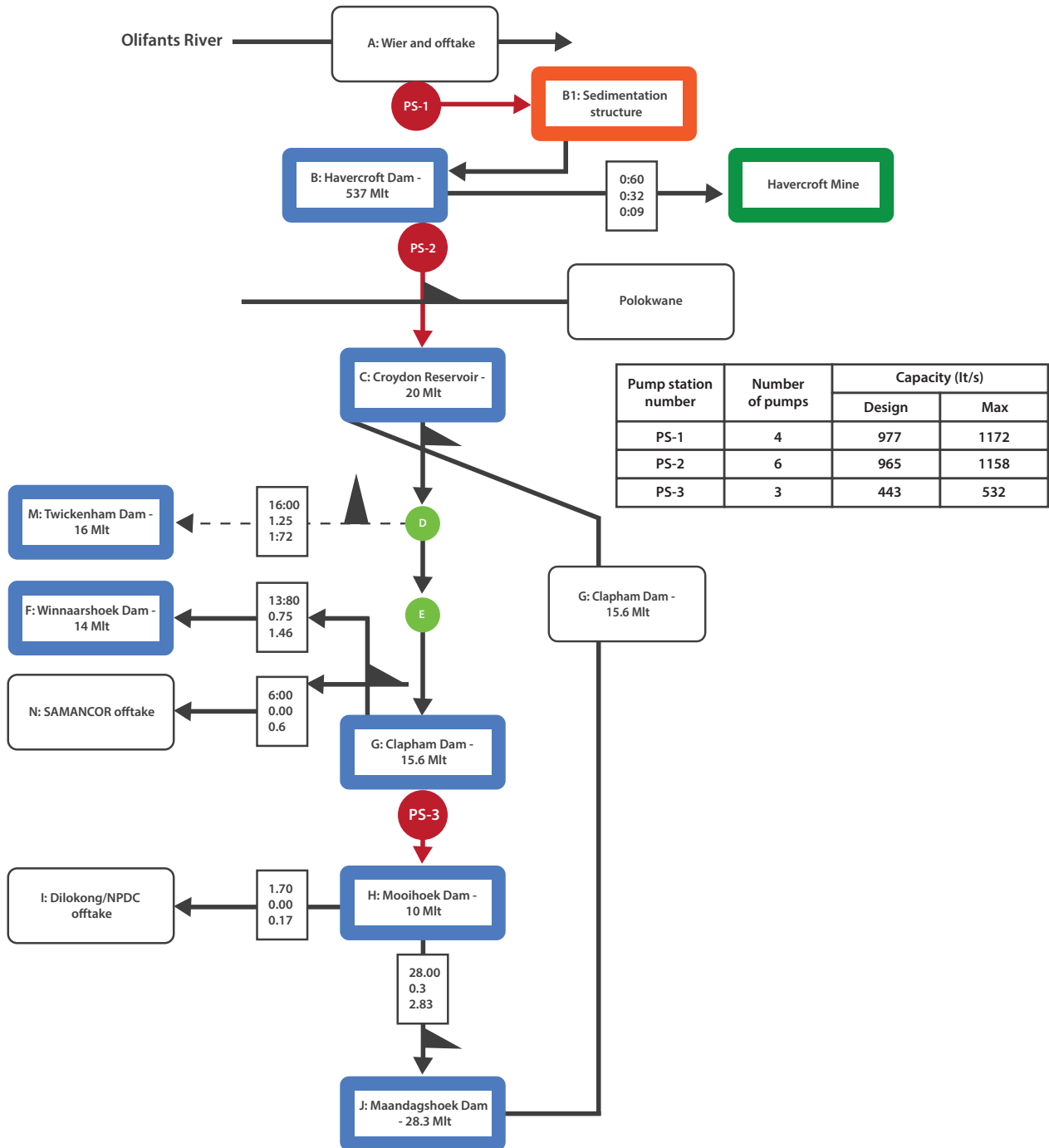
Furthermore, Clause 19 of the Association's Constitution mandates the submission of audited financial statements and a comprehensive year-end financial account as part of this reporting process.



OPERATIONS

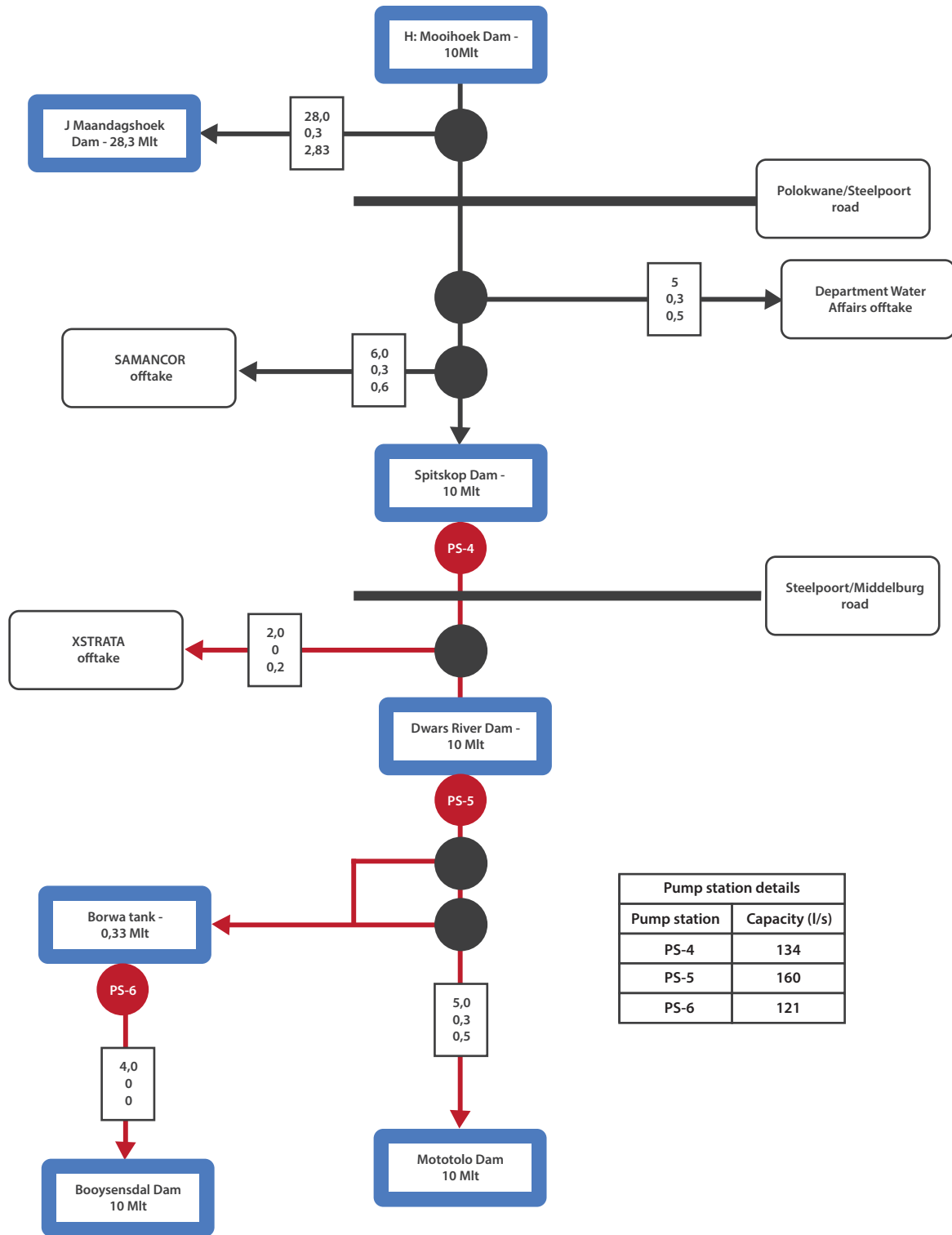
It has been over two decades since the establishment of the Association. During this time, we have expanded our capacity and infrastructure through, among other things, the Southern Extension 2 project. Below is a general footprint of our operation, which sets out the schematic maps of our pipeline and appurtenances in the region.

LEBALELO WATER SUPPLY SCHEME – SCHEMATIC LAYOUT



LEGEND				
	Storage and capacity		Rural off take	Pipe capacity MI/day
	Pump station		Gravity line	
	Junction/offtake		Pumping main	
			Future gravity line	
				Mine
				Rural
				10% contingency

LEBALELO WATER SUPPLY SCHEME – SCHEMATIC LAYOUT SOUTHERN EXTENSION



LEGEND				Pipe capacity Ml/day
	Storage and capacity		Gravity line	Mine Rural 10% contingency
	Pump station		Pumping main	
	Junction/offtake			

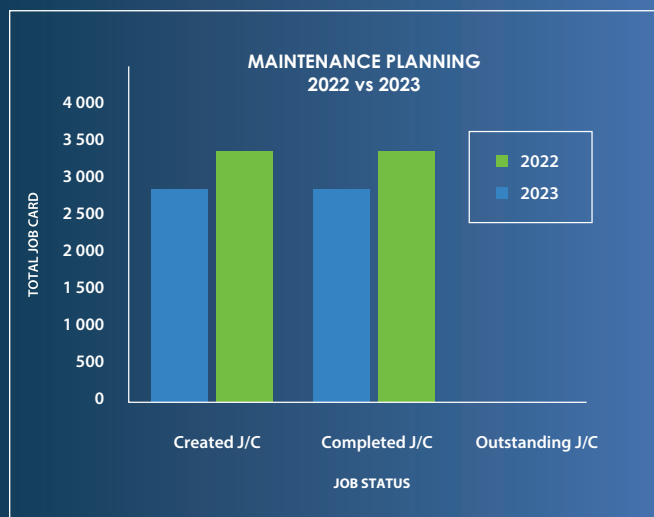


MAINTENANCE

Our commitment to providing reliable bulk raw water supply is supported by a diligent maintenance programme. In the year under review, we conducted both primary and secondary injection testing for all our MV switchgears within our various pump stations and transformer maintenance remains an ongoing priority.

In addition to transformer maintenance, our pumps undergo regular vibration testing, oil analysis and condition monitoring at specified intervals. The results of these analyses are recorded and acted upon to enhance our operational efficiency. However, this does not negate the importance of our weekly and monthly maintenance and inspections conducted by our qualified team. These routine checks play a pivotal role in ensuring the overall health of our systems, allowing Lebalelo to continue its work.

To illustrate our maintenance efforts, below is a comparison of maintenance records for the 2022 versus 2023. Notably, there has been an increase in the number of job cards created and completed in March 2023, reflecting our commitment to proactive maintenance and system integrity.

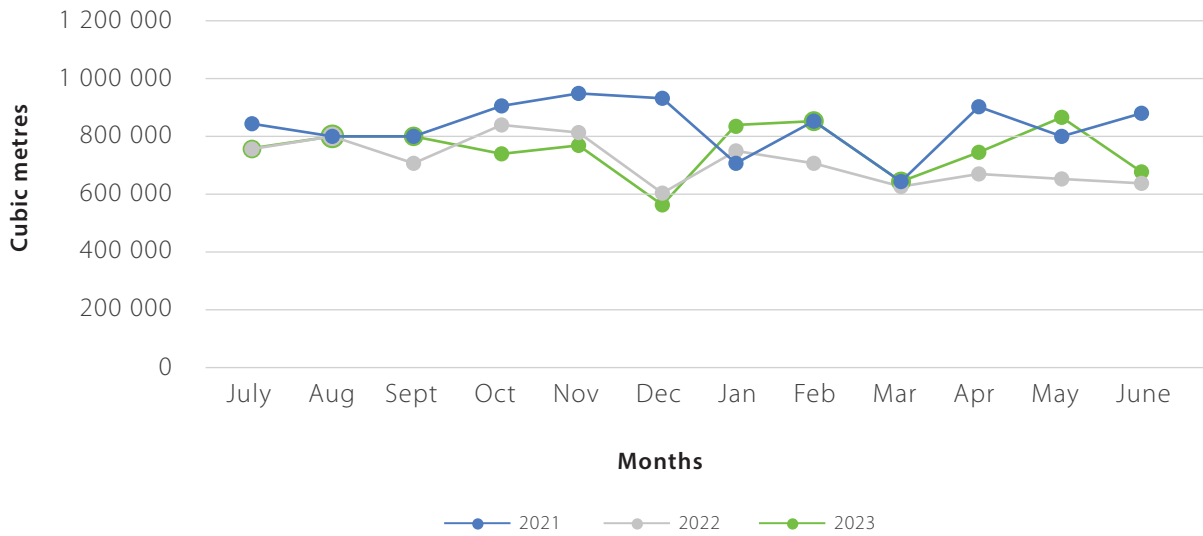


WATER REPORT

In 2023, Lebalelo delivered 8 566 184 m³ of water to members and other users. This is lower than the 9 003 330 m³ delivered in 2022 and 10 035 050 m³ in 2021. This decline in water volumes is primarily attributed to load shedding affecting our operations. It is also the result of reduced demand by members, mainly due to a three-year wet La Niña season, along with heightened efforts to protect the environment.

Additionally, the water report closely monitors water losses. The Association targets a level of less than 5%. During the period under review, a remarkable 0.25% loss was recorded, signifying a substantial improvement compared to 0.39% in 2022 and 1.62% in 2021, and representing a positive trend in reducing water losses.

Past two years vs current year water usage

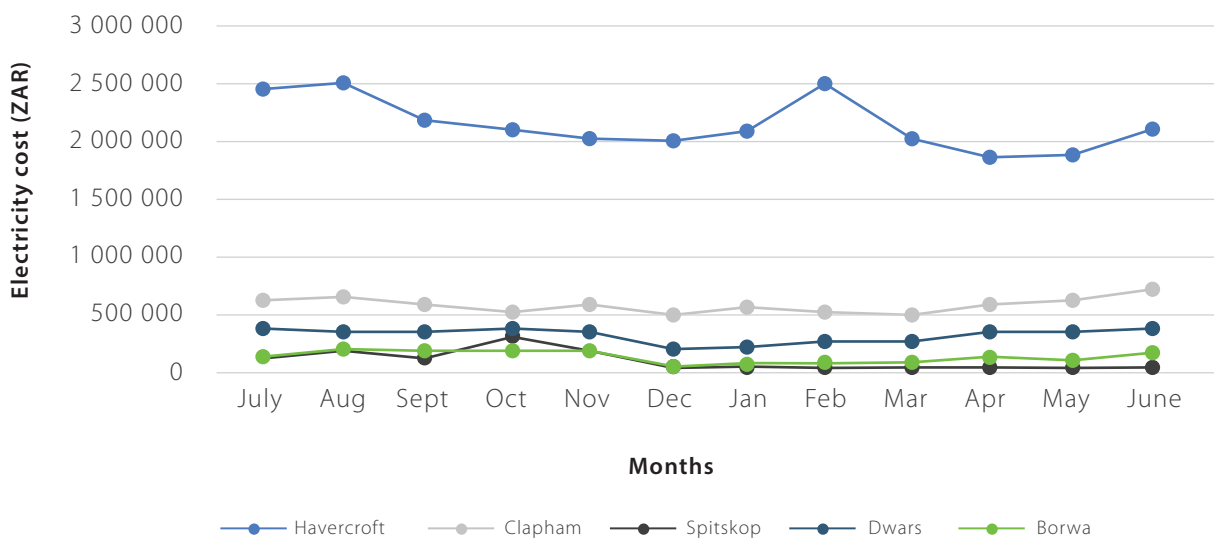


To ensure the accuracy of our water measurement, our flow meters undergo verification through a planned system at various intervals, as advised by original equipment manufacturers.

