INTEGRATED ANNUAL REPORT, BUSINESS AND PROJECT PLAN FOR THE YEAR ENDED 30 JUNE 2024

Improving lives through water



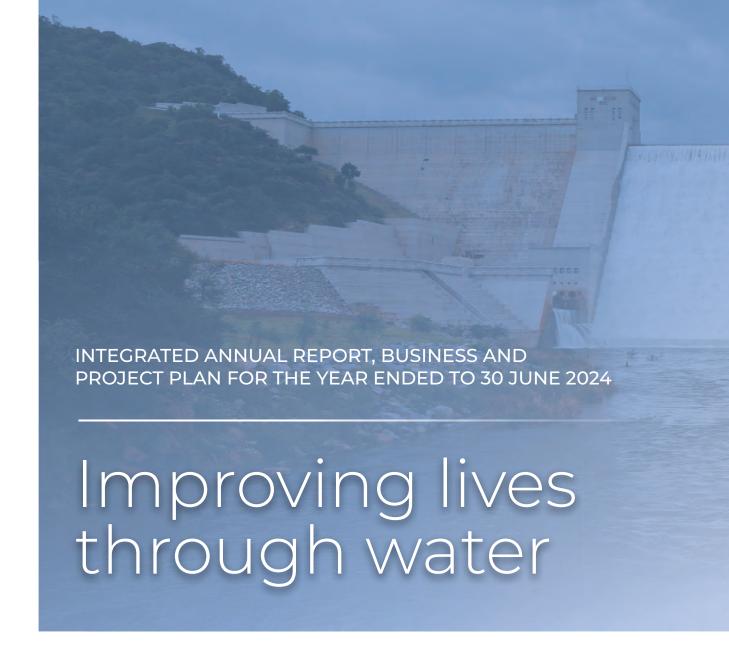


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Lebalelo



About this report

We are pleased to present the Lebalelo Water User Association's ("Lebalelo" or "the Association") Integrated Annual Report for the period 1 July 2023 to 30 June 2024. This report provides an account of our performance during the review period, offering a clear and balanced perspective for our stakeholders and 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 that impact our capacity to create sustainable value for our stakeholders. It also reflects our commitment to continually strengthening both our organisational culture, and our responsiveness to challenges and opportunities, so that we remain fit-forpurpose 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 how we report. 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 the Association's Constitution ("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, 2016 (King IV). Our Annual Financial Statements (AFS) adhere to the International Financial Reporting Standards for SMEs (IFRS) and are externally assured by SNG Grant Thornton.

Target audience and materiality

This report has been prepared for stakeholders with an interest in the Association's performance, its short, medium and long-terms plans as well as future prospects, as detailed on page 4 of this report. That said, we anticipate that the report will appeal to a broader readership owing to its comprehensive coverage of our stakeholder engagement and implementation of the Olifants Management Model Programme (OMMP), as detailed later in the report. The report focuses on material matters essential to creating value and delivering 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.

Introduction continued

Assurance

Lebalelo's assurance framework is designed to deliver the most effective, cost-efficient and integrated assurance coverage across the Association. Our approach combines both top-down and bottom-up methodologies, in alignment with the objectives of King IV. This ensures sufficient assurance concerning critical risks and processes, promoting a robust internal control environment and enhancing 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 and other data, and should not be interpreted as definitive outcomes. These statements may encompass projections of future events, trends or plans based on existing expectations, predictions and assumptions. Readers are advised to interpret these statements with caution, as unanticipated events can introduce uncertainties that could not have been foreseen at the time of drafting. While the Association strives for accuracy and thoroughness, forward-looking statements are applicable only as of their formulation date. Actual results may differ significantly from those either explicitly or implicitly indicated. The Association is not obligated to publicly update or amend these statements after the publication date.

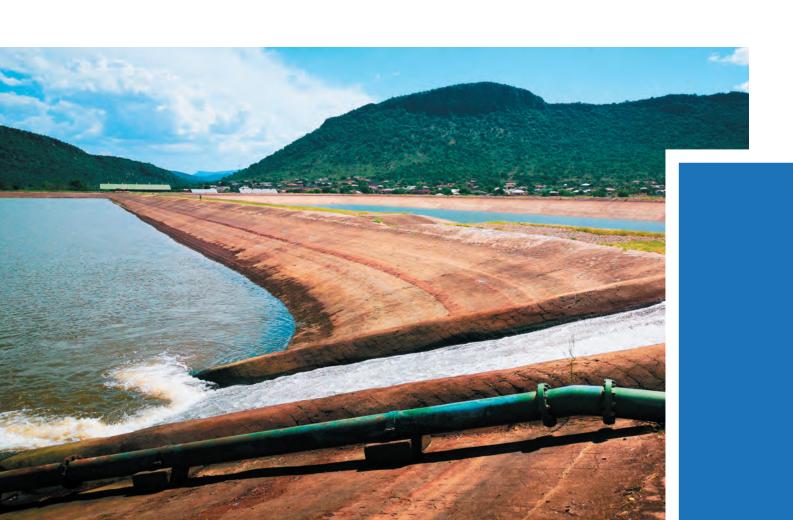
Approval

Lebalelo acknowledges its responsibility to ensure the integrity and completeness of this report. The Finance Committee (FinCom), in its capacity to provide oversight over the Integrated Annual Report on behalf of the Management Committee (ManCom), has applied its collective judgment and examined the contents 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 2024 Integrated Report on 11 November 2024.

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 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 Values

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



Act safely, with integrity, openness and honesty in our communication.



Care for, respect, value and work with our stakeholders.



Lead by example and aspire to empower people.



Manage resources under our control sustainably and efficiently.



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.

Introduction continued

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, including the Department of Water and Sanitation (DWS), the Lepelle Northern Water, relevant municipalities, as well as traditional

authorities.

During the period under review, as in years prior, we engaged with key stakeholders such as representatives of Mogalakwena Local Municipality, Sekhukhune District Municipality, the National, Limpopo and Mpumalanga Departments of Water and Sanitation as well as numerous traditional authorities. We also engaged with all our Commercial Members, non-member users, potential members as well as local communities. These interactions culminated in an invitation to attend the Presidential Imbizo in the Sekhukhune district on 14 July 2023. During this event, President Ramaphosa specifically referenced the OMMP in his address. In addition, the former Minister of Water and Sanitation, Mr Senzo Mchunu, confirmed the Government's funding commitment to the OMMP and outlined the benefits it would bring to the communities at large.

Quality of our relationships

The needs, expectations 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.	2.	3.	4.	5.
One-way relationships:	Developing relationships:	Connected relationships:	Good relationships:	Strong relationships:
One-way communication with limited interaction.	Developing two-way communication.	Collaborative engagement based on mutual benefit and characterised by joint decision- making and actions.	Good relationship based on two-way communication and constructive Engagements.	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 18 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	 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 issues 		

Stakeholder	Contribution to value creation	How we engaged	Quality of relationship
Communities and traditional authorities	Communities with the oversight of traditional authorities, provide valuable inputs to Socio-Economic Development (SED) initiatives, participate in employment, training and SMME development opportunities	Meetings, publications, periodic reports, 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	 Community investments through a robust SED strategy skills development and employment opportunities Participation in the Association's supply chain through meaningful and sustainable business opportunities 		

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	We provided our employees with the support they need to adapt to new ways of working		

Introduction continued

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.	Regular and extensive interaction and engagements Accurate, timeous, transparent and comprehensive statutory reporting. Formal interaction and participation in industry forums and policy discussions. Submission of comments and inputs in the legislative processes.	Strong relationship that integrates stakeholder engagement into governance and strategy through meaningful collaboration.
Needs and expectations	 Timely and transparent reporting and disclosures Maintaining legal compliance in a complex regulatory landscape Active participation and contributions to legislation and policy 		
Value created for stakeholder	 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 Acquisition of expert knowledge and skills 		

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 in a cost-effective manner. Our suppliers play a crucial role in upholding the quality of our proposition. We prioritise suppliers who align with our values and commitment to 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	 Strong, responsive and experienced management team Ethical culture and transparency Participation in the Association's supply chain through meaningful and sustainable business opportunities 		
Value created for stakeholder	Easy access for engagement and prompt response to queriesLong-term collaboration on future projects and value creation		



Stakeholder	Contribution to value creation	How we engaged	Quality of relationship
Municipalities	We collaborate with municipalities in the delivery of our mutual mandates. 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. We also receive feedback on their expectations and those of the communities.	Developing two- way communication meaning that the relationship is gradually improving
Needs and expectations	 Strong, responsive and experienced management team Reliable water supply Ethical culture and transparency Contribution to policy development 		
Value created for stakeholder	 Easy access for engagement and prompt response to queries Implementation of SED initiatives Assistance in delivering on their mandate, particularly the provision of water to communities 		



Strategic overview

Chairperson's report



"Nothing is permanent except change" - Heraclitus

It is my pleasure to present my first Chairperson's report since my election in November 2023. I would like to thank our former Chairperson, Mr Prakashim Moodliar, for his exemplary leadership over the years and his dedication to ensuring a smooth transition. We are fortunate that Mr Moodliar will continue to serve on the Management Committee (ManCom), allowing the Association to continue to benefit from his experience and insight. As is apparent in the latter parts of this report, this year has been characterised by significant leadership changes – at the political, ManCom and executive levels. Through these changes, Lebalelo has proven that it is a transforming organisation, not averse to embracing change and to adapt its strategy accordingly.

Changes in the political landscape

The recent national and provincial elections, held towards the end of the financial year, marked a pivotal moment for South Africa. Citizens from all backgrounds exercised their democratic right to elect their representatives who will chart the course of the country for the next five years. While most of us have grown accustomed to the tradition of free and fair elections as well as the smooth and peaceful transfer of power every five years, it is worth noting that this is still not the case in many other countries around the world. We are therefore mindful that, as South Africans, we are fortunate to be able exercise the right to freely elect our leaders.

The election results were unprecedented and caused a seismic transformation of the South African political landscape, resulting in the formation of a Government of National Unity for the first time since 1994. As the Association, we pledge our goodwill and cooperation with the new Government as we reaffirm our

commitment to using our mandate to improve the lives of our communities.

What we are doing to improve lives through water

The R25 billion (capex) Olifants Management Model Programme (OMMP) is the Association's flagship capital expenditure initiative, created through the collaboration between commercial users and the DWS. This programme is fast-tracking the construction of bulk raw and potable water infrastructure, to the benefit of both commercial users and targeted communities in the Sekhukhune District Municipality and Mogalakwena Local Municipality. In future, the OMMP will enhance water supply to the Polokwane Local Municipality.

I am pleased with the significant progress made during the review period on the implementation of the OMMP's Pre-Feasibility and Feasibility Study Phases, which will conclude in December 2024. This period also saw the construction and commissioning of Phase 1 of the OMMP's Southern Extension 2 by former Minister of Water and Sanitation, Mr. Senzo Mchunu.

This collaboration between the public and private sectors has evolved into a mutually beneficial alliance based on trust. 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.