ELECTRICITY CONSUMPTION

Electricity consumption is one of the most substantial cost components within our system and necessitates continuous vigilance, oversight and creative ways of reduction. Therefore, monitoring electricity usage, particularly concerning our pumps, represents a critical metric within our Association. We are pleased to report a general improvement in energy consumption, particularly at the Havercroft major pump station. Similar improvements have been observed at the Clapham, Spitskop and Dwars pump stations, underscoring our commitment to energy efficiency and cost management across our operations.

Current year Eskom bill



CAPITAL PROJECTS

INTRODUCTION

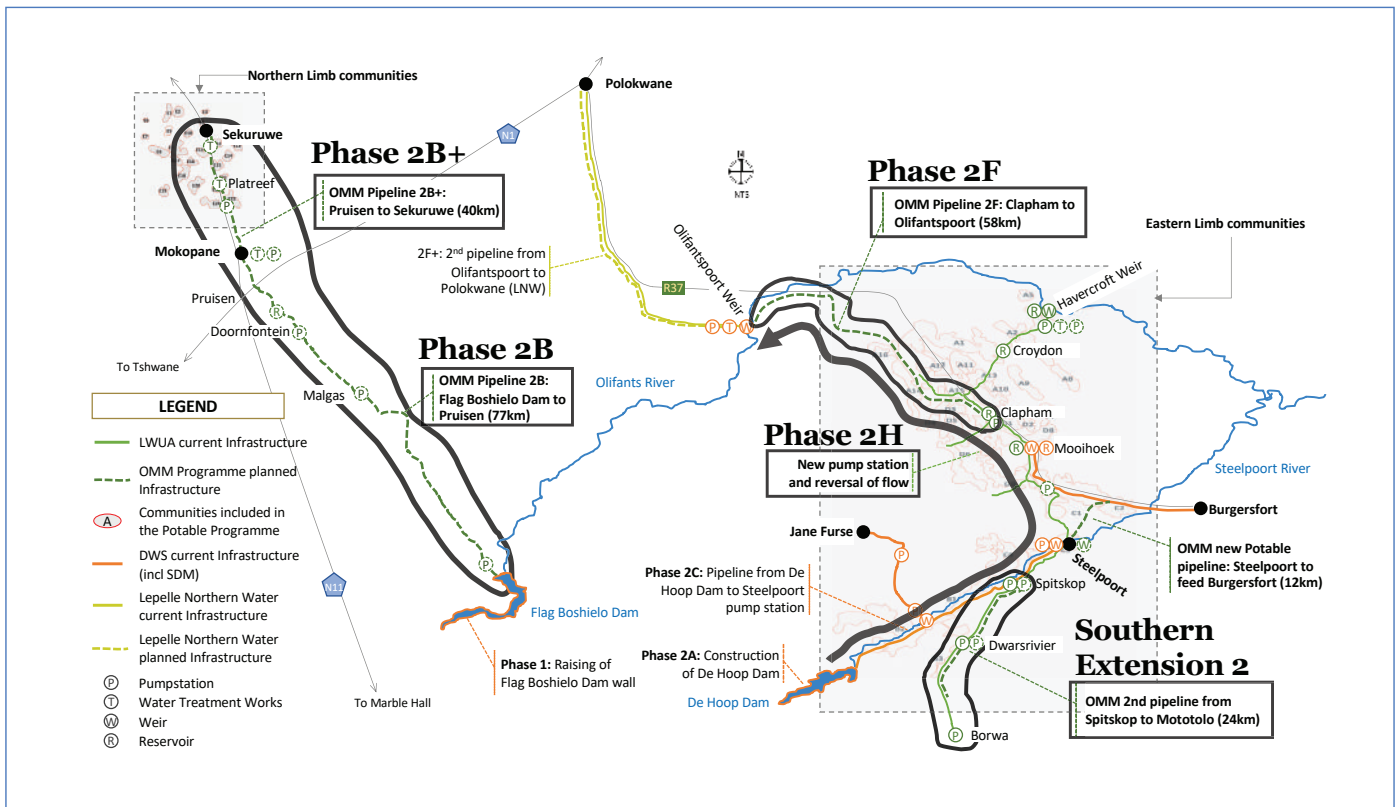
The OMM Programme is Lebalalo's flagship capital expenditure initiative, with its primary goal being the expedited construction of bulk water infrastructure and collaborating within the potable water sphere required. The bulk water infrastructure is intended ultimately to provide water to the water service authorities, through their water service providers such as Lepelle Northern Water, to serve specific communities situated within the Sekhukhune District and Mogalakwena local municipalities. The bulk water infrastructure is intended to serve commercial water users, including mining companies and industrial users within the footprint of the Association.

The OMM Programme represents a collaborative effort involving both Institutional Members and Commercial Members. Presently, the institutional partners consist of the Department of Water and Sanitation, the Mogalakwena and Polokwane local municipalities, and Sekhukhune District Municipality. Meanwhile, the commercial collaborators include African Rainbow Minerals, Anglo American Platinum, Assore, Bushveld Minerals, Cheetah Chrome, Corridor Resources, Fetakgomo Tubatse Industrial Park, Glencore-Merafe, Kadoma Investments, Impala Platinum, Ivanplats, Northam Platinum, Sibanye-Stillwater, Sylvania Platinum, Tameng Mining and Exploration, Vanadium Resources, and Zijin Platinum.

The OMM is jointly funded on a 50:50 basis by Commercial and Institutional Members. Decision-making responsibilities are equally shared through collaborative structures, ensuring the protection of all stakeholders' interests and fostering greater accountability. The ongoing alignment and interaction among all members on an institutional level have been pivotal in sustaining collaboration and facilitating the continued progress of the OMM Programme.

OMM PROGRAMME OVERVIEW

The Olifants River Water Resources Development Project (ORWRDP) was initially conceived by DWS to alleviate pressure on the Flag Boshielo Dam and provide water to Mokopane, Sekuruwe and Polokwane. Up to this point, Phases 1A, 2A, and 2C have been successfully completed, as indicated on the map. The OMM Programme is currently reconfiguring the construction timelines for the remaining segments of the ORWRDP. Additionally, the scope includes collaborating in the provision of potable water, addressing revised water requirements within the programme area situated in the Middle Olifants Catchment. This collaboration serves the dual purpose of meeting the adjusted water needs while reducing capital infrastructure costs.



The OMM Programme will facilitate the supply of bulk water to Mokopane and Sekuruwe, primarily through the implementation of Phases 2B and 2B+. Additionally, it will enhance water supply to Polokwane by redirecting a portion of the Lebalalo Scheme's existing water supply from Flag Boshielo Dam to De Hoop Dam as part of the incorporation of Phase 2C into the scheme, reversal of flow of the existing scheme (Phase 2H) to Clapham and constructing a dedicated line, Phase 2F to enable supply to Polokwane through Phase 2F+ (to be constructed by Lepelle Northern Water) from the Olifantspoort weir, fed from both De Hoop and Flag Boshielo dams.

THE OMM PROGRAMME'S KEY NUMBERS AND PROJECTED IMPACT

The OMM Programme aims to leverage infrastructure development to strengthen economic development within the Middle Olifants catchment in Limpopo and unlock strategic mineral and industrial potential in specified regions. It brings much-needed potable water, water security, job creation and opportunities for socio-economic development. The OMM Programme's socio-economic development (SED) strategy aims to establish and maintain a stable platform that supports communities and fosters an environment conducive to accelerated economic growth. Further information on these SED initiatives can be found on **page 35 of this report**.



CONSTRUCTION OF:

- ◆ Approximately 200 km of bulk raw water pipelines
- ◆ Approximately 675 km of bulk potable water pipelines



PROVIDING POTABLE WATER CONNECTIONS DIRECTLY TO:

- ◆ Approximately 140 communities
- ◆ Approximately 390 000 people



PROVIDING DIRECT AND INDIRECT EMPLOYMENT OPPORTUNITIES TO:

- ◆ Approximately 42 000 people for the duration of the OMM Programme

The Minister of Water and Sanitation Mr Senzo Mchunu has been a key collaborator of the OMM Programme and officially launched the initiative on 9 May 2022 at the Mining Indaba. This was followed by the turning of the first sod at the Spitskop pump station in Steelpoort, which signalled the start of construction on the OMM Programme.



KEY MILESTONES

Since the signing of the Heads of Terms for an OMM Framework Agreement in March 2022 and the national launch of the OMM Programme in May 2022, several pivotal milestones have played a crucial role in the transformation of the Association and the advancement of the OMM Programme. Lebalelo will soon embark on a rollout of the rebranding strategy for the new water user association.



**JUL
2022**

- Completion of the early business case report, defining the strategic need for the OMM Programme, along with conceptual technical designs and implementation strategies.
- Establishment of a dedicated project management unit within Lebalelo to oversee programme implementation.

**OCT
2022**

- Commencement of the OMM Programme's pre-feasibility phase.
- Official launch of the OMM Programme at the Ga-Malekana Tribal Authority, including the sod-turning ceremony at the Spitskop pump station.
- Initiation of construction on the OMM Programme's Southern Extension 2 (SE2) Phase 1, involving the pipeline from ORWRDP Phase 2C to the Dwarsrivier pump station.

**DEC
2022**

- Amended Water Use Licence issued by DWS, which gives effect to the OMM Programme and allows for abstraction to be split across De Hoop and Flag Boshielo dams.
- Implementation and funding agreements signed with the department.

**MAR
2023**

- The Association's amended Constitution is issued and delivered to the department for regulatory and ministerial approval.
- The signing of a funding agreement with DWS as well as a cession agreement with DWS and Zutari Ntodana Joint Venture.
- Launch of School Upgrade Programme pilot project at Kwata Primary School at Ga-Phala village.

**APR
2023**

- Release of the request for proposals (RFP) shortlist for the 2B and 2B+ pipeline's accelerated construction.
- Release of the request for information for two water treatment works in the Northern Limb.

**MAY
2023**

- First intermediate business case report issued, including detailed designs and estimates. The report shows the OMM Programme is economically viable and expected to yield positive returns.

**JUN
2023**

- Ministerial progress update meeting on 12 June 2023 – overall study phase progress confirmed at 18% and still within cost and schedule.
- Release of renewable energy RFI for existing and new infrastructure in the Eastern and Northern Limbs.

**25
JUL
2023**

- Approval of the amended Constitution and new name, Badirammogo, subject to the signing of the text by the members and potential members.

NEXT STEPS

The following key actions are expected in the coming financial year:

- ◆ Gazetting of the amended Constitution of the Association.
- ◆ Finalisation of Members' Agreement and Off Take agreements with all future members.
- ◆ Submission of funding applications for institutional funding and procurement of funding from the market for commercial user funding associated with the accelerated projects.
- ◆ Obtainment of final investment decision (FID) from members for the accelerated projects.
- ◆ Completion of the full business case report for the total OMM Programme and obtaining FID for the remainder of the projects.
- ◆ Rollout of the Association's rebranding

OVERALL OMM PROGRAMME TIMELINES


Pre-feasibility and bankable feasibility study phase

The OMM Programme study phase began in October 2022 after the approval of the early business case report. The goal is to maximise the use of existing data and designs to prevent extra costs and to speed up water supply in regions with available designs. The study phase has two stages: the first aims for construction readiness by Q1 2024 for certain scopes, while the rest will follow design processes for a final investment decision in Q3 2024. As of the reporting period, the OMM Programme study phase is on track and within the approved budget.

OMM PROGRAMME STUDY PHASE PROGRESS AND COST

Progress on site: 36%	Approved contract price estimate	Forecast completion cost (Phase 1)
Implementation to be completed in Q2 of 2024	R416 million	R416 million

CONSTRUCTION TIMELINES

Southern Extension 2  **Commenced: Q4 2022**
Phase 1 to be completed: Q3 2023
Phase 2 to be completed Q3 2024

Bulk Raw Water Phases 2B and 2B+  **Commence: Q1 2024**
Completed: between Q1 and Q2 2026

Northern Limb Water Treatment Works  **Commence: Q1 2024**
Completed: between Q1 and Q2 2026

Reverse Flow of Association's Network  **Commence: H1 2025**
Completed: between Q4 2026 and Q2 2027

Bulk Raw Water Phases 2F  **Commence: H1 2025**
Completed: between Q1 and Q2 2028

Eastern Limb Phase 1 Potable Water (accelerated scopes)  **Commence: H1 2024**
Completed: between Q2 and Q4 2027

Northern Limb Potable Water  **Commence: H1 2025**
Completed: between Q1 and Q3 2030

Eastern Limb Phase 2 Potable Water (including Water Treatment Works)  **Commence: H1 2025**
Completed: between Q4 2029 and Q2 2030

OMM PROGRAMME – SOUTHERN EXTENSION 2 (SE2) PROJECT

The SE2 Project is part of the OMM Programme and the first project commenced with construction in October 2022.

OVERVIEW

Water users along the Association’s Southern Extension pipeline, from the Spitskop pump station to Mototolo Mine, have expressed a growing demand for water. To address this and the limitations of the existing pipe size, the idea of a second pipeline was conceived to meet the increased water needs of both members and non-members of the Association.

In late 2019, a concept study was finalised, and during the preliminary design phase, the project was split into two phases: Phase 1 from Spitskop to Dwarsrivier pump station and Phase 2 from Dwarsrivier pump station to Mototolo Mine.

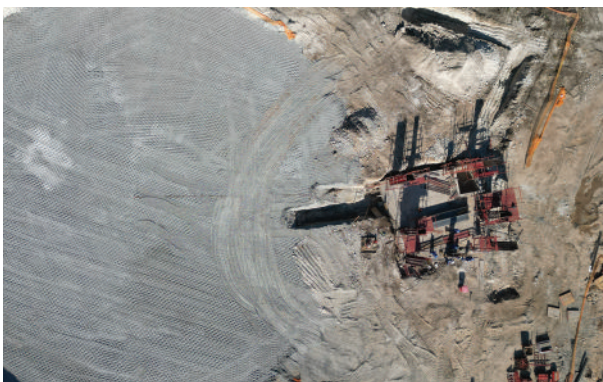
CONSTRUCTION PROCESS

The project experienced delays because of late pump deliveries, stemming from global supply issues, as well as challenges related to accessing crucial construction areas, mainly tied to mine onboarding requirements and servitude holdouts. However, all these issues have been resolved, and the project is currently progressing according to the revised schedule. The overall construction completion is now projected for the end of October 2023, which is 33 days later than the original plan. Pump supply is expected in Q1 of 2024, and commissioning can begin within 14 days of pump delivery to the site.

The project is within budget and as at financial year end, an underspend on the budget was forecasted.

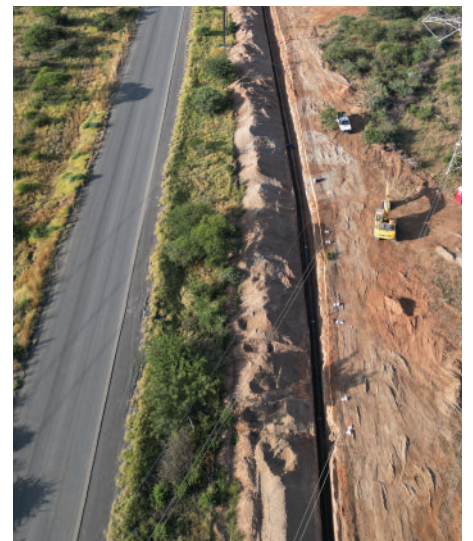
SE2 PHASE 1 PROJECT PROGRESS AND COST

Progress on site: 56%	Approved contract price estimate	Forecast completion cost (Phase 1)
Construction to be completed in Q1 of 2024	R390 million	R360 million



Phase 2 of the SE2 Project kicked off in July 2022 and will be completed in Q2 of 2025.

OMM PROGRAMME – SOUTHERN EXTENSION 2 (SE2) PROJECT



“
The pictures represent evidence that we are at work,
and that our agreement is taking shape ...
it is concrete and real.”

Minister of Water and Sanitation, Mr. Senzo Mchunu

Olifants Management Model (OMM) Programme

Ministerial visit to LWUA for progress update
12 June 2023

“
As with bees, everyone knows their role, and acts with integrity, to get the right work done at the right time.”

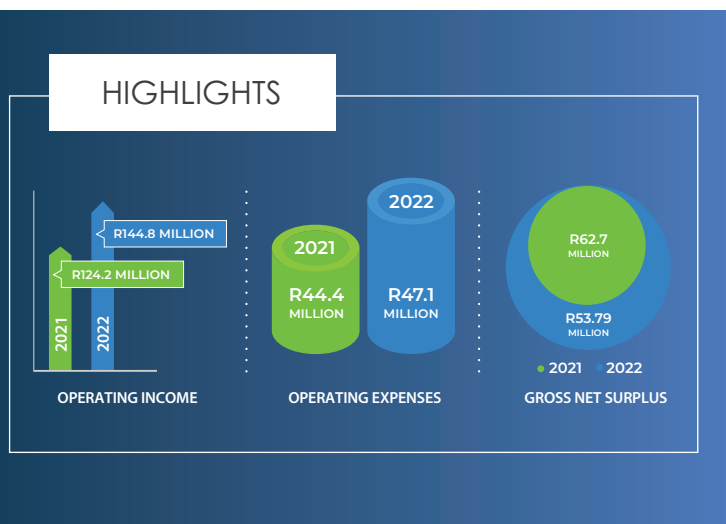
Chairperson of LWUA, Mr. Prakashim Moodliar

Olifants Management Model (OMM) Programme

Ministerial visit to LWUA for progress update
12 June 2023

FINANCE

The Association's revenue heavily depends on supplying bulk raw water to mining companies engaged in various industrial activities, such as mineral extraction, processing and smelting. These processes necessitate substantial water usage for purposes such as mineral washing, cooling, dust control and other industrial applications. The level of mining activity directly correlates with the demand for water, influencing our raw water supply and, subsequently, our income.



OPERATING INCOME

As at financial year end, our operating income stands at R144.8 million, marking an increase compared to the previous year's R124.2 million, albeit 7% below our current budget. This increase is primarily attributable to significant increases in revenue streams, including a 21% boost in revenue from raw water supplied to mining operations, a 28% increase in electrical charges recoveries, and a 13% rise in fixed operating revenue compared to the prior year.

The 5% rise in the raw water tariff and an 8% increase in electrical charge tariff rates have led to higher revenue per unit of water supplied. This has partially offset the impact of reduced water consumption, contributing to increased revenue despite lower consumption levels. Individual members have exhibited varying consumption patterns, with some significantly reducing their water usage while others increased theirs by up to 8% compared to the prior year. Some non-members increased their consumption by 27% compared to the previous year, with their tariff being higher owing to added charges like fixed fees and service-related costs.

Load shedding also played a role in reducing water usage during part of the financial year. Lebalalo constructed a backup battery at Clapham pump station, which serves as a contingency plan during load shedding and power outages. The battery construction was completed and commissioned in May 2023.

OPERATING EXPENSES

Our operating expenses amounted to R44.4 million in the year under review. This is 16% below the budgeted amount and slightly lower than the previous year's R47.1 million, primarily owing to decreased costs in electricity and raw water expenses. Our electricity cost savings are a result of a pump scheduling strategy aligned with off-peak electricity pricing. We have implemented efficiency measures such as installing a bypass line at the Spitskop pump station and employing real-time monitoring and instrumentation control systems. These systems empower our operators to make informed decisions by shutting off pumps when not in use and reducing pump speeds, contributing to energy savings. Effective maintenance and timely repairs of our pumps and motors further resulted in efficiencies in electricity consumption.

Changes in weather patterns in our operational areas have resulted in increased water availability, influencing savings on raw water costs. Additionally, reduced water usage by our largest members has contributed to decreased raw water expenses. Another factor contributing to these savings is that the Department of Water and Sanitation did not increase the Olifants Catchment Management Area (CMA) tariff, maintaining it at the R0.0441 level of the previous financial year.

GROSS NET SURPLUS

As at financial year end, our net surplus was at R53.49 million compared to the previous year's net deficit from operations of R62.7 million. This increase is attributed to a significant rise in other income, which amounted to R208.7 million for 2023, compared to the prior year's R91.6 million.

We achieved notable savings of 15% in other expenses, primarily driven by a remarkable 97% reduction in expenses related to the SE2 project. Costs associated with the construction phase of SE2 Phase 1, which commenced in August 2022, were treated as work in progress in the current financial year.

Despite overall savings in other expenses, the Association recorded a significant 192% increase in administration costs compared to the prior year. This increase is largely attributed to a substantial 166% rise in consulting fees for the OMM. Other cost increases include a 56% uptick in social development project expenses compared to the previous year, primarily owing to the refurbishment of Kwata Primary School, the first SED initiative for the OMM Programme. Personnel costs increased by 31% as a result of recruitment efforts for the OMM Programme and the filling of new positions for regular business operations. Repairs and maintenance costs increased by 21% due to maintenance activities carried out during the financial year on ageing infrastructure.

Interest received for the year ending in June 2023 significantly increased to R16.7 million, compared to the prior year's R6.3 million. This increase made a positive contribution to our net surplus and was driven by higher interest rates on our fixed deposit investments. Both long- and short-term fixed deposit investments grew significantly by 209% in the current year, with investments made in the SE2 project and OMM Programme contributing to this substantial growth in our investment portfolio. Improved investment management practices – including reinvesting matured investments and capitalising interest – were implemented, ensuring the reinvested funds are earmarked for future capital expenditure needs, asset maintenance, the construction of the SE2 and projects relating to the OMM Programme.

OUTLOOK

The Association's financial performance over the review period provides valuable insight into our path ahead. Our revenue structure, heavily reliant on supplying bulk raw water to mining companies, is intrinsically tied to the level of mining activity, which, in turn, influences our income. The robust financial indicators presented in this report, including an operating income of R144.8 million and a gross net surplus of R53.49 million, signify our financial resilience and strategic adaptability. Moving forward, we anticipate several key developments. The forthcoming expenses associated with the OMM Programme are anticipated to have a substantial impact on our financials, and we expect a potential deficit in the next financial year as these expenditures materialise. This underscores the significance of the surplus accumulated during this period, serving as a prudent financial buffer to effectively manage the project's demands.

Additionally, our financial outlook hinges on factors such as mining activity levels, water demand and consumption patterns among our members and non-members. We will continue to closely monitor these variables and adapt our strategies accordingly to ensure the financial stability and sustainability of the Association.

Our ability to manage operating expenses effectively, particularly through cost-saving measures in electricity and raw water expenses, reflects our commitment to operational efficiency. We will remain vigilant in identifying further efficiency opportunities and optimising our resources to maintain cost-effectiveness.

Overall, the Association remains committed to financial prudence, operational excellence and a strategic approach that aligns with our mission of enhancing lives through water. Our resilient financial foundation puts us in a better position to navigate the challenges and opportunities that lie ahead, ensuring the sustainability of our initiatives and the prosperity of the communities we serve.



HUMAN CAPITAL

Lebalelo's overarching purpose is to improve lives through the responsible management of water resources. We are deeply committed to achieving this goal in a manner that is not only cost-effective and efficient, but also sustainable and socially responsible. These core values are woven into the fabric of our organisation, shaping our human capital strategy and influencing our organisational culture.

At the heart of our approach is the recognition that our employees play a pivotal role in realising our strategic objectives while staying true to our purpose. We foster a culture of growth that encourages internal recruitment and promotion, allowing our dedicated team members to align their unique talents and skills with our broader business plans.

In our relationship with our employees, we are firmly anchored in labour and employment legislation, ensuring every aspect of our engagement adheres to legal requirements. Furthermore, we are committed to upholding the highest standards of corporate governance, as reflected in our policies and best practices. We proactively ensure compliance with all relevant legislation, underscoring our commitment to a responsible and ethical approach to our mission.

HIGHLIGHTS



PERFORMANCE MANAGEMENT

Our ability to create value for our stakeholders rests on the skills, dedication and well-being of our workforce. Consequently, our commitment extends to the continuous identification of high-potential individuals whose values align closely with those of our organisation. We are dedicated to ensuring these individuals remain motivated and fully engaged in their roles, as they are vital to our ongoing success. Management and staff performance management agreements include key performance indicators (KPI) and the outcomes of these agreements translate into short-term incentives.

EMPLOYEE ENGAGEMENT

Our holistic people strategy is pivotal to attracting and retaining the best talent. We prioritise employee engagement as a cornerstone for fostering high-performance teams. Our ongoing efforts focus on sustaining elevated levels of employee engagement while proactively identifying and mitigating any potential employee relations-related risks. To achieve this, we conduct regular employee engagement meetings and employ various communication channels, including newsletters, one-on-one meetings (both formal and informal) and team gatherings, followed by discussions with line managers. These strategies collectively ensure our employees remain actively engaged and motivated.

LEARNING AND DEVELOPMENT

The Association is steadfast in fostering a culture of skills development, with our commitment evident in our investment. While the industry standard for skills development expenditure stands at 1% of total payroll costs, our actual skills development spending of 1.78% significantly surpasses this benchmark, underlining our commitment to the development and growth of our workforce.



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Metric	Amount
Total annual payroll costs	R50 842 494
Target total annual payroll costs to be spent on training	R927 354
Actual total annual cost spent on training	R899 626
Actual total annual payroll cost spent	1.78%

HEALTH AND SAFETY

Lebalelo prioritises the safety and well-being of our employees and the environment. We maintain high safety standards and ensure the implementation of policies, procedures and controls that create a healthy and secure working environment. Any issues or risks related to employee health, safety or environmental concerns are promptly escalated to the ManCom and FinCom, the latter being responsible for audit and risk.

The Association adheres to the requirements stipulated by the Occupational Health and Safety Act and has established safety, health and environment assurance (SHE) committees that convene quarterly meetings. All incidents, accidents or occupational diseases related to our operational activities are meticulously recorded, reported and addressed. SHE representatives play a crucial role in conducting monthly inspections, with findings documented and acted upon. Additionally, we engage an independent consultancy to conduct thorough annual safety audits.

IN THE PERIOD UNDER REVIEW,
LEBALELO ACHIEVED:

133 879

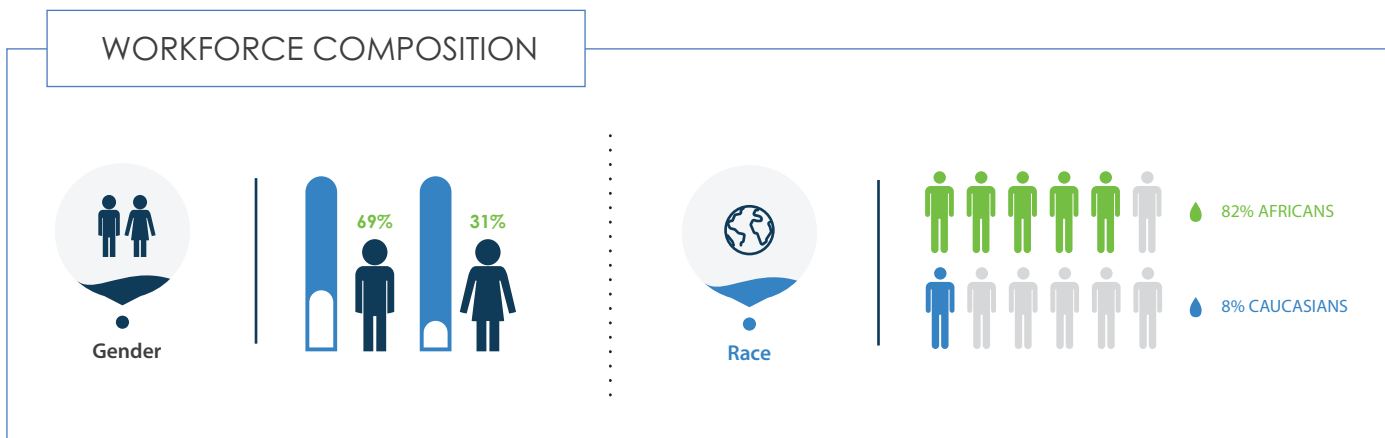
Fatality-free
shifts

27 000

Accident-free
shifts

WORKFORCE PROFILE

Lebalelo has witnessed a marked transformation in our workforce composition, particularly within our senior management. As at financial year end, this segment comprises 66% Africans and 12% females, encompassing 50% African males, 8% African females, and 8% white females. In addition, 82% of Lebalelo's workforce comprises African employees. Within this workforce, women account for 31%, with African women constituting 27% of the overall total.



OCCUPATIONAL LEVELS	Males				Females				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	M	F	
Top management				2							2
Senior management	7			1	1			1			10
Professionally qualified and experienced specialists and mid-management	6	2		1	4						13
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	5			1	1						7
Semi-skilled and discretionary decision makers	8				6			1			15
Unskilled and defined	2				2						4
Total permanent	28	2	0	5	14	0	0	2	0	0	51
Temporary employees											0
Grand total	28	2	0	5	14	0	0	2	0	0	51

OUTLOOK

In the year ahead, we will retain focus on embedding a culture of collaboration, operational excellence and ethical practice. We believe this effort will contribute positively to the fulfilment of our mandate. Additionally, we will persist in identifying opportunities for our human capital strategy to align with the Association's overarching objectives. Key priorities for the upcoming year include:

- ♣ Sustained execution of our talent management strategy.
- ♣ Continued focus on cultivating a high-performance culture.
- ♣ Continued implementation of initiatives aimed at enhancing our organisational climate and culture.
- ♣ Fostering a culture of diversity and equal opportunity.

ENVIRONMENT

In our pursuit of environmental responsibility, we have implemented various actions. These include introducing colour-coded waste bins in different buildings to facilitate waste separation and ensure proper disposal, such as transporting specific waste to the Malogeng landfill under Fetakgomo Tubatse Municipality. Routine weed and rodent control measures are carried out at all our pump stations, and quarterly aquatic vegetation management is conducted for all our dams. Through these concerted efforts, we remain committed to our mission of providing a safe and reliable bulk raw water supply while actively contributing to a sustainable and responsible environment.

SOCIO-ECONOMIC DEVELOPMENT

Our SED initiatives are instrumental in generating shared value and empowering the communities where we are active. This investment goes beyond merely fulfilling our mission and plays a pivotal role in maintaining our social licence to operate.

HIGHLIGHTS

- 01** Improved literacy in local communities through partnership with Nal'ibali
- 02** 32 jobs created through the Education Programme
- 03** Installation of interactive whiteboards
- 04** Training of seven local SMMEs on basic financial management
- 05** Provision of Wi-Fi connectivity to 15 schools and communities



LEBALELO SOCIO-ECONOMIC DEVELOPMENT PROGRAMMES

Lebalelo's overarching SED programme is structured around five themes.

EDUCATION

Our Education Programme encompasses various initiatives, including providing aid to the Sekhukhune East District of the Limpopo Department of Education. This assistance involves equipping three mobile units to function as supplementary classrooms and offices, implementing interactive smart boards, and initiating a reading campaign. The focus of this support is directed towards schools within the Malokela Circuit of the Sekhukhune East District.