Further details on the OMMP's progress are available on page 31.

Stakeholder engagement and socioeconomic development

Lebalelo's unique position as a water user association allows us to build strong partnerships with our stakeholders. We go beyond constructing, operating, and maintaining water infrastructure; we are also dedicated collaborators working for the well-being of our communities. Through initiatives like community upliftment, education support and small enterprise development, we strive to make a positive impact beyond our core operations. Further details on our socio-economic development (SED) initiatives are provided on page 46.

Thanking Minister Mchunu and welcoming Minister Majodina

On 25 July 2023, Minister Mchunu conditionally approved amendments to our Constitution, paving the way for the OMMP. These amendments expand the Association's area of operation and scope, enabling the expansion of our membership and infrastructure as well as the support of Water Service Authorities to enable access to potable water for our doorstep communities in Sekhukhune District and Mogalakwena Local Municipalities.

We had the pleasure of engaging with Minister Mchunu on multiple occasions throughout the review period, providing updates on the OMMP's study phase and the concurrent construction of Phase 1 of the Southern Extension 2 (SE2). These engagements culminated in the Minister's commissioning of SE2 Phase 1 on 26 April 2024 at the new Spitskop Pump Station 2 in Steelpoort, where the sod-turning ceremony had taken place on 27 October 2022.

On behalf of the Association and ManCom. I wish to extend our utmost gratitude to the former Minister for his collaboration and leadership. DWS is not merely a regulator, but one of the Association's most important stakeholders. Having a Minister who is knowledgeable of the water industry and dedicated to the DWS' mission, as Mr. Mchunu was, has greatly enhanced our strategic execution.

We congratulate Ms Pemmy Majodina on her appointment as the new DWS Minister. We extend our support and goodwill as she addresses the water challenges faced by communities, particularly in the Eastern and Northern Limbs of the Bushveld Igneous Complex in Limpopo. We look forward to engaging with Minister Majodina particularly on the OMMP, which we believe is a pioneering model for cost-effective publicprivate collaboration on future regional linear and utility infrastructure projects.

The End of an Era – Farewell to Bertus Bierman

On behalf of ManCom, I would like to extend our appreciation and gratitude to our outgoing CEO, Mr Bertus Bierman, who is retiring at the end of December 2024. Bertus joined the Association in 2016 at a challenging time when the Association faced potential disestablishment. Through his hard work, tenacity and visionary leadership, Bertus not only improved the Association's performance, but also positioned the Association as a critical partner to DWS in its vision to re-sequence the construction of the Olifants River Water Resources Development Project (ORWRDP) and expand it to include potable water provision to meet revised water needs and reduce capital infrastructure costs. It was at this point that the idea of the OMMP was born. Under Bertus' leadership, the Association has implemented the Pre-Feasibility and Feasibility Study Phases of the OMMP and completed Phase 1 of SE2, with the construction of Stage 1 of the OMMP imminent. We are deeply grateful to Bertus for his contribution and foresight, which transformed the Association into a catalyst for socio-economic growth within our communities. We wish Bertus the very best in his future endeavours.

A New Captain – Welcome Kobus Duvenhage

It is my privilege to announce the appointment of Dr Kobus Duvenhage as the new CEO, effective 1 January 2025. Kobus holds a B-Eng Mechanical Engineering degree (Potchefstroom), a M-Eng in Mechanical Engineering (Stellenbosch) and a Ph.D. in Mechanical Engineering (Stellenbosch). With over 30 years of experience in mega-project development and strategic planning, Kobus brings extensive expertise and proven success in both project execution and business management.

Having served as the OMMP Programme Director for over three years, Kobus has a deep understanding of the Association's vision. On behalf of ManCom, I welcome him to his new role and pledge our full and earnest support to ensure he and his team succeed.

Strategic overview continued

Chairperson's report

The next big step in Lebalelo's journey

We look forward to more meaningful strides in ushering in the transformed and collaborative water user association. Once the amended Constitution is gazetted we will officially be known as Badirammogo Water User Association, officially kick-starting the OMMP.

The new Badirammogo Water User Association will transform the Association into a broadened membership base, an innovative structure and an equal 50:50 financial investment from both Government and the commercial sector, with the OMMP as a key focus. In the new framework's shared ownership model, the DWS and relevant municipalities will represent Institutional Members, and commercial water users will represent the Commercial Members.

Maintaining strong governance in a changing landscape

The Association is undergoing significant transformation to align with evolving collaborative dynamics, institutional compliance and our amended Constitution. This transition will include a newly constituted ManCom and changes in membership structure, all of which require careful navigation.

To mitigate potential risks, we have introduced an external whistle-blowing hotline to ensure vigilance, especially as we engage in larger projects. We have also strengthened our cybersecurity framework to enhance IT governance, a vital step given our expanding project portfolio.

Outlook

Our journey remains one of growth, collaboration, and adaptability. Lebalelo is committed to providing essential water resources to the mining industry and positively impacting the communities we serve. Although we have achieved much, challenges such as rising electricity costs, a downward commodity cycle and a decrease in raw water consumption by our Members necessitate innovative solutions for sustainability.

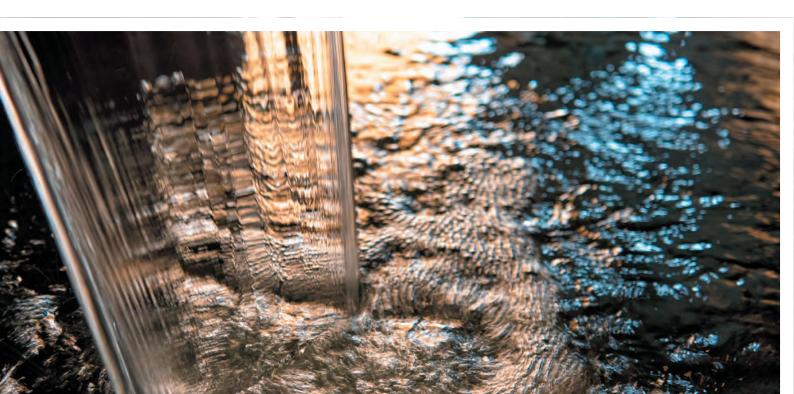
We recognise the importance of our operational environment and the crucial role stakeholders play in fulfilling our mandate. The OMMP stands as a testament to our dedication to innovation and public-private collaboration, and we believe this model will pave the way for similar solutions to address sector-specific challenges.

Acknowledgements

Finally, I wish to recognise my fellow ManCom members as well as members of the Finance Committee and the Social and Ethics Committee for their dedication to the Association and our vision. Their invaluable time, insight and guidance have been essential to implementing the Association's mission of improving lives through water.

Julanam Johan Jansen

Chairperson



Chief Executive Officer's report



As stated by the Chairperson, this is my final report as Chief Executive Officer of Lebalelo, as I will retire effective 31 December 2024. I extend my sincere gratitude to our employees for their unwavering commitment to our values and mission, and to the ManCom, sub-committee members and the Association's Members, without whose steadfast support Lebalelo would not exist. Over the years, we have faced numerous challenges that, at times, threatened our very existence and through it all, the support we have received from our Members has been resolute and for this we are deeply grateful.

As previously stated in the Chairperson's report, I also wish to, acknowledge the former Minister of Water and Sanitation, Mr Senzo Mchunu, for his support over the years, as well as the Director-General, Dr Sean Phillips, and the Limpopo Department of Water and Sanitation for their invaluable collaboration in improving lives in the Eastern and Northern Limbs of the Bushveld Igneous Complex.

To my successor, Dr Kobus Duvenhage, I extend my best wishes as he assumes the helm at an exciting yet challenging time. I am confident he will steer Lebalelo to new heights, and I remain available to provide counsel whenever needed.

To all our stakeholders, ke a leboga (thank you).

Reflecting on our three-stage strategy

Our current strategy, approved in 2019/2020, is structured in three stages and I am pleased to report that we have continued to make headway in its execution.

In the short term (1–3 years), our focus was on stabilising the Association, which involved refining our governance framework, enhancing operational efficiency and strengthening our brand. In the medium term (4-7 years), our goal was to establish ourselves as a strategic water partner while investing in potable water infrastructure. After reaching an implementation agreement with the DWS we have made significant progress in implementing the R25 billion (capex) OMMP, and thereby in the achievement of the second stage of our strategy. Our long-term strategy (8-25 years) aims to drive socio-economic growth in the regions in which we operate through a collaborative model between the public and private sectors.

Our journey has been anchored by several focus areas, including building a vision for the future, enhancing leadership capabilities, sustaining transformation and successfully rolling out our collaborative model. Additional details can be found on pages 19 and 20.

Strategic overview continued

Chief Executive Officer's report

A solid financial performance despite challenges

The financial performance for the year ended 30 June 2024 reflects a period of strategic investment across our core projects and the Association as a whole. Despite facing certain financial challenges, including a decline in revenue and an increase in operating expenses, we have made significant strides in project development and diversifying our income streams, to position ourselves for future growth.

The Association's overall revenue decreased by 13%, from R377.1 million in 2023 to R328.4 million in 2024. This decline was largely attributed to the reduced income from feasibility studies, particularly from the OMMP and SE2 projects. The introduction of ad-hoc services, particularly related to the DWS Giyani Water Treatment Works (WTW), contributed to a 358% increase in other income, demonstrating our successful diversification strategy.

Total operating expenses increased by 90%, from R185.1 million to R351.2 million, primarily driven by a 41% increase in total employee costs, including new hires and salary increments, a 17% increase in other operating expenses and a 183% increase in OMMP feasibility study expenses, reflecting the project's advanced phase.

Despite these challenges, the Association maintained a net surplus of R1.7 million, above the projected net deficit and a significant decrease from the previous year's net surplus of R170.4 million. Further details on our financial performance can be found on page 42.

While overall financial performance reflects a significant shift from the previous year, our solvency and liquidity ratios remain above the norm at 3.5 and 1.5 respectively, confirming our ability to cover both short and long-term obligations. However, the decline in the asset turnover from 32% to 28%, 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 been essential in meeting industry demands sustainably. During the review period, the Association delivered a total of 8,479,852 m³ of water to members and other users, which represents a decrease from the 8,566,184 m³ in 2023, 9,003,330 m³ in 2022 and 10,035,050 m³ in 2021. This consistent decline in water volumes is primarily attributed to decrease in demand from our Members as a result of the downturn in the Platinum Group Metals (PGM) market.

We continue to closely monitor water losses; we achieved a 2.5% water loss against a target of 3% or less for the review period. While it is markedly more than previous years when compared to the 0.25% water loss in 2023, 0.39% in 2022 and 1.62% in 2021, the higher than usual loss can be attributed to the replacement of pipes and interlinking the SE2 pipeline to SE1.



As electricity consumption is a significant cost factor in our operations, and given the price increase in June 2024, sustainable power use, including increased pumping during off-peak periods, is a key priority for the Association. A further reflection of our commitment to responsible resource management, is our continued development and implementation of the ISO 50001 Energy Management System, which includes studies on clean energy sources.