EMPOWERING COMMUNITIES THROUGH LITERACY

The Association's commitment to community development goes beyond its core mission of water management. For the past three years, the Association has been working hand in hand with Nal'ibali. This partnership has yielded remarkable success in enhancing literacy and empowerment within the communities we serve.

Nal'ibali's approach centres on instilling a love for reading in children, particularly focusing on vernacular languages. The collaboration with the Association has brought these efforts to life in the most impactful way. This campaign has made a tangible difference across our operational area which spans 12 primary schools, three drop-in centres and 18 early childhood development (ECD) centres.

THE OBJECTIVES OF THE READING CAMPAIGN



INCREASING ACCESS TO READING MATERIALS

Through the distribution of reading supplements and the establishment of lending libraries, the campaign ensures high-quality reading materials are readily available to children in schools, ECD centres and even homes.



PROMOTING AWARENESS OF READING BENEFITS

This objective is met through partnerships with community radio stations and newspapers, by spreading the message of the importance of reading for enjoyment and learning. Thousands of World Read Aloud Day pledges and community activations have further amplified this awareness.



TRAINING FOR READING ACTIVITIES

Empowering adults in the community to facilitate reading activities for children is a core part of the campaign. Through training sessions and mentorship programmes, parents, caregivers, community workers, ECD practitioners and teachers are equipped with skills to create engaging reading experiences for young learners.



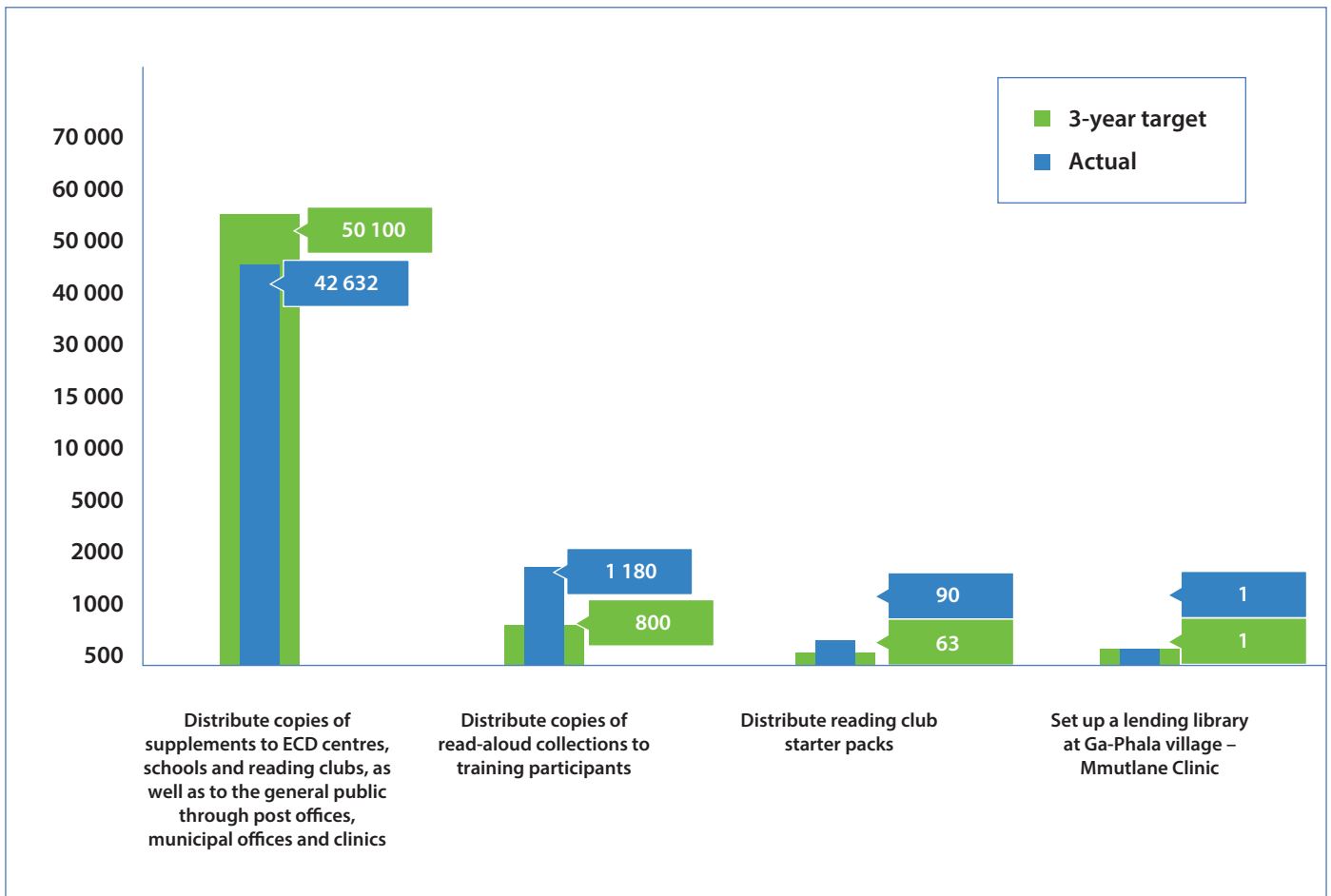
CREATING REGULAR READING OPPORTUNITIES

Ninety reading clubs have been established, providing children with consistent and enjoyable reading experiences. The initiative has even extended to job creation for local youths, fostering a cycle of empowerment and growth.

We are proud of the impact we have made over the past three years.



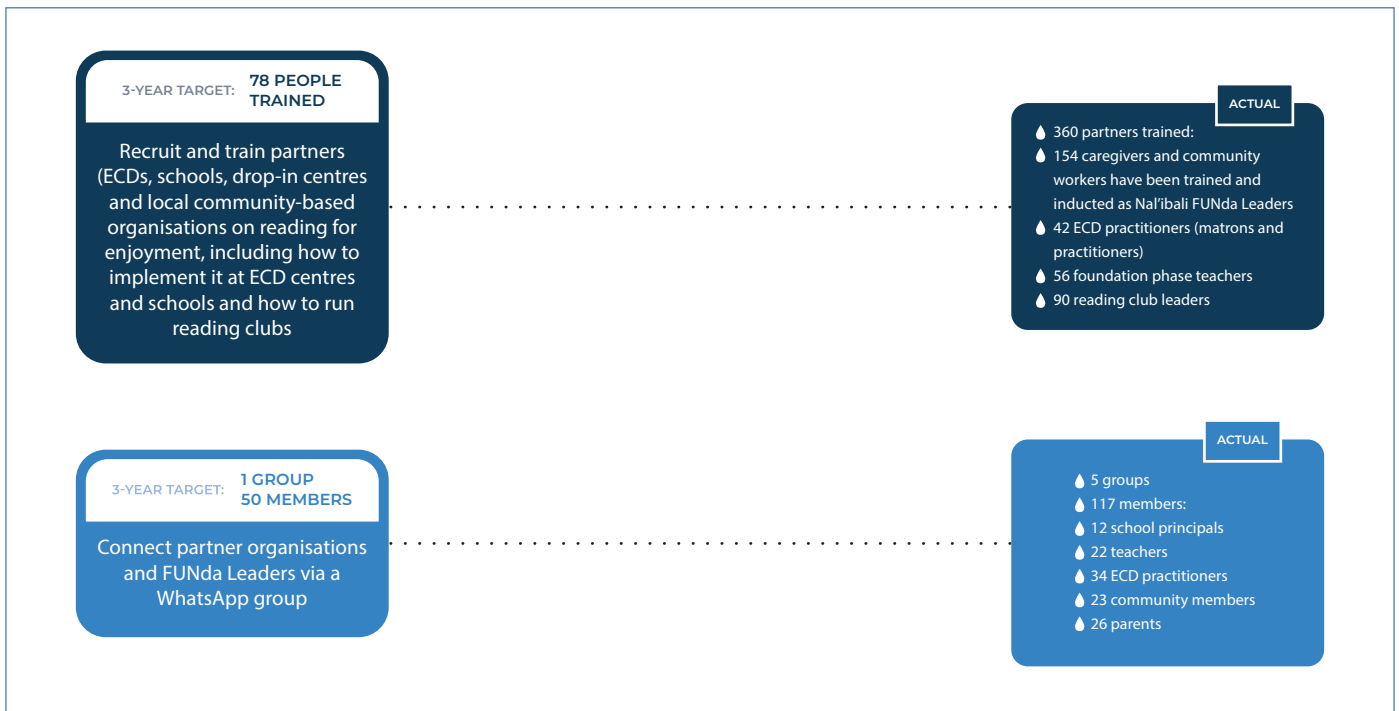
OBJECTIVE 1: INCREASING ACCESS TO AND USE OF READING MATERIALS IN OUR COMMUNITIES



OBJECTIVE 2: PROMOTE AWARENESS OF THE BENEFITS OF READING FOR ENJOYMENT



OBJECTIVE 3: TRAIN ADULTS TO RUN READING ACTIVITIES FOR CHILDREN



OBJECTIVE 4: SUPPORT ADULTS IN CREATING REGULAR, ENJOYABLE READING OPPORTUNITIES FOR CHILDREN

Activities	Three-year target	Actual
Support ECDs, schools and CBOs in establishing reading clubs	74 reading clubs 1 480 children reached	90 clubs 1 750 children reached
Establish reading partner sites where children can read for enjoyment	36 sites: <ul style="list-style-type: none"> 💧 20 ECD centres 💧 11 schools 💧 4 drop-in centres 💧 1 clinic 	35 partner sites (excluding 90 reading clubs): <ul style="list-style-type: none"> 💧 18 ECDs 💧 12 primary schools 💧 3 CBOs 💧 2 clinics

In addition, we have seen 32 job opportunities created for local youth through this programme.

The partnership's impact goes beyond its immediate objectives. The success story of local youth, Realance Mashigo (26), epitomises the far-reaching effects; discovered and nurtured this programme. Mashigo submitted his short stories in May 2022, which were officially published in January 2023. Mashigo's writing career has blossomed after signing on with Nal'ibali as an author and he is becoming an active mentor for other young storytellers.

Our collaboration with Nal'ibali exemplifies the transformative potential of strategic partnerships with the Government and our communities. By focusing on literacy and empowerment, this alliance is not only shaping the educational landscape, but also nurturing a generation of engaged and empowered learners. Our dedication to holistic growth shines brightly through endeavours like this reading campaign, where water and words come together to create a brighter future for all.



MANDELA DAY

In a collaborative effort, the Association's Social Development Department partnered with Nal'ibali to carry out a community service initiative on Mandela Day. On 18 July 2023, employees devoted 67 minutes to an event at Mecklenburg Hospital, which was aimed at brightening the lives of children, promoting the joy of reading, and bridging the learning gap. The event engaged 10 children, a mix of in-ward and outpatients.

The occasion was filled with enriching activities, including ice-breaker games, story-telling and reading-aloud sessions, crafting and preserving stories and entertainment by a mascot. This dynamic line-up was complemented by generous donations by Nal'ibali including World Read Aloud Day collection books, bags, T-shirts and 50 newspaper supplements distributed to the children, with 100 more donated to the hospital's outpatient ward.

INSTALLATION OF INTERACTIVE WHITEBOARDS IN LOCAL SCHOOLS

In 2022, we demonstrated our commitment to education by equipping eight out of 12 primary schools in Lebalelo's operational area with interactive learning whiteboards. Installations at Kwata Primary School in Ga-Phala and Makofane Primary School in Shakung village have improved the technological learning environment, contributing to improved educational outcomes at the school.

Educators from these schools completed a year-long training programme, enhancing their proficiency in utilising these cutting-edge tools for effective education. In 2023, the Association will extend this initiative to four additional schools: Molopo Primary School in Malokela village, Pataneng Primary School in Motloulela village, Masete Primary School in Ga-Masete, and Moroleng Primary School in Shakung. As part of the programme, 12 educators will receive comprehensive training in the use of the interactive learning whiteboard.



COMMUNITY WI-FI PROJECT

In 2021, the Association initiated a programme aimed at providing cost-effective Wi-Fi access to schools and communities within its operational region. This effort enabled internet users to enjoy unlimited data usage at a daily rate of R5. To accomplish this, 15 Wi-Fi access points were strategically installed across various locations.

To extend the benefits, Lebalelo has subsidised all 15 access points, rendering them free of charge for Wi-Fi users since 2022. This initiative encompasses both schools and public sites. One of the latest beneficiaries of this programme is Mape Secondary School situated in Sehunyane village. This endeavour underscores Lebalelo's commitment to fostering connectivity and enhancing access to information and resources within the local community.

ENTERPRISE DEVELOPMENT

The Association places a high priority on collaborating with local small, medium, and micro-sized enterprises (SMME) to foster local economic development and empowerment. However, the Association has encountered challenges in this endeavour, including difficulties stemming from the local SMMEs' lack of knowledge in tasks like completing bills of quantity (BOQ) and rate calculations. To address this, Lebalelo offered targeted training to the local SMMEs.

This initiative focused on providing basic business financial management (BBFM) training to 10 SMMEs selected as the training recipients. Seven have successfully participated in the first phase of BBFM training and received certificates upon the completion of the course. This effort reflects the Association's commitment to enhancing the capabilities of local SMMEs and supporting their growth within the community.

AGRICULTURAL SUPPORT

Recognising that agriculture is a pivotal economic catalyst and food security area, the Association is actively championing the growth of the sector to ensure food security and sustainable livelihoods in the communities within which we operate. In alignment with this commitment, Lebalelo collaborated with the Limpopo Department of Agriculture and Rural Development (LDARD) to organise the Farmer's Day Event. This event, held in June 2023, was dedicated to local farmers operating within the jurisdiction of the Fetakgomo-Tubatse Municipality.

The Farmer's Day Event served as a platform to promote knowledge exchange, best practices and innovation within the agricultural domain. This underscores our holistic approach to community development, emphasising the importance of agriculture in enhancing both food security and the overall well-being of our communities.

OMM PROGRAMME SED PROJECTS

The OMM Programme recognises that infrastructure initiatives must consider their SED impact on communities. Before implementing bulk water infrastructure, we initiate SED efforts, using them to engage and build relations with our communities. For example, prior to commencing construction on bulk water infrastructure at Flag Boshielo in 2024, we are currently identifying local schools that can benefit from our SED projects. This proactive approach enables communities to become familiar with our presence and the positive contributions we aim to make before the infrastructure phase gets underway.

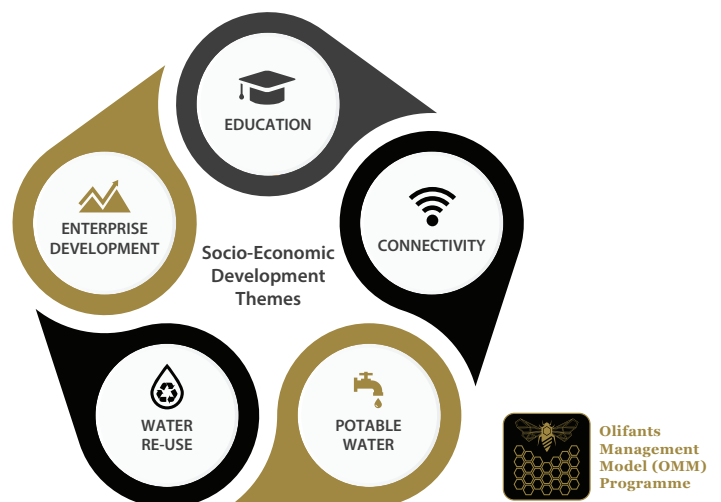
Our approach to stakeholder engagement places a strong emphasis on conducting comprehensive assessments of community needs rather than relying on preconceived notions. For example, we actively collaborate with stakeholders like the Department of Basic Education (DBE) to understand where we can make the greatest difference, such as replacing pit latrines with safer and more hygienic toilet facilities in an effort to assist the Government in eradicating pit toilets from schools. Additionally, we take a proactive stance in addressing security concerns throughout the construction and post-construction processes, to safeguard project assets such as the interactive whiteboards.

OMM Programme's SED FOCUS AREAS

The OMM's Programme's SED programme is designed to achieve the following objectives.

- Providing essential infrastructure for clean water supply to communities, which is crucial for their well-being and socio-economic development.
- Generating meaningful employment opportunities in the Limpopo Province.
- Creating additional jobs through mining activities, downstream beneficiation and manufacturing developments.
- Accelerating local and regional skills development to meet the broader skills requirements.
- Expanding the economy by rapidly supplying bulk raw water to leverage the mining commodity cycle and support the growth of other industries.
- Establishing essential infrastructure necessary for the industrialisation of the Bushveld Igneous Complex.
- Aligning with the District Development Model to ensure co-ordinated and effective development efforts.

To accomplish these goals, we are adopting a comprehensive approach to SED for the OMM Programme, focusing on five key themes



THE SCHOOL UPGRADE PROGRAMME

The School Upgrade Programme (SUP) is a socio-economic development initiative launched as part of the broader OMM Programme. This initiative is designed to enhance the infrastructure of selected primary and secondary schools in specific communities within Limpopo. By employing innovative, modular and low-maintenance solutions, the SUP effectively and concurrently addresses all five SED themes, tailoring its approach to cater to the unique needs of each school.

The SUP provides comprehensive support to these selected schools, including the improvement of school facilities, the enhancement of educator resources, and the resolution of related issues, all contributing to the creation of a more conducive and enriched learning environment for students. The implementation of the SUP is synchronised with the phased construction plan of the broader OMM Programme. This alignment is driven by the principle that SED projects should be initiated ahead of the construction phase. Within the ambit of the OMM Programme's accelerated construction scope, we are targeting the completion of six school upgrades as front-running SED projects before commencing bulk construction in the affected communities. These upgrades are expected to be finalised in Q1 of 2024.

Drawing on insight gained from the completed pilot project – along with feedback received and lessons learnt – each school upgrade is allocated a budget ranging from R3 million to R3.5 million.

The specific initiatives to be implemented at each participating school will be determined based on a comprehensive needs assessment.





CASE STUDY

Deputy Minister Mahlobo unveils the OMM Programme's first SED initiative

In March 2023, Deputy Minister of Water and Sanitation, David Mahlobo, unveiled the OMM's pilot SED project. The Deputy Minister was joined by Ms Maureen Lerule-Ramakhanya, a Member of the Executive Council (MEC) for the Limpopo Department of Basic Education (DBE), and Mr Bertus Bierman, the CEO of Lebalelo. Together, they officially unveiled to Kwata Primary School in Ga-Phala, Limpopo as part of the OMM's School Upgrade Programme. The upgrades to Kwata Primary School, part of the SUP pilot project, showcase the initiative's feasibility before wider implementation. They include bulk water storage, water-based ablution facilities (upgrading existing toilets), garden revitalisation, rainwater harvesting, a wastewater treatment plant, a paved school gathering area, solar power, internet access, and teacher aid tools like interactive whiteboards and training.

Deputy Minister Mahlobo highlighted that the partnership with Lebalelo has strengthened service delivery efforts, emphasising the crucial role of public-private partnerships in sustainable development. Similarly, Lebalelo CEO Bertus Bierman emphasised the importance of strong relationships with Government and communities. Bierman also mentioned the importance of increasing community involvement in identifying economic opportunities. MEC Maureen Lerule-Ramakhanya of the Limpopo DBE supported the collaboration's positive impact on educational facilities, creating a better learning environment for children, and noted the department's involvement from the start, offering technical support and approving ablution facility designs.

OUTLOOK

In the next year, we will increase our community investments by implementing an ambitious plan to substantially broaden our existing SED programmes. This heightened focus is driven by the OMM Programme, which outlines a commitment to allocate 1% of our construction capital expenditure towards SED initiatives. This strategic endeavour is anticipated to generate between R170 million and R190 million for SED initiatives within the next five years. The Association plans to further increase SED spend by collaborating with OMM Programme members, other commercial users, collaboration partners and donor funders.

GOVERNANCE, RISK AND COMPLIANCE

GOVERNANCE

We are committed to upholding the highest principles of good governance and sustainability. This commitment to good governance, inspired by our purpose and mandate, serves as the cornerstone of all our activities and is essential for the success and sustainability of the Association. Our governance framework facilitates strategic oversight, ensuring the implementation of robust internal controls, policies and procedures. This framework aligns with the Association's commitment to actively contribute to the development of the Limpopo region and South Africa at large.

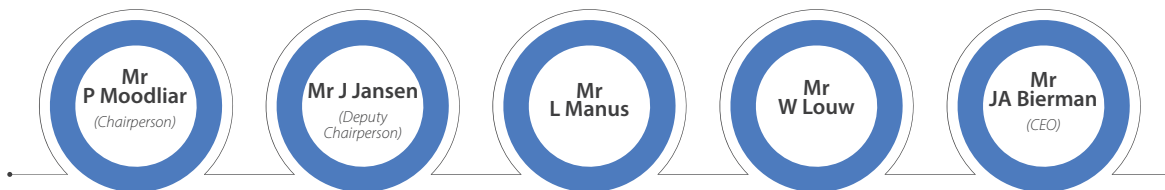
MANAGEMENT CONTROL

As per Section 94(1) and (2), read together with Schedule 4(1) of the National Water Act, the Management Committee (ManCom) of the Association is responsible for the management of the affairs of the Association. The ManCom is composed in accordance with Chapter 8 of the National Water Act, 1998 as well as the provisions stipulated in the Association's Constitution and Members' Agreement. Members of this committee are nominated in line with Schedule 5(12) of the National Water Act and elected following clause 13 of the Constitution at the Association's Annual General Meeting.

ManCom is responsible for fostering an ethical culture across the organisation, overseeing compliance with ethical norms, and ensuring the Association upholds the highest standards of good governance and responsible practices.

COMPOSITION

ManCom currently comprises five members chosen from the membership. Per the Constitution, three members represent industry, one represents the ordinary membership, and another represents the provincial Government.



KEY ACHIEVEMENTS DURING 2022

ManCom had the following key achievements during the period under review:

- Reviewing and approving the 2022 Annual Financial Statements, the budget and annual report.
- Reviewing and approving the amendments to the Constitution and Members' Agreement, which amendments were the antecedents to the implementation of the OMM Programme.
- Approving the following agreements, which were critical for the practical implementation of the OMM:
 - Implementation Agent Agreement with the DWS
 - Cession Agreement to transfer the remaining Olifants River Water Resource Development Project (ORWRDP) scope from DWS to the Association
 - Cession Conditions Agreement (in the form of a contract change order) with Zutari-Ndodana Joint Venture (ZNV) to match the OMM Programme Bulk Raw Water Supply
 - Standard Off Take Agreement with the members of the transformed WUA
 - Funding Agreement with the DWS for the funding of the OMM Programme.
- Reviewing and approving the change of the name of the Association from Lebalelo to Badirammogo Water User Association.
- Tabling the OMM Programme resolutions (including the necessary funding and admission of new members) at the Annual General Meeting.
- Approving the acquisition of the battery emergency storage system as backup power for the Clapham pump station to alleviate the effects of load shedding on the operations of the Association and its members.
- Overseeing the implementation of the SED projects, including the schools pilot project at Kwata Primary School.
- Overseeing the application and the issue of the amended water use licence, enabling the Association to draw water from the De Hoop Dam.



OUTLOOK

In the coming year, the ManCom will be reconstituted in accordance with the amended Constitution and Members' Agreement, which makes provision for nine members: four represent the Institutional Members, four represent Commercial Members and the final member is the CEO of the Association. Further, the ManCom will review and approve the new strategy for the Association. Other changes expected include the appointment of additional PMU staff members so that Lebelelo is fit for purpose with regard to the OMM Programme. Additional governance changes will be made to account for the growing Association.

DIVERSITY AND INCLUSION

The Association subscribes to the principles set out in Section 2 of the NWA in respect of ensuring appropriate racial, gender and community representation. Furthermore, the Constitution promotes the principle of equal representation between the Institutional Members and the Commercial Members in the Management Committee.

COMMITTEE REPORTS

The Association has established three standing committees with delegated authority from ManCom. Each committee operates under a charter that is formally approved by ManCom. These charters address various aspects, including composition, duties, responsibilities and the extent of their authority. Robust reporting practices are in place to ensure comprehensive oversight across all areas of responsibility. Each committee's charter is subject to regular review and updates to guarantee alignment with evolving regulatory frameworks, emerging best practices and the strategic priorities of the Association.



FINANCE COMMITTEE






PURPOSE AND ROLE OF THE COMMITTEE

The Finance Committee (FinCom) was established to provide support to the ManCom, focusing on areas such as financial management, auditing, compliance, risk governance, combined assurance, IT governance and remuneration within the Association. The committee charter outlines the core responsibilities and functions that guide its actions and contributions to the Association's governance structures. FinCom comprises five members and held eight meetings in the period under review.




COMPOSITION

The committee comprises five members and held eight meetings in the period under review.

MEMBERSHIP OF THE FINANCE COMMITTEE

				
Mr J Jansen <i>(Chairperson)</i>	Mr C Stockill <i>(Member)</i>	Mr L Manus <i>(Member)</i>	Mr JA Bierman <i>(Chief Executive Officer)</i>	Mr J Mahapa <i>(Finance Manager)</i>
ARM Mining, Consortium/African Rainbow Minerals	Anglo American Platinum	DWS	LWUA	LWUA

PERMANENT INVITEES

		
Mr P Moodliar <i>(Permanent Invitee)</i>	Mr Z Tsotetsi <i>(Permanent Invitee)</i>	Ms H Oberholzer <i>(Permanent Invitee)</i>
Anglo American Platinum	Northam Platinum	Rustenburg Platinum Mines

KEY ACHIEVEMENTS

While the Association faced challenges, which placed tremendous pressure on its revenue primarily as a result of reduced water usage, load shedding and almost unprecedented increases in fuel costs, the FinCom is proud to have helped steer the Association through these turbulent waters. The many meetings held during the period are a testament to the committee's ongoing engagement.

Among its achievements during the period under review, the following are most noteworthy:

- Bringing the operating costs under control to offset the impact of the challenges noted above through, among other things, continuous oversight of the spending vs the budget, endorsing management's decision to pump more water during the off-peak period, supporting measures to bring operational costs under control, and the acquisition of the battery emergency storage system.
- Reviewing and approving a sustainable budget.
- Continuously monitoring the debtors' age analysis, the solvency and liquidity, and overall financial performance of the Association.
- Reviewing and approving the Annual Financial Statements and annual report, appointing the external auditors and monitoring internal controls.
- Monitoring the progress and the spending on approved projects.
- Overseeing the governance of risk and ICT.
- Reviewing and approval of the water tariffs.

OUTLOOK

The FinCom is cautiously optimistic about the future and will be monitoring the impact of the rising expenses on the Association working in co-operation with the auditor. The committee will ensure the effectiveness of internal controls, and monitor the spending, sustainability, solvency and liquidity of the Association. Corporate governance adherence will be enhanced.



Mr J Jansen
Chairperson



OMM PROGRAMME STEERING COMMITTEE (OMM PSC) PURPOSE AND ROLE OF THE COMMITTEE

The OMM Programme Steering Committee (PSC) supports the ManCom by overseeing the Olifants Management Model (OMM) Programme for the Association. It deals with delegation of authority and advises on institutional, technical, environmental, social, financial and other OMM-related business. The primary role of the OMM PSC is to serve as a collaborative forum, ensuring consensus on decisions related to the OMM Programme.

COMPOSITION

MEMBERSHIP OF THE PROJECT STEERING COMMITTEE



Mr L Manus
(Member)
DWS



Ms L Kobe
(Member)
DWS



Ms H Oberholzer
(Member)
DWS



Mr Z Tsotetsi
(Member)
LWUA



Mr V Khumalo
(Member)
ARM Mining
Consortium/African
Rainbow Minerals



**Mr W
van der Berg**
(Member)
Ivanplats



Mr JA Bierman
(Chief Executive Officer)
LWUA

KEY ACHIEVEMENTS

The Association encountered challenges, including reduced water usage, load shedding, and significant fuel cost increases, impacting revenue. Despite these hurdles, the PSC takes pride in successfully guiding the Association. The committee's regular meetings during this period underscore its commitment to ongoing engagement and effective management.

Key PSC achievements are:

- Formal approval of the Early Business Case (EBC) by Infrastructure South Africa (ISA) on 6 October 2022.
- Providing oversight for the commencement of the Pre-feasibility Phase on 1 October 2022.
- Ministerial launch and sod-turning of the OMM Programme on 27 October 2022 at Spitskop Pump Station.
- Providing oversight during the start of construction on the Southern Extension 2 (SE2) phase 1 (pipeline from ORWRDP phase 2C to Dwarsrivier) in October 2022.
- Implementation and standardization of the Project Management Unit's control system.
- Launch of the Schools Upgrade Programme pilot project at Kwata Primary School in March 2023.
- Implementation and Funding Agreements signed with DWS.
- First Intermediate Business Case (IBC) report published in May 2023, including detailed designs and estimates for Phases 2B and 2B+ and the two water treatment works within the Northern Limb.
- Budget Facility for Infrastructure (BFI) Application for Phase 2B and 2B+ submitted to National Treasury in mid-July 2023 for Institutional Members' contribution to the OMM Programme.

OUTLOOK

The OMM PSC will continue to define arrangements and provide oversight for the delivery, monitoring and evaluation of the OMM Programme, including feedback into the Association's strategic and governance bodies. This will be done in accordance with international best practice.

REMUNERATION COMMITTEE

PURPOSE AND ROLE OF THE COMMITTEE

The Remuneration Committee's (RemCom) is a sub-committee of the FinCom. The primary responsibilities of the RemCom include reviewing and making recommendations to the ManCom on various matters encompassing HR policies, organisational structure, compliance with the Employment Equity Act, and other labour legislation.

This includes the following matters:

- Terms of employment for executive management.
- Appointment of the CEO and executive management members.
- Remuneration packages for the CEO, the executive management and remuneration parameters for other employees.
- Succession planning for executive management.
- Policies, strategies and practices related to performance management.
- Bonuses as proposed by the CEO.

COMPOSITION

The RemCom did not hold any meetings during the period under review but made its resolutions through round-robin resolutions.

MEMBERS



Mr P Moodliar
(Chairperson)
Anglo American
Platinum



Mr J Jansen
ARM Mining,
Consortium/African
Rainbow Minerals



Mr JA Bierman
LWUA

KEY ACHIEVEMENTS

During and after the period under review, key achievements of the RemCom included:

- Review and, where necessary, alignment of salary packages.
- Approval of the payment of the safety incentive.
- Approved annual salary increases.
- Review and approval of human resources policies.

OUTLOOK

In the first quarter, the Association will commence with the construction phase of the OMM Programme, which will entail a significant growth in personnel. Accordingly, the RemCom will ensure the adequacy of the salary packages and review and approve the 2024/2025 annual inflationary increases. In addition, the RemCom will consider the performance assessments of the executive management and make the appropriate resolutions.