We are also proud to report 100% fatality-free hours since the Association's inception, and 125 364 injury free hours in the period under review, demonstrating our dedication to a safe work environment.

Our approach to maintenance is characterised by rigour and diligence, as evidenced by activities such as injection testing at different intervals and vibration and oil analysis, all complemented by continuous monitoring to optimise pump efficiency. Further to this, the team's meticulous weekly and monthly inspections contributed significantly to the overall health and efficiency of our systems.

Investing in our doorstep communities

At Lebalelo, we see ourselves as enablers of progress, not merely providers of water. Our investment in community support, small enterprise development and education exemplifies our commitment to creating a tangible impact beyond core operations and maintaining our social license to operate.

Regarding small, medium, and micro-sized enterprises (SMMEs), we recognise the need for specialised skills, including trades such as plumbing, electrical work and solar technology. While local sourcing is not always possible, we encourage our partners to engage and train local communities, thereby creating employment opportunities within our communities. Our contractors were also encouraged to employ local personnel during the construction of Phase 1 of the Association's Southern Extension 2 project, and have committed to continuing this practice during the upcoming Phase 2 construction. Furthermore, and in support of local enterprise development, we sent 8 local SMMEs on SETA-accredited NQF Level 5 project management training.

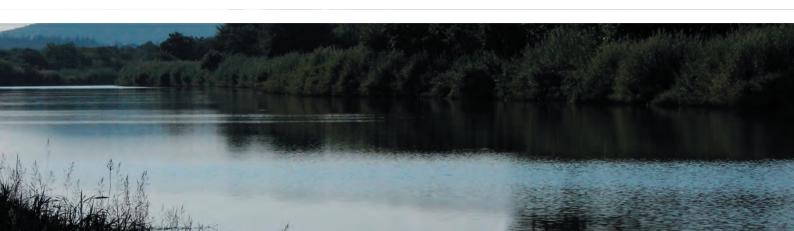
Our education initiatives aim to upgrade school infrastructure while enhancing teaching and learning capabilities. During the review period, in collaboration with the Limpopo Department of Basic Education and local traditional authorities, we began extensive upgrades at 4 of the 6 schools identified in the last reporting period, with a total investment of R5.77 million. These upgrades include replacing pit latrines with closed-loop, water-based ablution facilities, creating covered school gathering areas, refurbishing school vegetable gardens, and providing solar power, library resources, and Wi-Fi access. These enhancements are part of the OMMP's School Upgrade Programme (SUP) and follow the successful pilot project unveiled at Kwata Primary School in Ga-Phala village in March of last year.

To further improve Internet connectivity in our communities, we have partnered with telecommunications providers to install Wi-Fi infrastructure in remote areas and schools.

Additionally, we are equipping schools with interactive learning whiteboards that feature software covering all learning outcomes and assessment standards in numeracy and literacy for Grades R-9. To support effective use of the whiteboards, we trained 53 educators across 12 primary schools, with a focus on improving STEM (science, technology, engineering, and mathematics) skills at primary school level.

The Association is also pleased to announce a three-year extension of our partnership with Nal'ibali to continue the "Reading for Enjoyment" Campaign. This initiative, which targets ECDs, primary schools, and Community Drop-In Centres, promotes a love for reading among children in 7 communities across Sekhukhune East.

In addition, the Association is committed to preparing young children in our communities for school. In April 2024, we launched the Participate Envision Navigate (PEN) Early Childhood Development (ECD) Programme in Steelpoort. This three-year initiative will target 30 ECDs across six areas in Steelpoort. Additional information on our SED initiatives can be found on page 46 of this report.



Strategic overview continued

Chief Executive Officer's report

OMMP

The OMMP exemplifies our capacity for innovation and the strength of public-private collaboration. This transformative initiative addresses critical water infrastructure needs, with a mission to streamline and accelerate the provision of bulk raw and potable water infrastructure for commercial water users and targeted communities within the areas of Sekhukhune District and Mogalakwena Local Municipalities, as well as enhance water supply to Polokwane Local Municipality.

Looking ahead and given the need for a cautious approach due to current economic challenges in South Africa and the impact of low commodity prices on the mining sector, the remainder of the OMMP construction will be rolled out in 6 stages over the next decade. Stage 1, which includes Phase 2B & 2B+, extending from Flag Boshielo Dam to Sekuruwe, along with two water treatment plants in the Mogalakwena region, is set to commence in the 2024/25 financial year. I am also pleased to confirm that the OMMP's Full Business Case as well as the Final Investment Decision for Stage 1 will be presented for Member approval at our Annual General Meeting in November 2024.

Although the OMMP study phase is scheduled for completion by December 2024, our team has already completed construction of Phase 1 of the Southern Extension 2 (SE2), which includes a new pipeline, reservoir and pump station.

Additionally, the Stage 1 main contractor began an early works contract during the review period, with completion expected in Q2 of 2025.

As we advance the OMMP, we reaffirm our commitment to shaping the future of water resource management. However, we must also recognise the upcoming

challenges. The consistent surge in electricity costs and the decline in the PGM price basket create operational hurdles that require strategic responses. Additionally, the trend of lower water consumption highlights the need for adaptability in our operations. Through continued efficiencies, collaboration and transformation, we believe we are well positioned to meet these challenges.

Collaborating to enhance security

The rise of construction cartels continues to pose a threat to the integrity of projects nationwide. To counter these risks, we are collaborating with industry peers, the SAPS, traditional authorities, communities and Government at all levels to uphold our commitment to ethical and sustainable development as well as community empowerment.

Outlook

Looking ahead, Lebalelo is undergoing a transformation, with our strategy and business plan aligning with our new identity as Badirammogo Water User Association. While our name is changing, our commitment to improving lives through water remains steadfast and is a vision that directs our course. This vision finds expression in the OMMP, a testament to our dedication to collaboration and sustainable socio-economic development.

As we move through this transformation, we are implementing a comprehensive strategic roadmap, cultivating strong and capable leadership and further encouraging strategic collaborative relationships that will strengthen our resources and capabilities within a new operating structure. We have also updated our purpose, vision, mission, mandate and core values to



reflect the amendments to our Constitution.

Amid these changes, our dedication to progress, operational excellence and community upliftment remains constant. I am confident that our committed team, together with our trusted partners, Members and communities, will drive us toward a sustainable and prosperous future.

Acknowledgements

To the Lebalelo team, who are the driving force behind our accomplishments, I commend your dedication, expertise and determination that have enabled us to overcome obstacles and seize new opportunities. The operational milestones we have reached and the progress we have made would not have been possible without each of you.

I also extend my sincere gratitude to our Members, stakeholders and partners for their continued support. Lebalelo's journey is a collective effort, and together, we are building a stronger and more sustainable future for our industry and the communities we serve.

On behalf of our Members and employees, I extend my deep appreciation to the former DWS Minister, Mr Senzo Mchunu, and his team for their longstanding support and collaboration. We look forward to building on our collaborative relationship with the new Minister, Ms. Pemmy Majodina, as we continue to advance our shared mission and positively impacting the communities we serve.

As highlighted by our Chairperson, this is my final year as CEO. While it is bittersweet to leave an organisation that has been my home for the past eight years, I am proud to be passing on the baton to a capable successor and a talented, committed team.

Leading this remarkable organisation has been a profound honour. I wish Kobus and the team success as they propel our wonderful organisation into the future.

rtus Bierman

Chief Executive Officer



Strategic overview continued

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 of improving 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 supply while facilitating its broader impact on other capitals. It empowers Lebalelo to maintain and expand critical water infrastructure and invest in sustainable practices.

- Operating income: R328 million
- Operating expenses: R351 million
- Net surplus: R1.7 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, motivated 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.

- 55 employees
- Competitive and fair remuneration for fair work
- A good working relationship with the labour union
- Employee development and training
- 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.

- R5.96 million invested in OMMP SED initiatives, including our flagship School Upgrade Programme and PEN ECD Programme
- R1.67 million invested in the Association's SED initiatives, including interactive whiteboards for schools, teacher training and community Wi-Fi access



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 us to continuously improve our processes, optimise resource allocation, and stay abreast of evolving trends in the water industry.

- R991 214 spent in training
- Recruitment of the best talent, especially in engineering, project management and finance
- Brand recognition
- Institutional knowledge
- Operational systems, policies and procedures



Natural Capital

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 scarce natural resource is fundamental to ensuring an equitable and sustainable water supply. Additionally, efforts to preserve local ecosystems, support biodiversity and reduce environmental impacts are essential components of the Association's commitment to

 Strict adherence to environmental and water legislation, standards and DWS directives.



Business activities and outputs

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, information 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

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.

Financial Capital

- Net surplus: R1.7 million
- Stable solvency ratio: 3.5
- Improved liquidity ratio: 1.5

Manufactured Capital

- Increase in asset base
- Stable asset turnover: 28%
- Enhanced reliability and effectiveness of bulk water infrastructure operations

Human Capital

- Skilled workforce as reflected in staff complement of 55
- 33% women employees
- Strong organisational ethos underpinned by a high-performance culture
- A safe working environment:
 - 100% fatality-free hours since inception
 - 125 364 injury free hours during the review period

Social and Relationship Capital

Reaching the community with Nal'ibali:

- Registered 74 reading clubs servicing 1 750 children
- 600 school story sessions held
- 570 ECD story sessions
- 564 community reading club sessions
- World Read Aloud Day event attended by 1 150 children
- 3 job opportunities created

10 schools provided with free Wi-Fi access

8 local SMMEs trained in project management

Interactive whiteboards installed at 12 schools, with 53 educators trained in effective whiteboard use

Launching the PEN ECD programme:

- Established training centre and toy library
- Created 2 job opportunities

Intellectual Capital

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

Natural Capital

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

Strategic overview continued

Membership

The Lebalelo 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) and Schedule 5 (Model Constitution of Water User Association).

Membership of the Association is granted to entities meeting specific legislative criteria. This includes those who are entitled to use water in accordance with 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: Those whose principal business is mining and who intend to use water for industrial or mining-related purposes.
- Ordinary members: Those who plan to use water for non-industrial and non-mining purposes.