Mr P Moodliar
Chairperson



THE SOCIAL AND ETHICS COMMITTEE






PURPOSE AND ROLE OF THE COMMITTEE

The Social and Ethics Committee (SeCom) was established in alignment with paragraph 68 of King IV (Social and Ethics Committee) to aid the ManCom in supervising matters related to social and ethical considerations, thereby ensuring the Association maintains its dedication as a socially responsible corporate citizen. The committee's core role revolves around the comprehensive oversight, guidance and advisory support for the efficacy of management's endeavours in the realms of social, ethical and sustainable development. This oversight encompasses a range of domains, including safety and occupational hygiene and health and wellness, with a focus on occupational health, environmentally responsible operations, preserving the Association's reputation, and brand, reputation and ethics management, while upholding social mandates and fostering community development, as well as managing and nurturing relationships with various stakeholders.




COMPOSITION

The committee comprises five members and held eight meetings in the period under review.

MEMBERSHIP OF THE SOCIAL AND ETHICS COMMITTEE

				
Mr W Louw <i>(Chairperson)</i> Impala Platinum	Ms H Oberholzer <i>(Member)</i> Rustenburg Platinum Mines	Ms Y Mfolo <i>(Member)</i> Rustenburg Platinum Mines	Mr JA Bierman <i>(Chief Executive Officer)</i> LWUA	Mr E Moloto <i>(Social Development Officer)</i> LWUA

PERMANENT INVITEES

		
Mr P Moodliar <i>(Permanent Invitee)</i> Anglo American Platinum	Mr Z Tsotetsi <i>(Permanent Invitee)</i> Northam Platinum	Ms H Booysen <i>(Permanent Invitee)</i> Samancor Chrome

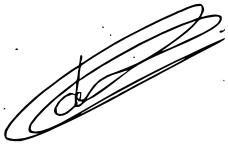
KEY ACHIEVEMENTS

Over and above its other achievements, the SeCom accomplished the following during the period under review:

- ◆ Oversaw social economic development projects such as the Nal'ibali reading programme, training of SMMs, the refurbishment and equipping of schools within the Association's doorstep communities with reading skills, interactive whiteboards and Wi-Fi access.
- ◆ The unveiling of the OMM Programme's flagship schools' upliftment pilot project at Kwata Primary School in Ga-Phala village.
- ◆ The achievement of over 133 879 fatality-free and 27 000 accident-free shifts.
- ◆ Fostering better understanding, co-operation and partnerships with the DWS, provincial departments of Water and Sanitation, Basic Education, Agriculture and Rural Development as well as the traditional councils, municipalities and communities.
- ◆ Monitoring water and energy usage by members and the Association as well as maintenance of the Association's infrastructure and the environmental impact of its operations.
- ◆ Overseeing the acquisition of land rights for the purposes of the Association's SE-2 infrastructure and OMM Programme.
- ◆ Improving the brand and the approval of the Association's rebranding strategy in the journey to transform the Association into Badirammogo Water User Association.

OUTLOOK

The SeCom understands that as the Association's staff complement increases drastically, it will be even more difficult to maintain the Association's safety and environment records and will accordingly be more vigilant in its oversight role. Further, the Association will be looking into creating partnerships with the members and non-members in the SED programmes. The committee will be overseeing the rollout of the rebranding strategy and more schools' upgrade projects, with six schools already identified for upgrades in the 2023/2024 financial year.



Mr W Louw
Chairperson

RISK

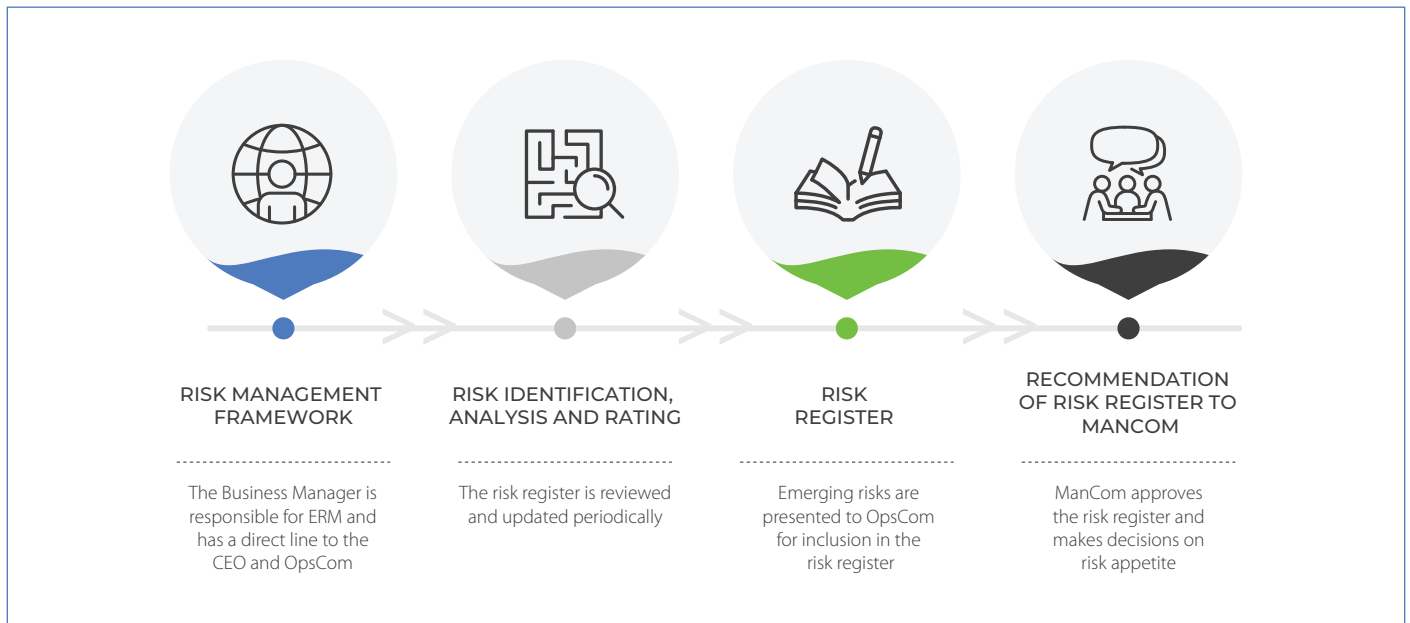
Lebalelo's approach to enterprise risk management (ERM) centres on recognising and mitigating the effects of significant strategic, operational, financial, reputational, ESG and regulatory risks that confront the organisation across the geographic regions and economic domains in which we conduct our operations. We adopt a proactive risk culture driven by a top-down approach of factoring risk into all decision-making, and a bottom-up approach informed by our strategic imperatives and day-to-day activities.

Our integrated risk management framework facilitates consistency in addressing the uncertainties within our operational context. This encompasses challenges and opportunities linked to our strategy, which are present in both our internal and external operational spheres. We assess both existing and emerging risks.

Our approach to risk management is shaped by our comprehensive risk framework, well-defined risk management guidelines and a range of policies and procedures. We are also informed by our commitment to ethical practices and sustainability. In this context, any risk undertaken is meticulously evaluated within the parameters of the ManCom-sanctioned risk appetite and tolerance thresholds. These levels are periodically assessed and revised as necessary to align with our evolving circumstances.



Our risk landscape informs our strategy and shapes decision-making throughout the Association.



RISK GOVERNANCE

ManCom supervises the Association’s risk framework, policies and procedures. While it entrusts these responsibilities to OpsCom, ManCom carries the ultimate accountability for designing and executing the risk management strategy and plan. OpsCom is responsible for reporting significant issues to provide ManCom with relevant comprehension of the Association’s material risks and opportunities. ManCom is satisfied Lebalelo has established efficient risk management processes.

RISK APPETITE

Lebalelo’s risk appetite and limits are set at an organisational level, with clear accountability and reporting requirements. Our risk management follows the three-lines-of-defence model to effectively identify and address material risks. In addition, we consistently integrate our combined assurance model, which specifically targets our critical strategic, financial, operational and compliance risks.

Lebalelo’s approach to risk management is guided by a well-established framework that incorporates a risk-rating matrix. This matrix assesses both the probability of specific risks occurring and the potential magnitude of their impact. The ultimate responsibility for overseeing risk governance within the Association rests with ManCom. ManCom receives support from OpsCom, which helps implement processes to identify and manage risks in alignment with approved risk appetite and limits. ManCom fulfills its duties by delegating particular risk management responsibilities to its committees and the executive management team of the Association.



COMPLIANCE AND ETHICS

The Association acknowledges that one of our fundamental risks lies in adhering to statutory obligations and self-imposed voluntary commitments. As a result, it is both prudent and essential to not only identify the relevant legislation we must adhere to, but also to consistently monitor our compliance levels. In pursuit of this, during the reviewed period, we strengthened our compliance oversight by implementing a Compliance Management Policy and Framework.

This entailed setting benchmarks to achieve compliance with relevant laws, regulations and supervisory prerequisites, and involved effective communication and application of various standards and industry norms. Reports on legal matters and findings, accompanied by suitable recommendations for enhancement, were submitted to OpsCom, ManCom and relevant sub-committees. In addition, the Association developed a comprehensive information technology management policy. This will enhance our IT processes going forward, bringing them in line with industry best practice and the evolving needs of the Association.

IT GOVERNANCE

Information technology (IT) plays a foundational role at Lebalelo, serving as a pivotal enabler to the efficiency and long-term viability of the Association's growth aspirations. In 2022, we developed a strategically aligned IT approach. This will inform our IT investments, policies and procedures and is underpinned by an IT governance framework, which is customised to the Association's strategy and operating context, integrated into key business objectives and monitored for compliance and performance.

ARRANGEMENTS FOR GOVERNING AND MANAGING IT





ANNUAL FINANCIAL STATEMENTS

Index

The reports and statements set out below comprise the Annual Financial Statements presented to the Management Committee:

50	Responsibilities and Approval of the Management Committee
51	Independent Auditor's Report
53	Report of the Management Committee
54	Statement of Financial Position
55	Statement of Comprehensive Income
56	Statement of Changes in Equity
57	Statement of Cash Flows
58	Accounting Policies
61	Notes to the Annual Financial Statements

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 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 2024 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 53 and 54 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:



JA Bierman
Chief Executive Officer



J Jansen
Chairperson
Finance Committee



P Moodliar
Chairperson
Management Committee



W Louw
Chairperson
Social and Ethics Committee

Independent Auditor's Report

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 56 to 73, which comprise the Statement of Financial Position as at 30 June 2023, 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 2023, 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 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.

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.

Independent Auditor's Report

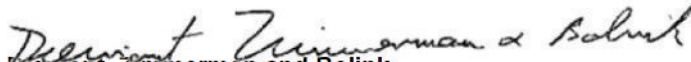
Auditor's responsibilities for the audit of the Annual Financial Statements

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 base 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.


Diermont, Zimmerman and Bolink
Chartered Accountants (SA)
Registered Auditors
Engagement Partner: J.B. Stamp CA (SA), RA

08 November 2023
25 Watermelon Street
Platinum Park
Bendor
Polokwane
0699

Report of the Management Committee

The Management Committee submits its report for the year ended 30 June 2023.

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.

The operating results and state of affairs of the Association are fully set out in the attached annual report 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:

P Moodliar - Chairperson – Management Committee

J Jansen - Chairperson – Finance Committee

W Louw - Chairperson – Social and Ethics Committee

JA Bierman - Chief Executive Officer

L Manus - Ordinary Member

Vacant - Local Government

A full outline of the Management Committee and sub-committees 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

At the AGM, the members will be requested to appoint the independent external auditors of the Association and to confirm the designated lead audit partner for the 2024 financial year.

Statement of Financial Position for the year ended 30 June 2023

	Note(s)	2023	2022
Assets			
Non-current Assets			
Property, plant and equipment	2	482 218 524	334 768 135
Intangible assets and long-term pre-payments	3	73 121 813	82 762 520
Other financial assets	4	5 316 436	5 081 767
		560 656 773	422 612 422
		4 284 704	3 215 035
Current Assets			
Consumable stock	5	4 284 704	3 215 035
Trade and other receivables	6	105 330 356	27 925 305
Other financial assets	4	435 819 032	137 478 554
Cash and cash equivalents	7	68 802 725	57 517 497
		614 236 817	226 136 391
Total Assets		1 174 893 590	648 748 813
Equity and Liabilities			
Equity			
Capital reserve		551 544 720	397 327 896
Retained surplus		264 528 599	96 829 425
		816 073 319	494 157 321
Liabilities			
Non-current Liabilities			
Deferred income	8	60 664 639	69 651 993
Current Liabilities			
Trade and other payables	9	42 140 915	14 480 709
Deferred income	8	8 987 354	8 987 354
Provisions	10	12 400 262	11 636 537
Short-term payables	11	234 627 101	49 834 899
		298 155 632	84 939 499
Total Liabilities		358 820 271	154 591 492
Total Equity and Liabilities		1 174 893 590	648 748 813

Statement of Comprehensive Income

for the year ended 30 June 2023

	Note(s)	2023	2022
Revenue	12	377 110 768	215 764 614
Direct cost	13	(44 487 935)	(47 120 707)
Gross surplus		332 622 833	168 643 907
Other income	14	9 364 500	9 121 383
Operating expenses		(187 857 636)	(143 415 559)
Operating surplus (deficit)		154 129 697	34 349 731
Investment revenue	15	16 777 158	6 372 786
Finance costs	19	(3 207 681)	(2 150 595)
Surplus (deficit) for the year		167 699 174	38 571 922
Other comprehensive income		–	–
Total comprehensive surplus (deficit) for the year		167 699 174	38 571 922

Statement of Changes in Equity for the year ended 30 June 2023

Amount in Rand	Capital reserve 2023	Retained surplus 2023	Total equity 2023
Balance at 01 July 2021	397 327 896	58 257 503	455 585 399
Surplus/(deficit) for the year	–	38 571 922	38 571 922
Total changes	–	38 571 922	38 571 922
Balance at 01 July 2022	397 327 896	96 829 425	494 157 321
Surplus/(deficit) for the year	–	167 699 174	167 699 174
Capital contribution for the year	154 216 824	–	154 216 824
Total changes	154 216 824	167 699 174	321 915 998
Balance at 30 June 2023	551 544 720	264 528 599	816 073 319

Statement of Cash Flows for the year ended 30 June 2023

	Note(s)	2023	2022
Cash flows from operating activities			
Cash receipts from customers		300 082 863	205 967 941
Cash paid to suppliers and employees		(181 752 397)	(162 473 923)
Cash generated from (used in) operations	20	118 330 466	43 494 018
Interest income	13	16 777 158	6 372 786
Finance costs	19	(3 207 681)	(2 150 595)
Net cash from operating activities		131 899 943	47 716 209
Cash flows from investing activities			
Additions to property, plant and equipment	2	(161 227 640)	(5 644 473)
Disposals of property, plant and equipment	2 + 20	179 048	–
Movement in other financial assets		(298 575 148)	(2 998 721)
Net cash from investing activities		(459 623 740)	(8 643 194)
Cash flows from financing activities			
Movement in capital contributions		154 216 823	–
Movement in short-term payables		184 792 202	(5 355 528)
Net cash from financing activities		339 009 025	(5 355 528)
Total cash movement for the year		11 285 228	33 717 486
Cash at the beginning of the year		57 517 497	23 800 011
Total cash at end of the year	7	68 802 725	57 517 497

Accounting Policies for the year ended 30 June 2023

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 Rand.

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.

1.2 Intangible assets and long-term pre-payments

An intangible asset is recognised when:

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

Accounting Policies for the year ended 30 June 2023

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 the impairment was reversed, shall not exceed what the carrying amount would have been, had the impairment not been recognised.

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

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

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

Accounting Policies for the year ended 30 June 2023

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 member the significant risks and rewards of ownership of the goods
- 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.

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

1.6 Borrowing costs

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

Notes to the Annual Financial Statements

for the year ended 30 June 2023

2. Property, plant and equipment

	2023			2023		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Plant and equipment – Existing scheme	315 135 275	(86 707 847)	228 427 428	278 861 630	(79 847 383)	199 014 247
Furniture and fixtures	1 706 125	(659 603)	1 046 522	715 655	(582 066)	133 589
Motor vehicles	18 783 779	(13 289 295)	5 494 484	16 270 310	(10 652 688)	5 617 622
IT equipment and infrastructure	6 021 414	(4 415 722)	1 605 692	4 383 182	(3 095 935)	1 287 247
Tools and equipment	4 811 673	(3 936 488)	875 185	4 235 886	(3 735 416)	500 470
Plant and equipment – Southern Extension	172 756 704	(47 856 086)	124 900 618	172 729 412	(45 918 785)	126 810 627
Plant and equipment – Booyesdal Platinum	2 046 459	(734 286)	1 312 173	1 999 842	(595 509)	1 404 333
Capital work in progress – Southern Extension 2	118 556 422	–	118 556 422	–	–	–
Total	639 817 851	(157 599 327)	482 218 524	479 195 917	(144 427 782)	334 768 135

Reconciliation of property, plant and equipment – 2023

	Opening balance	Additions	Scrapping and disposals	Depreciation	Closing balance
Plant and equipment – Existing scheme	199 014 247	36 273 647	–	(6 860 466)	228 427 428
Furniture and fixtures	133 589	990 470	–	(77 537)	1 046 522
Motor vehicles	5 617 622	3 119 172	(2)	(3 242 308)	5 494 484
IT equipment and infrastructure	1 287 247	1 638 232	–	(1 319 787)	1 605 692
Tools and equipment	500 470	575 787	–	(201 072)	875 185
Plant and equipment – Southern Extension	126 810 627	27 292	–	(1 937 301)	124 900 618
Plant and equipment – Booyesdal Platinum	1 404 333	46 618	–	(138 778)	1 312 173
Capital work in progress – Southern Extension 2	–	118 556 422	–	–	118 556 422
	334 768 135	161 227 640	(2)	(13 777 249)	482 218 524

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 – Booyesdal Platinum	1 370 157	215 742	–	–	(181 566)	1 404 333
	343 874 118	5 644 473	(39 798)	–	(14 710 658)	334 768 135

Notes to the Annual Financial Statements

for the year ended 30 June 2023

3. Intangible assets and long-term pre-payments

	2023			2022		
	Cost/ revaluation	Accumulated amortisation	Carrying value	Cost/ revaluation	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	(8 989 505)	2 112 837	11 102 342	(8 461 295)	2 641 047
Eskom POD Cost	3 168 837	(2 664 433)	504 404	3 168 837	(2 538 332)	630 505
Exemption from water resource development charge – as per note 8	224 730 097	(155 085 525)	69 644 572	224 730 097	(146 099 129)	78 630 968
Total	246 861 276	(173 739 463)	73 121 813	246 861 276	(164 098 756)	82 762 520

Reconciliation of intangible assets and long-term pre-payments – 2023

	Opening balance	Amortisation	Total
Servitudes	860 000	–	860 000
Capital costs – Eskom powerline	2 641 047	(528 210)	2 112 837
Eskom POD cost	630 505	(126 101)	504 404
Exemption from water resource development charge as per note 8	78 630 968	8 986 396	69 644 572
	82 762 520	(9 640 707)	73 121 813

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
	92 403 226	(9 640 706)	82 762 520

Notes to the Annual Financial Statements

for the year ended 30 June 2023

4. Other financial assets

Amount in Rand	2023	2022
At amortised cost	5 316 436	5 081 767
Fixed deposits – Absa (Eskom guarantees)		
Interest rates ranging from 6.51% to 8.67% (2022: 4.85% to 4.85%) per annum. Refer to note 21.		
Fixed deposits – Absa (Designated funds)	40 643 772	37 987 148
Interest rates ranging from 6.53% to 7.60% (2022: 4.54% to 5.56%) per annum. Refer to note 11.		
Fixed deposits – Absa (Community support services and social development)	12 400 262	11 636 537
Interest rates ranging from 6.79% to 7.70% (2022: 4.54% to 4.85%) per annum. Refer to note 10.		
Short-term deposits – Absa	347 551 429	55 157 887
Interest rates ranging from 7.60% to 8.67% (2022: 4.54% to 5.56%) per annum.		
Short-term deposits – FNB	35 223 569	32 696 982
Interest rates ranging from 6.47% to 7.00% (2022: 4.35% to 6.47%) per annum.		
	441 135 468	142 560 321
Non-current assets		
At amortised cost	5 316 436	5 081 767
Current assets		
At amortised cost	435 819 032	137 478 554
	441 135 468	142 560 321
5. Consumable stock		
Consumable stock	4 284 704	3 215 035
6. Trade and other receivables		
Trade receivables	92 805 075	18 705 738
Deposits – Eskom	9 178 093	9 178 093
Deposits – Other	441 221	41 474
Deposits – Servitude	2 000 000	–
VAT	905 967	–
	105 330 356	27 925 305
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	–	7 009
Bank balances	28 753 028	5 331 006
Short-term deposits	40 049 697	52 179 482
	68 802 725	57 517 497

Notes to the Annual Financial Statements

for the year ended 30 June 2023

Amount in Rand	2023	2022
8. Deferred income		
Non-current pre-payment	60 664 639	69 651 993
Current pre-payment	8 987 354	8 987 354
	69 651 993	78 639 347

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	29 158 44	3 787 580
VAT	–	702 086
Raw water payables – Refer to note 21	1 559 870	1 559 870
Accrued payroll expenses	5 429 340	5 639 909
Other payables	5 993 264	2 791 264
	42 140 915	14 480 709

10. Provisions

Reconciliation of provisions – 2023

	Opening balance	Additions	Total
Community support services and social development	11 636 537	763 725	12 400 262

Reconciliation of provisions – 2022

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

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.

Notes to the Annual Financial Statements

for the year ended 30 June 2023

Amount in Rand	2023	2022
8. Deferred income		
Non-current pre-payment	60 664 639	69 651 993
Current pre-payment	8 987 354	8 987 354
	69 651 993	78 639 347

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.

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Other payables	5 993 264	2 791 264
	42 140 915	14 480 709

10. Provisions

Reconciliation of provisions – 2023

	Opening balance	Additions	Total
Community support services and social development	11 636 537	763 725	12 400 262

Reconciliation of provisions – 2022

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

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.

Annual Financial Statements for the year ended 30 June 2023

Amount in Rand	2023	2022
11. Short-term payables		
Payables due to members – Southern Extension	7 398 960	12 768 684
Payables due to members – Northern Extension Mogalakwena	39 101 129	38 019 560
	188 127 012	–
Non-members funding contribution – Southern Extension 2	234 627 101	50 788 244
<p>The Association is in the construction phase of the Southern Extension 2 project (refer note 2), which is funded through commitment agreements between the Association and the participating commitment parties comprised of members of the Association and non-members. The funding contributions by non-member commitment parties will be converted to capital upon the non-members becoming members of the Association. Refer to note 24 on events after the reporting period.</p>		
12. Revenue		
Variable operating costs	51 608 248	41 737 414
Fixed operating costs	93 245 346	82 494 592
Covid-19 Project Levy	–	8 392 109
Refurbishment Fund Levy	13 929 313	–
SED Levy	1 934 643	–
Feasibility – OMM Project	204 088 310	51 620 000
Feasibility – Southern Extension 2 Project	12 304 908	31 520 499
	377 110 768	215 764 614
<p>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. The Southern Extension 2 project was partly in the research phase up until August 2022.</p>		
13. Direct cost		
Supplying bulk raw water		
Electricity	39 365 102	41 616 893
Water	5 068 141	5 445 716
Other direct cost	54 692	58 098
	44 487 935	47 120 707
14. Other income		
Amortisation of pre-payment – Refer to note 8	8 987 354	8 987 354
Discount received	7 169	–
Insurance claims received	38 517	12 629
Profit and loss on sale of assets	179 046	–
Recoveries	17 610	–
Rental income	92 400	92 400
Scrapping income	42 404	–
Tender income	–	29 000
	9 364 500	9 121 383

Notes to the Annual Financial Statements

for the year ended 30 June 2023

	2023	2022
15. Investment revenue		
Interest revenue		
Bank	1 243 064	528 044
Interest charged on trade and other receivables	640 343	–
Other financial assets	14 893 751	5 844 742
	16 777 158	6 372 786

16. Auditor's remuneration		
Fees	665 000	550 000

17. Employee cost		
The following items are included within employee benefits expense:		
Employee costs		
Compensation	47 563 028	37 036 565
Skills Development Levy	411 708	281 377
Unemployment Insurance Fund	103 875	73 405
Workmen's compensation	225 384	60 047
Other short-term employee costs	1 089 706	615 648
	49 393 701	38 067 042

Details relating to employees of the Association is disclosed in the annual report.

18. Management Committee' remuneration				
Executive				
2023		Compensation	Total	
JA Bierman (title)		4 755 900	4 755 900	
2022		Compensation	Retention	Total
JA Bierman (title)	3 686 855	2 677 312		6 364 167

	2023	2022
19. Finance costs		
Interest paid on designated funds	3 154 891	1 844 336
Late payment of tax	–	262 243
Other finance cost	52 790	44 016
	3 207 681	2 150 595

Notes to the Annual Financial Statements

for the year ended 30 June 2023

	2023	2022
20. Cash generated from (used in) operations		
Surplus	167 699 174	38 571 922
Adjustments for:		
Depreciation and amortisation	23 417 955	24 351 364
Loss/(profit) on sale of assets	(179 046)	39 798
Interest received	(16 777 158)	(6 372 786)
Finance costs	3 207 681	2 150 595
Movements in provisions	763 725	507 758
Changes in working capital		
Consumable stock	(1 069 669)	(1 231 327)
Trade and other receivables	(77 405 051)	(6 422 840)
Trade and other payables	27 660 209	86 887
Deferred income	(8 987 354)	(8 987 353)
	118 330 466	43 494 018

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
R364 337 on behalf of the Dwars River pump station's account
R1 231 000 on behalf of the Dwars River Southern Extension 2's account
R1 325 000 on behalf of the Spitskop Southern Extension 2's account

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 R24 618 865.19 (2022: R35 937 866.98) 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 m³, the 3 880 000 m³ and the 1 001 462 m³ at an assumed metered point at Havercroft, whilst in reality the Association has only one metered off-take point. In order to rectify 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 Association made significant progress as compared to the prior years in terms of negotiating with DWS to reduce the contingent liability amount. 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.

LEBALELO WATER USER ASSOCIATION
DETAILED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2023

	2023 R	2023 R	2023 R	2023 R	2023 R	2023 R	2023 R	2023 R	2023 R
	Havercroft to Maandagshoek	Southern Extension	Booyensdal Platinum	Total Operations	Olifants Management Model	Southern Extension 2	Total Projects (OMM & SE-2)	Other	Consolidated Total Operations & Projects
Gross revenue	142,214,111	14,781,969	3,721,469	160,717,549	-	-	-	-	160,717,549
Electrical Charges	21,125,324	3,038,883	1,087,283	25,251,490	-	-	-	-	25,251,490
Fixed Operating Costs	78,868,073	11,743,086	2,634,186	93,245,346	-	-	-	-	93,245,346
Raw Water	25,899,289	-	-	25,899,289	-	-	-	-	25,899,289
SED LEVY	1,934,643	-	-	1,934,643	-	-	-	-	1,934,643
Water Research Fund	457,469	-	-	457,469	-	-	-	-	457,469
Refurbishment Fund	13,929,313	-	-	13,929,313	-	-	-	-	13,929,313
Other income	9,364,499	-	-	9,364,499	204,088,310	12,304,908	216,393,218	16,777,157	242,534,875
Project Income	-	-	-	-	204,088,310	12,304,908	216,393,218	-	216,393,218
Discount Received	7,169	-	-	7,169	-	-	-	-	7,169
Insurance	38,517	-	-	38,517	-	-	-	-	38,517
Interest Received	-	-	-	-	-	-	-	16,777,157	16,777,157
Customer Deposits	-	-	-	-	-	-	-	-	-
Profit-Loss Disposal Of Assets	179,046	-	-	179,046	-	-	-	-	179,046
Proceeds on sale of scrap	42,404	-	-	42,404	-	-	-	-	42,404
Recoveries	17,610	-	-	17,610	-	-	-	-	17,610
Grants Received	-	-	-	-	-	-	-	-	-
Tenders sold	-	-	-	-	-	-	-	-	-
Rent Received	92,400	-	-	92,400	-	-	-	-	92,400
Deferred Income	8,987,354	-	-	8,987,354	-	-	-	-	8,987,354
Total income	151,578,610	14,781,969	3,721,469	170,082,048	204,088,310	12,304,908	216,393,218	16,777,157	403,252,424
Direct Cost	38,041,200	4,844,157	1,602,578	44,487,935	-	-	-	-	44,487,935
Catholic Protection	-	54,692	-	54,692	-	-	-	-	54,692
Catchment Management Fund	920,872	-	-	920,872	-	-	-	-	920,872
Eskom_Fixed Costs	5,433,110	1,225,513	488,735	7,147,358	-	-	-	-	7,147,358
Eskom_Variable Costs	27,539,949	3,563,951	1,113,843	32,217,744	-	-	-	-	32,217,744
Raw Water	3,468,121	-	-	3,468,121	-	-	-	-	3,468,121
Water Research Fund	654,119	-	-	654,119	-	-	-	-	654,119
Raw Water: Loskop Besproeiingsraad	8,804	-	-	8,804	-	-	-	-	8,804
Raw Water:Olifants Besproeiingsraad	16,225	-	-	16,225	-	-	-	-	16,225
Total Fixed operating costs (Refer to next page)	67,732,902	2,186,415	2,177,047	72,096,363	88,633,154	3,710,164	92,343,318	26,625,636	191,065,317
Retained surplus/(deficit) for the year	45,804,509	7,751,397	(58,156)	53,497,750	115,455,156	8,594,744	124,049,901	(9,848,479)	167,699,174
Transfer of interest to non-distributable reserve	-	-	-	-	-	-	-	-	-
Accumulated surplus/(deficit) at beginning of year	(84,899,052)	10,801,907	11,334,744	(62,762,402)	18,871,890	23,860,616	42,732,506	116,859,323	96,829,425
Accumulated surplus/(deficit) at the end of the year	(39,094,544)	18,553,304	11,276,589	(9,264,651)	134,327,046	32,455,360	166,782,407	107,010,844	264,528,599