Members of the Association are outlined as follows:

	Institution	Representative
AngloAmerican PLATINUM	Anglo American Platinum	Mr P Moodliar Mr C Stockill (alt)
samancor®	Tubatse Alloys	Ms H Booysen
A(rican Rainbow Minerals	ARM Mining Consortium/African Rainbow Minerals	Mr JC Jansen
AngloAmerican PLATINUM	Rustenburg Platinum Mines	Dr G Maluleke Ms H Oberholzer (alt)
NORTHAM	Northam Platinum	Ms S Mulder
IMPLATS EXCELLENCE IN POME	Impala Platinum	Mr W Louw
samancor®	Samancor Chrome	Ms H Booysen
Acorridor resources inc	Corridor Mining Resources	Mr K Nkadimeng
water & sanitation Objectives: When and Surabline Welling Cot South Aprica	Department of Water and Sanitation	Dr R Mathye

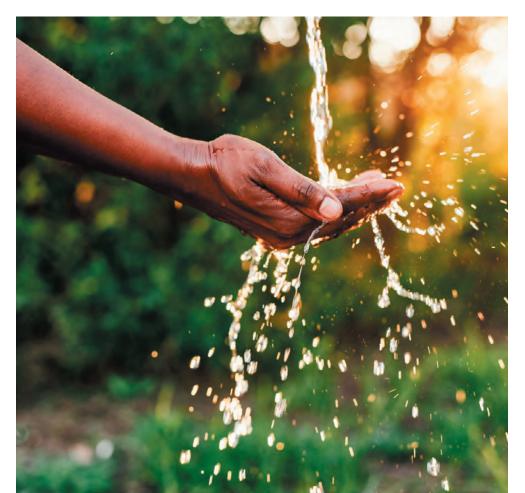
Our business value drivers and strategy

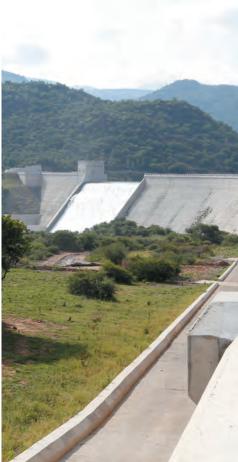
As we move into a new phase of our journey, Lebalelo looks back at its achievements in terms of its three-stage strategy.

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.

operations and social necrice 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	In progress	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





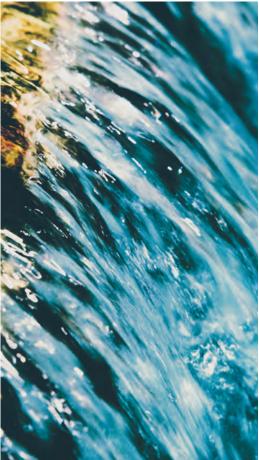
Strategic overview continued

Our business value drivers and strategy

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.
Expanding our SED to foster social harmony.	In progress	We are actively working on aligning with our Members on 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

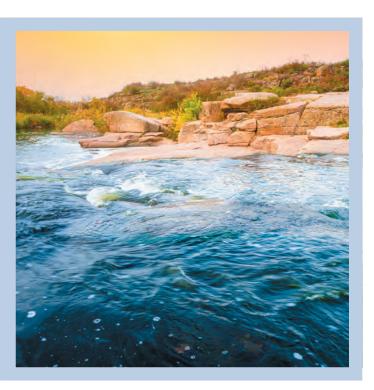
Long-term strategy (8–25 years)		
Focus area	Progress	Comment
Catalyse the creation of game changing businesses or initiatives to drive exponential socioeconomic growth in the region	In progress	Our ongoing efforts are dedicated to encouraging the development of groundbreaking businesses and initiatives with the potential to drive exponential socioeconomic growth within the region. This commitment underscores our vision for a more prosperous and sustainable future for the communities we serve.





Five-Year Business and Project Plan

The formulation of a business and project plan (hereinafter referred to as the business plan) is established within the framework of the National Water Act, as delineated by Sections 91(1) and 93(1), along with Schedule 5 (providing a template constitution for water user associations) and Schedule 4 that 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 plan. Furthermore, clause 19 of the Association's Constitution mandates the submission of the audited financial statements and a comprehensive year-end financial account as part of this reporting process.



The following sections present an overview of the Association's five-year business plan, followed by a performance review for the review period that includes forward-looking insights into the Association's strategic priorities and anticipated developments across key areas.

Mission, objectives and methodology

Mission

The mission of the Association is that it shall, within the legal framework of the Act, and taking cognisance of the prescribed health standards, strive towards making bulk raw water available to all members and other stakeholders in a cost effective, efficient, sustainable and responsible manner.

Objectives

The objectives of the Association are to:

- Maintain and operate a pipeline scheme to supply bulk raw water from the Olifants River, to satisfy the water requirements of the mines on the Eastern Limb of the Bushveld Igneous Complex in accordance with its licence conditions:
- Supply water from the pipeline, and any extension thereof, from the Olifants River to satisfy the water requirements of local Government, including rural communities that can receive water from the Association's pipeline in accordance with its licence conditions;
- Continue with its support to the DWS and Sekhukhune District Municipality (SDM) in the operation and maintenance of their potable water schemes, provided that the schemes are situated within the area of operation of the Association. The support is based on the repair of borehole pumps and associated infrastructure as requested by DWS or SDM from time to time.
- To finance the support maintenance work of the community schemes, the mining Members of the Association contribute a cost per cubic metre of water towards a maintenance fund established for this purpose. Details of the involvement of the Association are available on request; and
- Protect the Association's infrastructure. The scheme was built on servitudes obtained overland that are mostly owned by the state and held in trust for the various communities along the pipeline route.



Methodology to reach objectives

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

- The Association was established in terms of chapter 8 of the Act to provide a vehicle to abstract raw water from the Olifants River and supply it to the different categories of water users;
- In terms of the raw water resources, a licence was issued to the Association to abstract water from the Olifants River. Licence B191/2/250/1 for a total volume of 16 million m³ per annum was issued on 6 January 2004. In addition to this aforementioned quantity the Association is also authorised to supply 3,88 million m³ per annum via its scheme on behalf of DWS to local communities for domestic use. Because the Association financed the raising of the Flag Boshielo Dam, an additional licence numbered B191/2/250/1 for a total volume of 1,015 million m³ per annum was issued to the Association which represents the lawful water use entitlements for properties inundated through the raising of the dam;
- Funds for the capital works were contributed by the participants in the scheme and were apportioned according to the water use entitlement of each stakeholder in the capacity of the scheme position along the scheme;
- There is continual interaction with all water users and affected parties in order to ensure effective service;
- The Association makes raw water available to the SDM through its designated Water Service Supplier, the Lepelle Northern Water Board (LNW), to supply communities in accordance with our Constitution and Members' Agreement, Water Use License and the Act;
- The Association concludes water supply agreements with all users regarding the supply of water;
- Tariffs for water are determined annually, based on the actual cost of water supply;
- The Association appoints sufficient, competent staff to undertake its functions. The CEO and certain senior employees are appointed by the Management Committee; further to this ,employees are appointed through the CEO and their competence is continuously upgraded through education and training to ensure efficient water supply and strict financial control; and
- Strict financial controls have been implemented and budgeting techniques and control have at all times been adhered to.

Lebalelo transformation strategy

In the coming year, our strategy and business plan will align with our Badirammogo brand and new 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 OMMP, 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 roadmap, cultivating capable leadership and fostering strategic collaborative relationships, all of which contribute to the development of our resources and capabilities.

Badirammogo establishment

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 OMMP, collaboration and socio-economic development 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.

Revised purpose, vision, mission and mandate

We have updated the Association's purpose, vision, mission and mandate to align with the changes incorporated in the amended Constitution of Badirammogo.





Badirammogo will have the following 5 Core Values:

- Safety We instil a culture of safety first that underpins all our activities;
- Collaboration We work closely with our stakeholders to reach collective goals;
- Integrity We are open, honest and ethical in our actions, doing the right thing even when no-one is watching;
- Empowerment We enable people to reach their full potential; and
- Sustainability We manage our resources in line with environmental, social and governance (ESG) principles so that we meet our present needs without compromising the needs of future generations.

Rebranding the Association

The signing of the Association's amended Constitution on 25 July 2023 by the Minister of Water and Sanitation, and the approval of the Constitution by resolution at the Association's AGM on 30 November 2023, present two key milestones in the Association's renaming and rebranding journey. There are however certain conditions that need to be met before the amended Constitution can be gazetted. Once this process is complete, and the amended Constitution is gazetted, it will officially confirm the Association's name change from Lebalelo to Badirammogo and kick-start the rebranding rollout. As this process unfolds, we have prepared a Brand Guideline and Management Procedure, based on the Corporate Identity approved by ManCom in the last reporting period, in anticipation of the imminent change.

All employees and Association's Members have been included since the start of the renaming and rebranding of the Association, from being invited to suggest,

shortlist and ultimately choose the new name to voting for a preferred logo. Updates on the process have been provided in our internal and external newsletters, as well as in local and national news publications and social media. All internal and external presentations have also included the new Badirammogo logo next to the existing Lebalelo logo, with external slide decks typically containing a slide to explain the renaming and rebranding process and provide progress. The Association is preparing relevant change management communication materials, alongside the Brand Guideline, to be shared and communicated at internal brand launch events (across our offices in Pretoria, Polokwane and Havercroft) once the amended Constitution has been gazetted and the name change is official. Further to the above, external stakeholders will further be engaged via an external brand launch event backed up by a communication campaign across national and local publications and social media.

BWUA Value Chain

As Badirammogo, we will build, operate and optimise to create value and meaningful impact through our values. This will ensure that we incorporate lessons learnt through a self-reinforcement strategy.

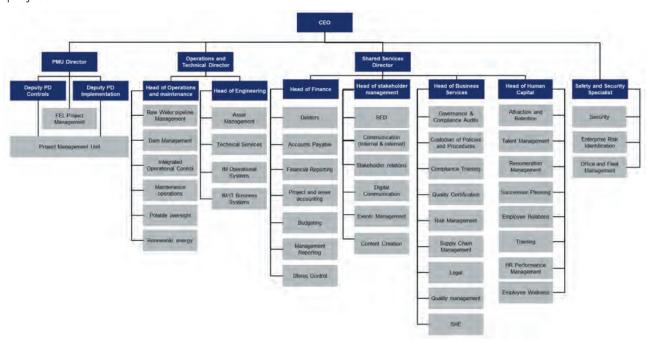


Enhancing Leadership Capabilities

During the period under review and following the completion of the Study Phase of the OMMP, we have restructured our management team as well as the leadership structure to ensure that we are ready to execute the additional responsibilities that will be introduced through the implementation of the OMMP. The restructuring will enable us to augment our skills and expertise in innovation, engineering, project management, stakeholder management, safety, health and the environment, governance as well as information managementt. We have always maintained that "our people are our greatest assets" and the highly skilled personnel that continue to join and partner with us are a testament to that maxim.

A New Functional Operating Structure

Badirammogo will become a matrix organisation with a shared business services as support to the core operations and projects.



Building Resources and Capability

As part of our efforts to develop the optimal capabilities and expertise 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 experts and contractor firms.

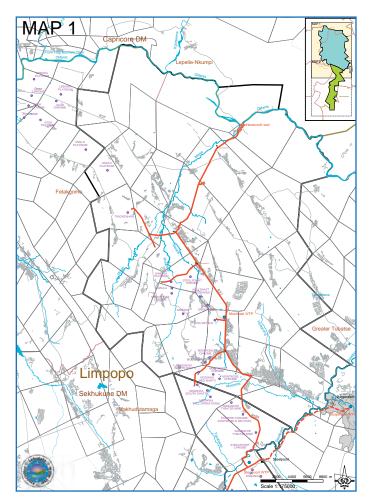
Performance review and outlook

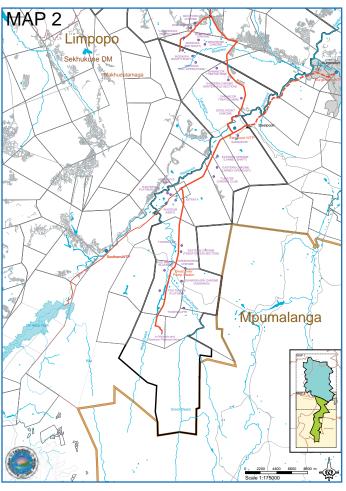
The following sections provide a review on the Association's performance during the last financial year and include forward-looking insights into the Association's strategic priorities and anticipated developments across key areas.