LEBALELO WATER USER ASSOCIATION
DETAILED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2023

Notes	2023 R	2023 R	2023 R	2023 R	2023 R	2023 R	2023 R	2023 R	2023 R
	Havercroft to Maandagshoek	Southern Extension	Booyensdal Platinum	Total Operations	Olifants Management Model	Southern Extension 2	Total Projects (OMM & SE-2)	Other	Consolidated Total Operations & Projects
Fixed operating costs	67,732,902	2,186,415	2,177,047	72,096,363	88,633,154	3,710,164	92,343,318	26,625,636	191,065,317
Administrative expenses	8,750,518	234,186	-	8,984,705	3,284,505	1052,59	3,285,558	-	12,270,262
Consultant fees	729,808	-	-	729,808	65,626,317	2,383,180	68,009,497	-	68,739,305
Depreciation	-	-	-	-	-	-	-	13,777,249	13,777,249
Amortisation	-	-	-	-	-	-	-	9,640,706	9,640,706
Finance charge	-	-	-	-	-	-	-	3,207,681	3,207,681
Personnel costs	33,814,771	-	-	33,814,771	14,679,020	899,910	15,578,930	-	49,393,701
Vehicle Expenses	1,994,963	-	-	1,994,963	18,164	-	18,164	-	2,013,126
Safety and Security	10,472,490	51,264	5,729	10,529,482	2,122,614	426,021	2,548,635	-	13,078,117
Software development and training	68,830	-	-	68,830	-	-	-	-	68,830
Social Responsibility	2,623,134	-	-	2,623,134	2,880,190	-	2,880,190	-	5,503,324
MAINTENANCE	-	-	-	-	-	-	-	-	-
Abnormal maintenance	-	-	-	-	-	-	-	-	-
Access roads	-	-	-	-	-	-	-	-	-
Air conditioners	6,637	-	-	6,637	-	-	-	-	6,637
Cathodic Protection	168,000	84,000	28,000	280,000	-	-	-	-	280,000
Civil	18,791	30,575	-	49,365	-	-	-	-	49,365
Cleaning	55,672	3,777	467	59,915	-	-	-	-	59,915
Cranes	112,628	41,177	-	153,805	-	-	-	-	153,805
Dams	558,885	-	-	558,885	-	-	-	-	558,885
Electrical	1,353,884	278,918	1,643,616	3,276,418	-	-	-	-	3,276,418
Environment	241,506	4,853	1,618	247,976	-	-	-	-	247,976
Fabrication	15,301	-	-	15,301	-	-	-	-	15,301
Gardens and irrigation	242,402	60	-	242,461	-	-	-	-	242,461
Herbicide	1,252,774	484,800	-	1,737,574	-	-	-	-	1,737,574
Instrumentation	1,173,454	583,945	175,834	1,933,233	-	-	-	-	1,933,233
Lubricants and workshop consumables	40,236	-	343	40,579	-	-	-	-	40,579
Mechanical	2,159,676	170,255	1,360	2,331,291	-	-	-	-	2,331,291
Offices and workshop	413,562	32,735	-	446,297	-	-	-	-	446,297
Pest control	996,746	145,730	320,082	1,462,559	22,344	-	22,344	-	1,484,903
Pipe lines	83,031	-	-	83,031	-	-	-	-	83,031
Personnel housing	-	-	-	-	-	-	-	-	-
Plant hire	80,176	22,700	-	102,876	-	-	-	-	102,876
Safety ropes	-	-	-	-	-	-	-	-	-
Telemetry	132,809	4,850	-	137,659	-	-	-	-	137,659
Tools and equipment	54,064	6,691	-	60,755	-	-	-	-	60,755
Water quality (purification)	118,155	5,900	-	124,055	-	-	-	-	124,055

LEBALELO WATER USER ASSOCIATION
DETAILED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2023

	2022 R	2022 R	2022 R	2022 R 21%	2022 R	2022 R	2022 R	2022 R	2022 R
	Havercroft to Maandagshoek	Southern Extension	Booyensdal Platinum	Total Operations	Olifants Management Model	Southern Extension 2	Total Projects (OMM & SE-2)	Other	Consolidated Total Operations & Projects
Gross revenue	114,052,093	14,726,519	3,845,502	132,624,114	51,620,000	31,520,499	83,140,499	-	215,764,614
Fixed operating costs	68,712,436	11,103,876	2,678,280	82,494,592	-	-	-	-	82,494,592
Fixed electricity	3,952,691	756,724	457,499	5,166,914	-	-	-	-	5,166,914
Variable electricity	11,051,976	2,865,919	709,723	14,627,618	-	-	-	-	14,627,618
Raw water	21,491,797	-	-	21,491,797	-	-	-	-	21,491,797
Water research fund	451,084	-	-	451,084	-	-	-	-	451,084
Covid-19 support (Contributions by members)	8,392,109	-	-	8,392,109	-	-	-	-	8,392,109
Project Feasibility Study (Contributions by participating members)	-	-	-	-	51,620,000	31,520,499	83,140,499	-	83,140,499
Cost of revenue	41,100,518	4,523,319	1,496,870	47,120,707	-	-	-	-	47,120,707
Fixed electricity	4,984,908	1,541,916	440,901	6,967,725	-	-	-	-	6,967,725
Variable electricity	30,669,894	2,981,403	1,055,969	34,707,266	-	-	-	-	34,707,266
Raw water	3,870,107	-	-	3,870,107	-	-	-	-	3,870,107
Water research fund	1,575,609	-	-	1,575,609	-	-	-	-	1,575,609
Maintenance: Potable water infrastructure	-	-	-	-	-	-	-	-	-
Gross surplus	72,951,575	10,203,200	2,348,632	85,503,407	51,619,999	31,520,498	83,140,498	-	168,643,907
Other income	-	-	-	-	-	-	-	13,303,776	13,303,776
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
Total income	72,951,575	10,203,200	2,348,632	85,503,407	51,619,999	31,520,498	83,140,498	13,303,776	181,947,683
Fixed operating costs (Refer to next page)	91,606,961	6,086,256	2,129,156	99,822,373	26,907,110	7,659,883	34,566,993	8,986,396	143,375,761
Retained surplus/(deficit) for the year	(18,655,386)	4,116,944	219,476	(14,318,966)	24,712,889	23,860,615	48,573,505	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	(48,443,436)	(5,841,000)	-	(5,841,000)	112,541,941	58,257,505
Accumulated surplus/(deficit) at the end of the year	(84,899,052)	10,801,907	11,334,744	(62,762,402)	18,871,890	23,860,616	42,732,506	116,859,323	96,829,425

LEBALELO WATER USER ASSOCIATION
DETAILED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2023

Notes	2022 R	2022 R	2022 R	2022 R	2022 R	2022 R	2022 R	2022 R	2022 R
	Havercroft to Maandagshoek	Southern Extension	Booyensdal Platinum	Total Operations	Olifants Management Model	Southern Extension 2	Total Projects (OMM & SE-2)	Other	Consolidated Total Operations & Projects
Fixed operating costs	91,606,961	6,086,256	2,129,156	99,822,373	26,907,110	7,659,883	34,566,993	8,986,396	143,375,761
Administrative expenses	8,832,054	89,641	-	8,921,695	-	-	-	-	8,921,695
Consultant fees	3,560,459	-	-	3,560,459	-	-	-	-	3,560,459
Concept Study	-	-	-	-	26,907,110	7,659,883	34,566,993	-	34,566,993
Covid-19 support	432,913	-	-	432,913	-	-	-	-	432,913
Depreciation	12,168,712	3,014,601	181,656	15,364,969	-	-	-	-	15,364,969
Amortisation	-	-	-	-	-	-	-	8,986,396	8,986,396
Strategy	7,592,571	-	-	7,592,571	-	-	-	-	7,592,571
Personnel costs	38,782,192	-	-	38,782,192	-	-	-	-	38,782,192
Transport	1,035,146	-	-	1,035,146	-	-	-	-	1,035,146
Security and safety	8,421,041	918,115	450,123	9,789,279	-	-	-	-	9,789,279
Software development and training	88,028	-	-	88,028	-	-	-	-	88,028
Social Responsibility	3,529,912	-	-	3,529,912	-	-	-	-	3,529,912
MAINTENANCE									
Abnormal maintenance	1,106	-	-	1,106	-	-	-	-	1,106
Access roads	-	-	-	-	-	-	-	-	-
Air conditioners	16,945	-	-	16,945	-	-	-	-	16,945
Civil	61,059	106,886	-	167,945	-	-	-	-	167,945
Cleaning	41,595	-	-	41,595	-	-	-	-	41,595
Cranes	57,093	80,778	-	137,871	-	-	-	-	137,871
Dams	87,887	-	-	87,887	-	-	-	-	87,887
Electrical	1,125,717	187,368	451,362	1,764,447	-	-	-	-	1,764,447
Environment	209,869	20,037	10,000	239,906	-	-	-	-	239,906
Fabrication	24,039	-	-	24,039	-	-	-	-	24,039
Gardens and irrigation	4,004	-	-	4,004	-	-	-	-	4,004
Herbicide	1,272,974	425,181	51,007	1,749,162	-	-	-	-	1,749,162
Instrumentation	1,416,108	685,621	186,815	2,288,544	-	-	-	-	2,288,544
Lubricants and workshop consumables	35,714	-	2,267	37,981	-	-	-	-	37,981
Mechanical	1,969,291	260,546	461,074	2,690,911	-	-	-	-	2,690,911
Offices and workshop	10,874	-	-	10,874	-	-	-	-	10,874
Pest control	194,967	19,075	2,687	216,729	-	-	-	-	216,729
Pipe lines	23,061	199,310	298,965	521,336	-	-	-	-	521,336
Personnel housing	290,941	-	-	290,941	-	-	-	-	290,941
Plant hire	18,250	9,500	4,500	32,250	-	-	-	-	32,250
Safety ropes	-	-	-	-	-	-	-	-	-
Telemetry	127,786	-	-	127,786	-	-	-	-	127,786
Tools and equipment	82,159	28,701	28,701	139,561	-	-	-	-	139,561
Water quality (purification)	92,494	40,896	-	133,390	-	-	-	-	133,390

Notes to the Annual Financial Statements

for the year ended 30 June 2023

24. Events after the reporting period

The Annual Financial Statements were authorised for issue on Wednesday, 08 November 2023 by the Management Committee of the Association.

An Amended Constitution has been issued and delivered to DWS for regulatory and Ministerial approval. The Amended Constitution was approved by the minister in July 2023. As part of the process, the Minister will advise on a new name for the Water User Association (WUA).

Once signed, the Amended Constitution will admit new members to the Water User Association (WUA).

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 programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Association's financial performance. 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.

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.

Projected Five-Year Statement of Comprehensive Income - Operations

YEAR	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028
Water Use in m ³	8 692 057	9 410 641	10 328 031	10 897 926	11 608 340
Revenue					
Fixed Operating Income	118 533 879	115 524 464	128 810 289	138 699 773	150 566 559
Raw Water	3 668 917	4 035 809	4 439 390	4 883 329	5 371 662
Water Research Fund	639 735	703 709	774 080	851 488	936 637
Electricity Income	42 298 752	50 645 175	60 639 747	72 608 156	86 940 493
TOTAL REVENUE	165 141 284	170 909 156	194 663 506	217 042 746	243 815 350
Cost of Revenue					
Electricity Charges - Fixed Costs	8 257 806	9 880 086	11 821 464	14 144 779	16 925 252
Electricity Charges - Variable Costs	42 298 752	50 645 175	60 639 747	72 608 156	86 940 493
Raw Water Charges	5 801 302	6 306 621	6 858 501	7 462 525	8 122 652
COST OF REVENUE	56 357 860	66 831 881	79 319 712	94 215 460	111 988 397
GROSS SURPLUS	108 783 424	104 077 275	115 343 793	122 827 286	131 826 954
Administration Costs	9 327 881	8 703 670	9 277 400	9 852 688	10 507 840
Personnel Costs	43 174 176	43 581 879	52 731 716	56 827 797	60 888 699
Maintenance	24 478 817	20 215 710	20 352 770	21 745 826	22 915 280
Consultants Fees	240 000	259 200	279 936	302 331	326 517
Community Water Supply	-	-	-	-	-
Software Development & Training	1 047 747	824 680	890 655	957 990	1 034 629
Transport	2 683 199	2 897 855	3 129 683	3 380 058	3 650 463
Security & Safety	10 378 206	12 008 068	12 323 722	13 122 065	13 977 384
Governance	1 807 610	-	-	-	-
Concept Study: OMM	-	-	-	-	-
Depreciation	15 645 788	15 586 213	16 357 911	16 638 531	18 526 141
Amortisation	-	-	-	-	-
FIXED COSTS	108 783 424	104 077 275	115 343 793	122 827 286	131 826 954
Operating Surplus / (Deficit)	-	-	-	-	-
Interest received	18 161 273	18 206 676	18 252 193	18 297 823	18 343 568
SED Levy	1 738 411	2 449 000	2 703 320	2 925 611	3 127 568
SED Project Expenses	-1 738 411	-2 449 000	-2 703 320	-2 925 611	-3 127 568
Other Income from operations	396 002	415 802	436 592	458 422	481 343
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	-3 415 170	-3 423 708	-3 432 268	-3 440 848	-3 449 450
NETT SURPLUS / (DEFICIT)	15 142 105	15 198 770	15 256 518	15 315 397	15 375 461

YEAR	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028
Consumer Price Index (CPI or CPIX)	5.40%	5.45%	5.50%	5.55%	5.60%
Water Use Growth (%)	-11%	8%	10%	6%	7%
Water Purchase Cost Increase (%)	8%	9%	9%	9%	9%
Prime Interest Rate (%)	11.75%	12.00%	12.25%	12.50%	12.75%

Capital Expenditure Summary - Operations & Projects

YEAR	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028
Capital Works	7 721 644	9 532 536	9 799 478	10 288 663	11 506 977
Operations	7 721 644	9 532 536	9 799 478	10 288 663	11 506 977
Upgrading Infrastructure & Refurbishment	3 275 292	86 400	93 312	100 777	108 839
Operations	3 275 292	86 400	93 312	100 777	108 839
Movable Assets	2 434 397	3 513 686	5 244 671	4 627 002	4 997 162
Operations	2 434 397	3 513 686	5 244 671	4 627 002	4 997 162
Less Refurbishment Fund Contributions	-13 431 333	-13 132 622	-15 137 461	-15 016 442	-16 612 978
Operations	-13 431 333	-13 132 622	-15 137 461	-15 016 442	-16 612 978
Expansion & Other Projects	3 001 791 088	7 181 008 222	7 874 460 214	4 040 818 138	3 450 539 950
Southern Extension - 2 Project	425 077 328	37 658 451	8 969 890	-	-
Ollifants Management Model (OMM)	2 576 713 760	7 143 349 772	7 865 490 324	4 040 818 138	3 450 539 950
Less Expansion & Other Project Fund Contributions	-3 025 099 920	-7 166 656 605	-7 851 140 706	-4 040 818 138	-3 450 539 950
Southern Extension - 2 Project construction contribution	-182 735 736	-	-	-	-
Southern Extension - 2 Project (surplus)/deficit brought forward	-265 650 425	-23 308 833	14 349 618	-	-
Ollifants Management Model (OMM) construction contribution	-2 576 713 760	-7 143 349 772	-7 865 490 324	-4 040 818 138	-3 450 539 950
Total Capital Expenditure Required / (Available)	-23 308 833	14 349 618	23 319 508	-	-

Generic Financial Indicators/Ratios

Indicators/Ratios	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028
Gross Revenue (R)	165 141 284	170 909 156	194 663 506	217 042 746	243 815 350
Average Water Use Charge	67%	67%	66%	68%	70%
Operating Surplus (% of GR)	66%	61%	59%	57%	54%
Total Expenditure	165 141 284	170 909 156	194 663 506	217 042 746	243 815 350
Operating Costs (% of GR)	66%	61%	59%	57%	54%
Cost of Revenue (% of GR)	34%	39%	41%	43%	46%
Finance Costs (% of GR)	2%	2%	2%	2%	1%
Manpower Costs (% of GR)	26%	26%	27%	26%	25%
Training costs per employee (R/year)	10 477	8 247	8 732	9 038	9 580
Working Ratio	100%	100%	100%	100%	100%
Gross Surplus Margin	66%	61%	59%	57%	54%
Average Debtors Days	27	25	21	19	16



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