Our focus remains on building a resilient financial foundation, strengthening human capital, advancing socio-economic development and ensuring robust governance, risk and compliance practices. We also continue to enhance our operational and maintenance capabilities while driving progress on capital projects that support our long-term mission. Each area contributes to a sustainable future for the Association, our stakeholders and the communities we serve.

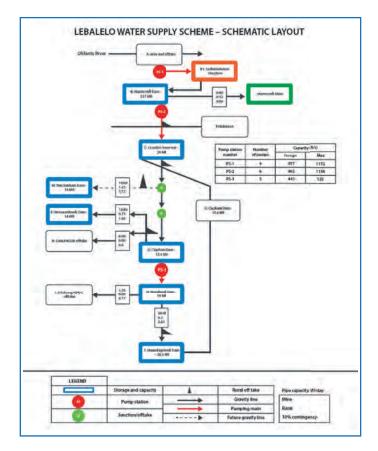
Operations

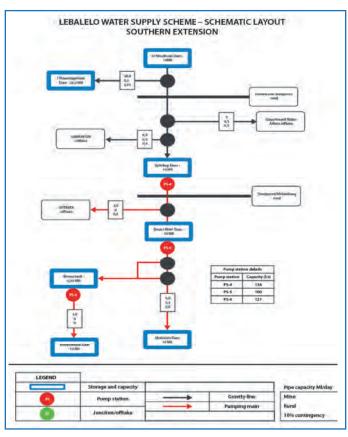
The footprint of the Association is set out in Maps 1 and 2 comprising of the original Main Section and the Southern Section. This pipeline is 110 kilometres long comprising a weir in the Olifants River at the Farm Havercroft 99KT, as well as pumps and settling dams. Thereafter there are various reservoirs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





Since the establishment of the Association in 2002, we have self-financed, constructed, operated and maintained our infrastructure successfully. We have also 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.





Maintenance

To continue fulfilling our commitment of providing reliable bulk raw water supply, we have conducted regular maintenance in line with OEM specifications at all the pumpstations and other facets of our infrastructure. In the year under review, we conducted vibration and oil analysis, as well as injection testing at different intervals, with the results being recorded and actioned to improve efficiencies. Our qualified team also conducted routine weekly and monthly

maintenance and inspections in order to ensure our water infrastructure is fully functional and reliable.

To illustrate our maintenance efforts, below is a comparison of our maintenance scheduling and execution for the past three years. When compared to the last financial year, the number of job cards created were similar to the previous year, with only 1.3% of the job cards created during reporting period outstanding at the end of the reporting period.

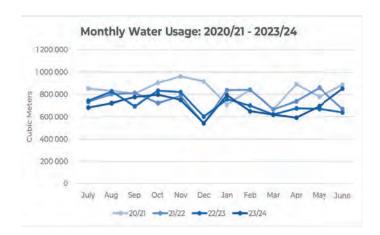


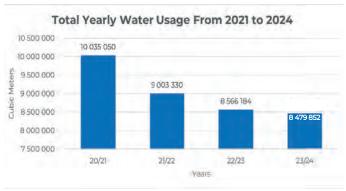
Water report

During the review period, the total volume of water delivered to Members and other users was 8,479,852 m³, reflecting a steady decline from 8,566,184 m³ in 2023, 9,003,330 m³ in 2022, and 10,035,050 m³ in 2021. This year's reduced off-take is primarily attributed to the downturn in the Platinum Group Metals (PGM) market.

To further monitor and minimise water losses, we have implemented reduction targets, amongst other measures. Water losses for the period were recorded at 2.5%, compared to our 3% target and previous years' losses of 0.25% in 2023, 0.39% in 2022, and 1.62% in 2021. The higher-than-usual loss this year was due to leaks from pipe replacements and the interlinking of SE2 to the SE1 pipeline.

Additionally, all flow meters underwent annual verification testing by the original equipment manufacturer (OEM).





Anticipated water demand

The Association's current Water Use License Approval in the Eastern Limb from both De Hoop Dam and extraction at Havercroft Weir is 57 Ml/day. The current Northern Limb application from Flag Boshielo Dam, awaiting approval is for 42 Ml/day. Licensed volumes can be increased on an annual basis as the water demand profiles increase in excess of these licensed volumes on a 5-year rolling basis in advance. We do not foresee that Water Use License adjustments will be required in the next 5 years.

Financial Year	Water Demand (MI/day)
2024/2025	30 to 35
2025/2026	30 to 35
2026/2027	40 to 45
2027/2028	70 to 75
2029/2030	110 to 115
2030/2031	120 to 125
2031/2032	125 to 130
2032/2033	130 to 135
2033/2034	135 to 140
2034/2035	145 to 150

^{*} Total allocated Member system capacity 224MI/day

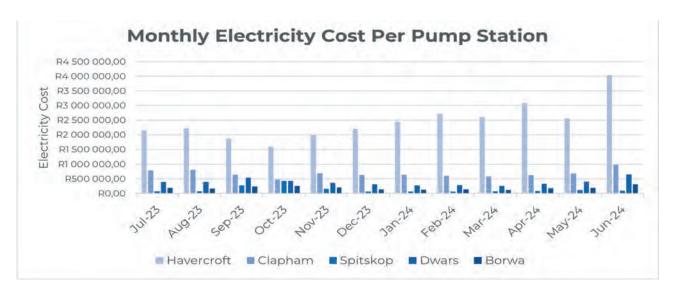


Energy report

Electricity consumption is one of the most significant cost factors in our operations, requiring ongoing vigilance, oversight and innovative reduction strategies. As such, monitoring electricity usage, especially for our pumps, is a key priority for the Association.

To reduce electricity usage and costs, we prioritised the minimisation of peak-time pumping across all pump stations, successfully maintaining this approach even during periods of load shedding. However, with the annual electricity price increase, our June 2024 electricity bill rose significantly compared to previous months within the review period.

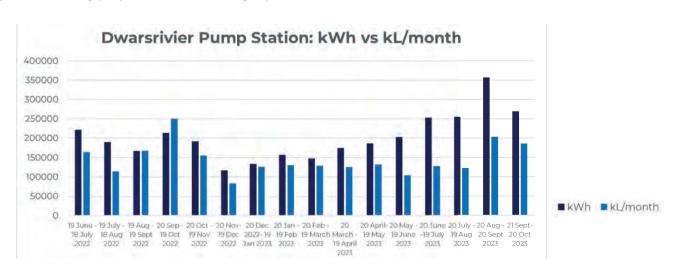
The graph below shows our electricity costs from June 2023 to February 2024:



Lebalelo has continued the development and implementation of the ISO 50001 Energy Management system, initiated in February 2024, with the aim of obtaining certification. Key milestones for this process have been established and are being closely monitored.

Historically, Eskom has been a cheap and reliable energy option; however issues such as load shedding not fully being resolved and significant increases in Eskom tariffs, have led the Association to initiate studies on clean energy sources to target more economical tariffs, both short and long-term, with recommendations to be implemented accordingly. This approach of systematically moving away from coal-based electricity sources with a high CO2 footprint supports Lebalelo's commitment to the United Nations' Sustainable Development Goals.

These studies indicate that the power requirements at the Dwarsrivier Pump Station, along with the volume of water pumped, are directly proportional to electricity input, as shown below.



Stay in Business Projects

The following projects are planned for the 2024/2025 financial year:

Replacement of pre-cast manholes and cover slabs

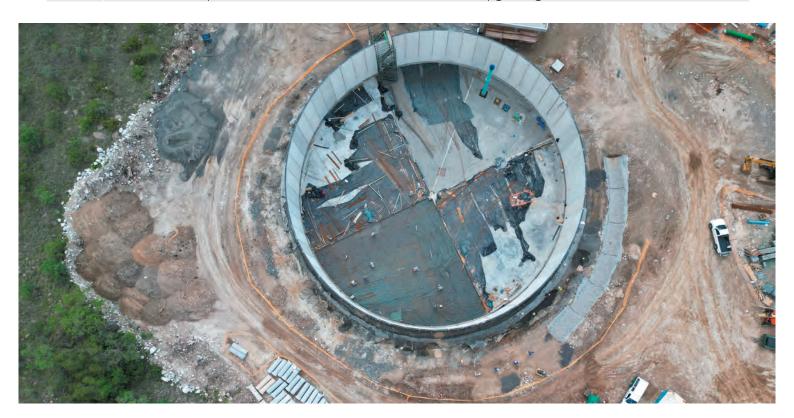
The installation of pre-cast manholes and cover slabs is an ongoing project to replace vandalised manhole structures that were not covered. The replacement of the pre-cast manholes and cover slabs will be done by the Association's staff with the aid of local SMME's.

Chamber refurbishment project

Many of the Association's Valve Chambers have passed their 20-year life span and a focused Chamber Refurbishment Project will commence in financial year 2024/2025, stretching over several years, to ensure all equipment is in good working condition to support effective and reliable water supply to Members.

The following maintenance projects are included in the maintenance plan of approximately R10 million:

Item	Maintenance Projects
1	Upgrade of potable water plant in pumpstations
2	Building of Workshop Storage Facility
3	Repair of Workshop floor
4	Refurbishment of Offices and Residential Housing
5	Rebuilding the Guardhouse at Clapham & Mooihoek Pump Station
6	Storm Water Channels
7	Fence Erosion Protection
8	Construction of ASA high site road and erosion protection
9	Repair work at Modikwa dam
10	Pipeline Access Roads refurbishment
11	Roof Fan Covers for Clapham Pump Station
12	Erosion Management
13	Dwarsrivier Pump Station overflow and storm water channels upgrading



Capital Projects



Olifants Management Model Programme (OMMP)

The OMMP is Lebalelo's flagship capital expenditure programme. Its primary goal is the expedited construction of bulk raw and potable water infrastructure in Sekhukhune District Municipality and Mogalakwena Local Municipality, while optimising the utilisation of existing infrastructure and water supply from two (2) dams (i.e. the De Hoop and Flag Boshielo Dams) in the Middle Olifants catchment. The OMMP will also enhance the water supply to the Polokwane Local Municipality. The water infrastructure and scheme will ultimately supply water to the Water Service Authorities (WSAs), through their water service providers such as Lepelle Northern Water Board, to service towns and communities situated within the aforementioned municipalities. It will also supply commercial water users, including mining companies and industrial users, within the footprint of the Association.

The OMMP represents a synergistic, long-term social compact between Government and the private sector. It is a collaboration between Institutional Members (Government) and Commercial Members (the private sector) in response to the call for infrastructure-led, socio-economic recovery.

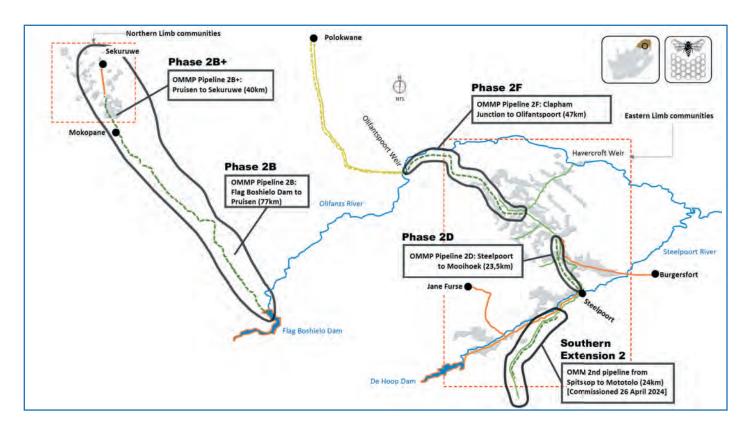
Lebalelo amended its Constitution to increase the Association's reach into the Northern Limb of the Bushveld Igneous Complex, change its mandate to extract water from the De Hoop Dam (in addition to the Flag Boshielo Dam), expand its implementation scope to include potable water infrastructure and include new Institutional and Commercial Members. Once the amended Constitution is gazetted, these changes will take effect. Presently, the institutional collaborators 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, Cheetah Chrome, Corridor Resources, Fetakgomo Tubatse Special Economic Zone, Glencore-Merafe, Kadoma Investments, Impala Platinum, Ivanplats, Northam Platinum, Samancor, Tameng Mining and Exploration, Vanadium Resources and Zijin Platinum.

Funding for the OMMP is shared on a 50:50 basis by Commercial and Institutional Members. Decisionmaking responsibilities are equally shared through collaborative structures, ensuring the protection of all stakeholders' interests and fostering greater accountability. The ongoing alignment and interaction amongst all Institutional members have been pivotal in sustaining the collaboration and facilitating the continued progress of the OMMP.

OMMP implementation

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, only Phases 1A, 2A, and 2C have been successfully completed, as indicated on the map below. The OMMP is re-sequencing the construction of the ORWRDP and expanding its scope to include the provision of potable water infrastructure. Additionally, the scope includes collaboration in the provisioning of potable water, addressing water requirements within the programme area in the Middle Olifants catchment. This collaboration serves the dual purpose of meeting the adjusted water needs while reducing capital infrastructure costs. Below is a map depicting various phases of the OMMP.



The OMMP will facilitate the supply of bulk water to Mokopane and Sekuruwe, primarily through the implementation of Phase 2B & 2B+. Additionally, it will enhance water supply to Polokwane by redirecting a portion of the Lebalelo Scheme's existing water supply from Flag Boshielo Dam to De Hoop Dam as part of the incorporation of Phase 2C into the scheme, the construction of Phase 2D from Steelpoort to Mooihoek, the reversal of flow of the existing Lebalelo 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.

OMMP key numbers and projected impact

The OMMP aims to leverage infrastructure development to strengthen economic development and unlock strategic mineral and industrial potential in specified regions. It brings much-needed potable water infrastructure, water security, job creation and opportunities for socio-economic development. The OMMP'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 46 of this report.

The OMMP entails the construction of:

- Approximately 200 km of bulk raw water pipelines; and
- Approximately 675 km of bulk potable water pipelines.

The OMMP will provide potable water connection to:

- Approximately 140 communities; and
- Approximately 390 000 people.

The OMMP will provide direct, indirect and induced employment opportunities to:

 Approximately 42 000 people for the duration of the OMMP.

The expected Limpopo provincial economic activity associated with the OMMP is illustrated overleaf.

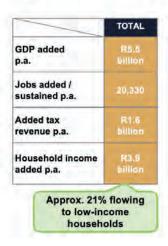
R3.2 billion

average annual capital expenditure over the next 7 years (2024 - 2030)



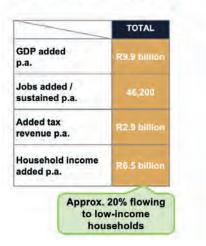
R3.9 billion

average annual operational expenditure over the next 31 years (2024-2054)



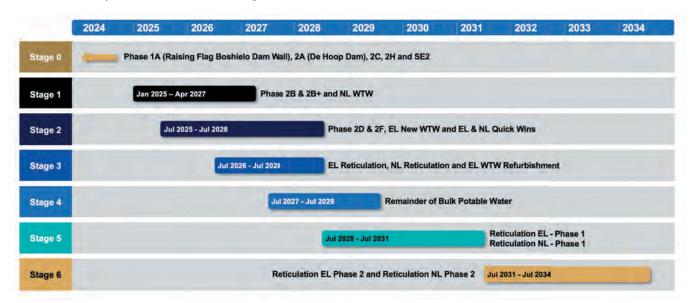
R5.9 billion

average additional mining revenue p.a. over the next 31 years (2024-2054)



OMMP construction timelines: rolling out in stages

The OMMP is a source-to-tap solution that seeks to provide approximately 260 million cubic metres per day (m3 per day) to commercial and institutional users by 2050 and it requires an estimated R25 billion (nominal) in capital expenditure between 2024/25 and 2033/34. Given the current economic challenges in South Africa, particularly the impact of low commodity prices on the mining sector, a cautious approach has been adopted for the rollout of the OMMP, which will be implemented incrementally in six stages over ten years, with a targeted completion date of 2034. Stage 1, which costs R7.2 billion (Capex), has been selected to provide the maximum benefit relative to the overall OMMP's objectives while minimising costs.



Stage 1 includes the construction of Phase 2B & 2B+ and the Northern Limb Water Treatment Works to alleviate the water shortfall in the Mokopane area. Commencing with Stage 1 in the Northern Limb will immediately unlock Stage 0 allowing member access to the De Hoop Dam and the Phase 2C pipeline, debottlenecking the Eastern Limb and increasing security of supply in the region. Both the Northern and Eastern Limb will benefit through the first stage of the OMMP, providing a foundation for both social and commercial growth in both regions while improving the water utilisation balance between the dams.

Key milestones

Several pivotal milestones have played a crucial role in the transformation of the Association and the advancement of the OMMP in the review period.

July 2023

A workshop was held with Members from 5-6 July 2023 to discuss the future strategic direction of the Association.

A strategic alignment session was held on 12 July with the Minister of Water and Sanitation and the municipalities affected by the OMMP.

An invitation to the Presidential Imbizo in Sekhukhune saw the OMMP being referred to specifically by President Ramaphosa in his introduction of Minister Mchunu, who went on to confirm Government's funding commitment to the OMMP and outlined the programme's benefits to community members.

A contractor's site visit for Phase 2B & 2B+ was hosted in Mogalakwena from 19 – 20 July 2023.

The Minister of Water and Sanitation approved and signed the Association's amended Constitution on 25 July 2023, which gives effect to the OMMP by allowing the Association to transform and broaden its scope. Gazetting is subject to the signing of the text by existing and future members.

August 2023

Contractors' bids for the construction of Phase 2B & 2B+ pipelines were opened publicly on 31 August.

September 2023

A Technical Review Panel meeting was held on 1 September with National Treasury, the Infrastructure Fund and the Development Bank of South Africa to review the preliminary recommendations report for the Budget Facility for Infrastructure (BFI) Application.

Several commercial banks were hosted for a prospective funders' meeting on 6 September, which led to great interest in the funding of the accelerated scope of the OMMP (i.e. Phases 2B and 2B+ and the Northern Limb Water Treatment Works).

October 2023

Infrastructure South Africa (ISA) conducted a site visit on 11 October to Southern Extension 2 (SE2) in Steelpoort, Limpopo.





















November 2023

The Association's AGM took place on 30 November which saw Members pass a resolution to approve the amended Constitution and change the name of the Association to Badirammogo Water User Association.

December 2023

Successful site visit with the Infrastructure Fund and National Treasury on the 1st of December 2023, with stops at the Association's operational headquarters in Havercroft, Modubeng as well as at Clapham Pump Station and De Hoop Dam.

Key alignment meeting at the Sekhukhune District Municipality (SDM) Council Chambers on the 1st of December 2023 with the Minister of Water and Sanitation, the Executive Mayor of SDM, the Mayors of the 4 Local Municipalities and representatives of local Tribal Authorities. The Minister announced the formation of a Multi-Stakeholder Task Team to deal with strategic issues at a political and technical level, which will allow the Association to focus on implementation of the OMMP.

Issued the OMMP's Intermediate Business Case report #2

Received official confirmation of the Association's status as a 'certified international standards company' after undergoing a NOSA audit and receiving a 4-star grading.

Issued a Request for Proposal for a Northern Limb Renewable Energy Solution (RES), linked to Stage 1 of the OMMP, where a standalone energy solution is planned for 3 pump stations.

January 2024

DWS officially established a Project Steering Committee (PSC) for the OMMP and Olifantspoort/ Ebenezer Upgrade Project (OE Project) to support and streamline institutional involvement with the projects and ensure stakeholder alignment – it consists of a technical committee chaired by the DDG: Water and Sanitation Services Management and a political steering committee chaired by the Minister of Water and Sanitation.

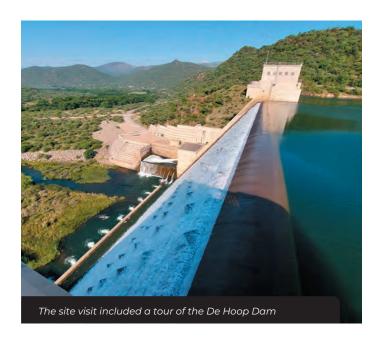
February 2024

Received official confirmation that the Association has met the requirements for ISO standards 9001 (Quality Management), 14001 (Environmental Management) and 45001 (Health & Safety Management).

Conducted a site visit and clarification meeting with IPPs for the OMMP's Stage 1 Northern Limb RES.



















March 2024

Reached practical completion for the newly constructed Southern Extension 2 (SE2) Phase 1.

Showcased the OMMP at SIDSSA24 in Cape Town from 17-18 March 2024.

Launched a PR campaign in celebration of Water Month and International Water Day.

Conducted a site with DWS to Flag Boshielo Dam and the Olifants River crossing as part of the WULA application procedure.

Kicked off an early works professional services contract for management support of the EPC contract for Phase 2B & 2B+ and Water Treatment Works.

Released the EPC contractor on an early works schedule for Phase 2B & 2B+.

April 2024

DWS Minister Mchunu commissioned SE2 Phase 1 on 26 April 2024 at the new Spitskop Pump Station 2 in Steelpoort, Limpopo.

Water & Sanitation Africa magazine showcases the Association and the OMMP in a cover story entitled: "Bridging Divides: LWUA's Transformational Story".

May 2024

Received the award for Best Integrated 5-Star Company for the NOSA Northern Region (out of companies that achieved a 4 Platinum Star Level during their audits in the last year).

















Overall OMMP timelines

Pre-feasibility and bankable feasibility study phase

The OMMP 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 for certain scopes, while the rest will follow design processes for a final investment decision of Stage 1 in Q4, 2024. As of the reporting period, the OMMP study phase is on track and within the approved budget and is set to conclude in December 2024.

OMMP study phase progress and cost

Approved contract price estimate: R416 million

Forecast completion cost (Phase 1): R416 million

Progress on site: 72%

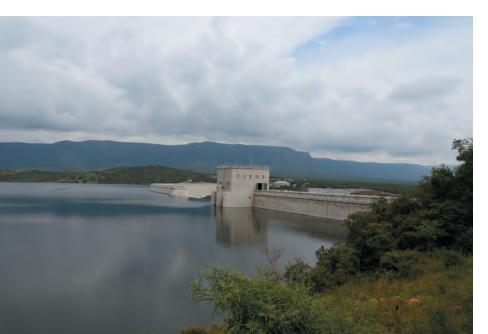
Implementation to be completed in December 2024

OMMP estimated implementation capital cost flow (excluding funding costs)

Financial Year	Capital Cost Flow (R million)
2024/2025	1 470
2025/2026	7 017
2026/2027	3 379
2027/2028	4 328
2028/2029	2 812
2029 to end of Programme	5 976
TOTAL	Approx. 25 000

Outlook

- Gazetting of the Association's amended Constitution, and rebranding of the Association;
- Completion of the OMMP Study Phase at the end of December 2024;
- Completion of the Stage 1 Early Works Contracts by WBHO by May 2025;
- Submission of the Full Business Case (FBC) report for the OMMP for approval is targeted for the end of November 2024 at the AGM;
- Submission of the Final Investment Decision (FID) for the OMMP's Stage 1 Project is targeted for November 2024 at the AGM;
- Finalisation of the commercial funding process for Stage 1 of the OMMP;
- Submission of the BFI application, and commercial loan applications, for Stage 2 of the OMMP during the next financial year;
- Commencement of construction work on Stage 1 of the OMMP during the 2024/2025 financial year and completion scheduled during the 2027/2028 financial year; and
- The FID for Stage 2 will be completed during the 2025/2026 financial year followed by a three year construction phase.





OMMP – Southern Extension 2 (SE2) project

The SE2 Project is the first of the OMMP's projects and commenced with construction in October 2022. SE2 Phase 1 reached practical completion in mid-March 2024, and was officially commissioned by the former Minister of Water and Sanitation on 26 April 2024.

Overview

Water users along the Association's Southern Extension pipeline, from the Spitskop pump station to Mototolo Mine, expressed a growing demand for water. To address this and the limitations of the existing pipe size, 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

Phase 1 of the SE2 project reached practical completion mid-March 2024 and represents a significant milestone in the implementation of the OMMP as it is the first project to be successfully completed as part of the series of projects that form part of the OMMP. SE2 provides additional water to new and existing Commercial Members which will include two new mineral processing facilities that are currently in design phase. Phase 1 included the construction of a new pump station next to the existing Spitskop Pump Station, a new reservoir at Dwarsrivier and approximately 15km of bulk raw water pipeline from Spitskop Pump Station via Borwa to the Anglo American Platinum Mine, Mototolo. The project, with a total budget of R390m, was completed within the original budget and the approved time schedule.

Commissioning SE2 phase 1

The former Minister of Water and Sanitation, Mr. Senzo Mchunu, officially commissioned SE2 Phase 1, marking a significant step in improving regional bulk raw water infrastructure. The event took place at the brand new Spitskop Pump Station 2 in Steelpoort, Limpopo on the 26th of April 2024- one day shy of exactly 18 months after Minister Mchunu turned the sod on 27 October 2022, together with the Association's then Chairperson Mr. Prakashim Moodliar, signalling the start of the OMMP.

SE2 phase 1 project progress and cost

Approved contract price estimate: R390 million

Forecast completion cost (Phase 1): R360 million

Progress on site: 100%

Construction completed in Q1 of 2024

Outlook

The next phase of the SE2 Project consists of a Quick Link Project to provide additional storage to Mototolo Dam from the existing Borwa reservoir by making use of the existing pipeline connections at Borwa Reservoir. The Optimisation Project is aimed at enhancing the existing infrastructure through the construction of a new 10Ml reservoir and a new 900m gravity fed pipeline between Borwa and Mototolo Mine.



Finance

The Association's revenue relies primarily 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. Consequently, the level of mining activity directly affects water demand, which in turn influences our raw water supply and overall income.

Operational scheme performance

Our Operational Scheme, which includes the Main, Southern Extension 1, and Booysendal schemes, generated a total revenue of R174.35 million, reflecting an 8% increase from the previous year (R160.72 million). This growth was primarily driven by increases in raw water and fixed operating revenue. Direct costs for the operational scheme rose by 14%, from R44.48 million last year to R50.61 million this financial year, mainly due to higher electricity tariffs and increased electricity consumption for water pumping.

Operating expenses for the scheme increased by 24%, from R98.02 million in 2023 to R121.15 million in 2024. This rise was largely due to a 22% increase in employee costs resulting from new hires and salary adjustments. Additionally, repairs and maintenance expenses grew by 23%, driven by regular upkeep necessary to ensure operational efficiency. Administrative expenses also increased by 28%, primarily due to higher legal fees, insurance costs and annual software licensing fees.

The net surplus for our Operational Scheme decreased by 19%, from R39.02 million in 2023 to R31.78 million in 2024. However, a 45% increase in interest income from investments helped offset the rise in operational costs.

Projects performance

The OMMP saw a significant increase in feasibility costs for the year ending June 2024, reflecting the expected spending during the advanced feasibility phase. The 26% drop in feasibility study revenue was mainly due to invoicing participating members for the remaining 6 months in the current financial year, the invoicing agreement with participating members for the feasibility study was on 3 months advance basis with last invoicing in January 2024.

Employee costs amounted to R27.06 million, lease expenses to R2.57 million, and feasibility-related expenses to R191.74 million. These factors contributed to a 121% reduction in the programme's net surplus compared to the prior year. As the project progresses through the advanced study phase, costs associated

with consulting, appointment of new employees and infrastructure planning have spiked. These expenses included detailed project studies, legal fees, environmental impact assessments and the procurement of specialised consulting services among others. These expenses are typical during large-scale project feasibility phases and are essential for ensuring the successful execution of the programme in the long term and its future viability.

The programme's accumulated surplus remains robust at R95.75 million, bolstered by interest income from short-term investments and ad-hoc services rendered to the DWS related to the Giyani Water Treatment Works (WTW).

There were no feasibility revenues nor capital contributions received from members and nonmembers for the Southern Extension 2 project, as the focus has shifted to project development and capital expenditure. The project's capital expenditure (capex) surged, with substantial amounts being capitalised as work in progress, reflecting ongoing investments in SE2 infrastructure. The accumulated project surplus decreased by 47% due to substantial capital drawdowns for construction, though an increase in interest income from SE2 project short-term investments provided a financial cushion.

The capitalised project costs rose by 52%, reflecting the higher costs of the construction phase. These costs include construction of the new Spitskop pump station, the pipeline and the new 10 Ml concrete reservoir at Dwarsrivier. A substantial amount of the funds committed by members and non-members has already been allocated toward completing project milestones.

Association's performance

The Association's financial performance for the year ending 30 June 2024 reflects a significant shift from the previous year. We faced a challenging environment, marked by reduced revenue streams and rising operational costs.

Our Audited Financial Statements show a 13% decrease in revenue, from R377.1 million in 2023 to R328.4 million in 2024. This decline was mainly due to a drop in feasibility study income from both the OMMP and SE-2 Project. Despite lower revenue, other income surged by 358%, largely driven by new income streams from ad-hoc services (DWS Giyani WTW), demonstrating the success of our diversification strategy.

Total operating expenses rose by 90%, from R185.1 million last year to R351.2 million this year. This increase was due to a 41% rise in employee costs, a 17% increase in other operating expenses, and a 183% increase in OMMP feasibility study expenses.

Despite the financial challenges experienced in the current financial year, we achieved a net surplus of R1.7 million, though significantly lower than the prior year's net surplus of R170.4 million. Operating losses, though partially offset by other income, contributed to this reduction.

Our solvency ratio improved slightly from 3.3 to 3.5, indicating our strong capacity to meet long-term

obligations. While total assets remained relatively stable, total liabilities increased slightly due to changes in our operational needs. Our non-current assets increased significantly, particularly in property, plant and equipment, as a result of ongoing investment in the SE2 project.

Although our asset turnover ratio decreased from 32% last year to 28% this year, it remains strong despite being directly impacted by the 13% drop in overall revenue.

Our current ratio declined from 2 to 1.5, but still exceeds the industry norm of 1. This decline came as a result of a 50% increase in our trade and other payables balance, reflecting the growth of our Association and the corresponding rise in supplier transaction volume. It's important to note that the majority of these suppliers' balances were in current at year end.

Despite these challenges, we are satisfied with our financial position and performance for the year ending 30 June 2024.



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.

Moving forward, we anticipate several key developments. The income and expenses associated with the OMMP are anticipated to have a substantial impact on our financials and underscores the significance of the surplus accumulated, 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 amongst 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

The Association's purpose is to improve lives through responsible water resource management, with a commitment to achieving this in a cost-effective, efficient, sustainable and socially responsible way. These core values are fundamental to our human capital strategy and shape our organisational culture.

Central to our approach is the belief that our employees are vital to realising our strategic objectives. We foster a growth-oriented culture that supports internal recruitment and promotion, enabling our team to contribute their unique skills in alignment with our broader goals.

Our relationship with employees is firmly rooted in compliance with labour and employment laws, underpinned by corporate governance standards and best practices. We adhere to all relevant legislation, including the Basic Conditions of Employment Act, Labour Relations Act, Employment Equity Act, Skills Development Act, Unemployment Insurance Act, and Occupational Health & Safety Act, as well as current government guidelines.

We have established systems to monitor legislative changes, assess their impact on our operations, and inform stakeholders as needed. The day-to-day implementation of policies, operating rules, regulations, and procedures is approved by the Management Committee and carefully managed to ensure alignment with our values and legal obligations.

11 new employees recruited bringing the total workforce to 55 employees;

3 critical management positions were filled, including the Chief Executive Officer. **Programme Director and Shared Services Director; and**

Hosted employee engagement activities at both our headquarters and operational sites.

Workforce profile

During the review period, we strengthened our team by recruiting highly skilled employees, particularly in the project management office, to enhance our ability to deliver on our mandate, especially the OMMP.

Lebalelo has seen notable transformation in workforce composition, particularly within top and senior management. As of the financial year-end, top and senior management comprises 63% Africans and 25% females, with 50% African males, 13% African females and 13% white females. Overall, 89% of Lebalelo's workforce comprises African employees, with women representing 33% of the total workforce, including 31% African women.

Level		М	ale			Fen	nale			eign onals	Total
	Α	С	I	W	Α	С	I	W	Male	Female	
Top management				2							2
Senior management	4				1			1			6
Professionally qualified and experienced specialists and mid	3				1						4
management											
Skilled technical and academically qualified workers, junior	10	2		1	6						19
management, supervisors, foremen and superintendents					r		Ţ.	r			
Semi-skilled and discretionary decision makers	5				5						10
Unskilled and defined decision-making	10				4						14
Total Permanent	32	2	0	3	17	0	0	1	0	0	55
Temporary employees											
Grand total	32	2	0	3	17	0	0	1	0	0	55

Performance management

Our ability to create value for stakeholders depends on the skills, dedication, and well-being of our workforce. We are committed to identifying high-potential individuals whose values align with ours, ensuring they remain motivated and engaged in their roles. Management and staff performance agreements include key performance indicators (KPIs) that translate into short-term incentives.

We have implemented a performance management system that recognises and rewards top performers while providing support to employees who need additional development. We are pleased to report that all employees met their KPIs, and we will continue to assist them in reaching high-performance standards.

Employee engagement

Our holistic people strategy is central to attracting and retaining top talent, with employee engagement as a key element in encouraging high-performance teams. We prioritise proactive engagement by regularly conducting employee meetings and using multiple communication channels, including newsletters, one-on-one meetings and team gatherings. This approach ensures that employees remain motivated and connected.

Learning and development

The Association is a learning organisation and is dedicated to nurturing a culture of skills development, with our commitment evident in our investment. While the industry standard for skills development expenditure is 1% of total payroll costs, we have exceeded this benchmark, spending 1,48% to support the growth and advancement of our workforce.

Total payroll costs (Rand)	Target costs to be spent on training (Rand)	Actual total cost spent on training (Rand)	Actual total payroll cost spent (%)
R67 104 046	R1 047 747	R991 214	1,48%

Health and safety

Lebalelo places top priority on employee and environmental safety, maintaining strict standards and implementing policies and controls to ensure a healthy, secure workplace. Health, safety and environmental risks are promptly escalated to management and FinCom, the latter overseeing audit and risk.

In compliance with the Occupational Health and Safety Act, we hold quarterly meetings with our Safety, Health and Environment (SHE) committees. All incidents, accidents, or occupational illnesses are carefully recorded, reported and addressed. SHE representatives conduct monthly inspections, with findings documented and actioned, while an independent consultant performs comprehensive annual safety audits.

Outlook

In the year ahead, we will continue to develop our transformation roadmap as we expand from a small organisation of 55 employees to around 150 employees by 2029. We view this transition as an opportunity to transform and to strengthen our commitment to ethical culture, thus shaping the Association into a high-performing and socially responsible entity.

Furthermore, 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. Key priorities for the upcoming year include:

- Implementing the performance management system for the remainder of employees;
- Rolling out the new organisational structure;
- Implementing various human resources policies; and
- Implementing employee assistance programme.



Socio-economic development

Our socio-economic development (SED) initiatives are vital in generating shared value and empowering the communities where we operate. This investment goes beyond fulfilling our mission and plays a crucial role in maintaining our social license to operate.

Lebalelo socio-economic development programmes

Through our SED Programmes, the Association is committed to making a positive impact in the communities we serve. We focus on socio-economic development in our doorstep communities through four core programmes: educational support, enterprise development, agricultural development and access to Wi-Fi.

The Association continues to support 12 primary schools, 17 Early Childhood Development Centres (ECDs), and 3 Community Drop-In Centres by providing free Wi-Fi, educator training, interactive learning whiteboards, and a reading campaigns implemented through Nal'ibali.

Interactive learning whiteboards

During the review period, we installed 20 interactive learning whiteboards at 12 primary schools in Havercroft

and Sekhukhune East. These whiteboards are equipped with interactive curriculum software aligned with the South African National Curriculum Statement (NCS), covering all the learning outcomes and assessment standards, and the Curriculum and Assessment Policy Statement (CAPS) for Grades R–9 in numeracy and literacy.

Training of Educators

We trained 53 educators from 12 primary schools on effectively using the whiteboards to meet classroom curricular needs. The training spanned four sessions throughout the year, offering hands-on experience with the whiteboards. By the end of the sessions, the Association was confident that educators had gained the skills needed to use this technology for their teaching needs.





School Wi-Fi project

Lack of internet access remains a major barrier to learning, particularly in rural areas, where many learners miss out on resources essential for intellectual growth. Recognizing this challenge, the Association provides free Wi-Fi to 10 schools in the Sekhukhune East area, helping bridge the digital divide. We are heartened to see learners embracing this opportunity to expand their horizons, and we plan to extend Wi-Fi access to additional schools in the near future.

Nal'ibali reading campaign

In May 2024, after the initial three-year agreement expired, the Association renewed its partnership with Nal'ibali for another three years to continue the "Reading for Enjoyment Campaign." This initiative promotes a love for reading among children, with four key objectives:

- Increase access to and use of reading materials in seven targeted communities;
- Raise awareness of the benefits of reading for enjoyment;
- Train adults to conduct reading activities with children; and
- Support adults in creating enjoyable opportunities for children to engage with books and stories.

The programme targets ECDs, primary schools, and Community Drop-In Centres in seven communities across Sekhukhune East: Sehunyane, Shakung, Malokela, Ga-Phala, Modubeng, Motloulela, and

Ga-Masete. We intend to sustain this impactful initiative for the foreseeable future.

Achievements:

During the review period, we proudly delivered the following reading materials to our communities:

- 52 032 newspaper supplements;
- 1040 Read Aloud collection books;
- 400 Book Dash books to ECD's:
- 87 Nal'ibali story anthologies;
- 875 Ke Leeto books;
- 2 500 World Read Aloud Day story cards;
- 200 Nal'ibali story compendiums; and
- 86 story board games.

Reading Clubs:

We registered 74 community-based reading clubs, reaching approximately 1,750 children.





Story Sessions:

We conducted the following sessions across our doorstep communities:

- 600 school story sessions;
- 570 ECD story sessions;
- 564 community reading club sessions; and
- World Read Aloud Day events attended by 1 150 children.

To support the Nal'ibali programme, we trained 159 participants, including 45 parents, 47 educators, 38 ECD practitioners, and 29 youth volunteers. Employment opportunities that were created through the Nal'ibali Programme include 1 Project Lead and 3 Story Speakers.

Additional Achievements:

- Launched the Lekgotla Community of Practice;
- Established the first book lending system for the project; and
- Published the first edition of a children's story collection.

Enterprise development

in the review period, we identified and trained 8 local SMMEs in project management. Seven trainees completed their Portfolios of Evidence, were assessed as competent, and will receive SETA-accredited NQF Level 5 certification in Project Management.

Donations and sponsorship

Community Health and Wellness Programme

The Association supported the Limpopo Department of Health's Old-Age Health Programme through the Mmutlane Clinic at the old age home in Ga-Phala

village. The event, held on 29 November 2023, provided primary health services, including blood pressure, diabetes, HIV/Aids and TB screenings, along with health advice sessions. The Association contributed by providing catering for the event.

Babina Noko Ba Phala Traditional Authority

We donated office furniture, including a laptop, printer, office chair, desk, paper, USB memory sticks, and 60 heavy-duty flexi chairs to the Babina Noko Ba Phala Traditional Authority. The donation was officially handed over to Kgoshi Phala's office on 18 October 2023 to support community activities and events

Lebalelo SED spend

The Association's total SED spend for the year amounted to R1 671 828, as detailed in the following table:

Initiative	Outcomes	Spend
Interactive learning whiteboards	Installed 20 whiteboards and trained 53 educators from 12 primary schools.	R424 836
School Wi-Fi project	Provided free Wi-Fi to 10 schools in the Sekhukhune East area.	R269 000
Nal'ibali reading campaign	Renewed our partnership with Nal'ibali for a further 3 years.	R839 769
Enterprise development	Completed SETA-accredited NQF Level 5 project management training for 8 SMMEs with 7 learners found competent.	R74 200
Donations and sponsorship	Provided catering at a Limpopo Department of Health Old- Age health Programme event in Ga-Phala and donated office equipment to the Babina Noko Ba Phala Traditional Authority.	R37 291
Stakeholder management	Conduced various information sharing sessions with traditional leaders and other stakeholders.	R16 486
Agriculture support	Donated seeds, compost and insecticides to the Limpopo Department of Agriculture and Rural Development for distribution to our communities to enhance of food security.	R10 246



OMMP socio-economic development initiatives

Through the OMMP, the Association has commenced with an expanded and robust socio-economic development (SED) programme, to be implemented over the next ten years.

School upgrade programme

The School Upgrade Programme (SUP) is the flagship SED initiative of the OMMP, designed to enhance school facilities and create an environment conducive to teaching and learning. Planned upgrades include installing low-flush ablution facilities with an on-site wastewater treatment plant, solar power systems, interactive whiteboards, a vegetable garden, a library and a computer room. Six schools were identified for upgrades and during the review period, local SMMEs were appointed to carry out construction work at four of these schools, with completion expected in November

2024. Although outside of the reporting period, in August and September 2024, we installed 44 interactive whiteboards and trained 42 teachers from Alfred Masibe, Cornelius Masibe and Mampuru 2 Primary Schools on their effective use.

Participate envision navigate (PEN) early childhood development (ECD) programme

The PEN Early Childhood Development (ECD) Programme aims to equip ECD centres to produce school-ready learners. Launched on 29 and 30 April 2024 in Steelpoort, the programme's key interventions include training ECD owners in effective centre management, training practitioners to plan and implement lessons in alignment with the Department of Basic Education, conducting baseline assessments, and developing tailored improvement plans for each ECD. This programme will be rolled out over three years and will target 30 ECDs in six areas across Steelpoort.

The following table details spending on each SED

initiative:

Initiative	Outcomes	Spend
School upgrade programme	Progressed with construction work at four schools.	R5 765 408.69
Participate envision navigate (PEN) early childhood development (ecd) programme	Launched the programme and established a training centre and toy library in Steelpoort. Employed 2 locally-based coaches in June 2024 to support ECD owners and practitioners. A third coach will be appointed in 2025.	R192 990,00 (Expected expenditure over three years is R2 463 120,00)

Outlook

In the year ahead, we will continue with the successful partnerships with the following entities:

- Nal'ibali, for the reading campaign programme which has been extended until 2027; the impact of the programme on beneficiaries will be assessed;
- Inspireware, for the educator training on the optimal use of the interactive learning whiteboards in the classroom environment:
- Limpopo Department of Agriculture and Rural Development (LDARD), to continue with the promotion and support of a household food security programme in Lebalelo's area of operation; and
- Traditional authorities, to strengthen the Association's working relationship in representing our doorstep communities.



Governance, risk and compliance

Safety, health, environment and quality

in May 2023, Lebalelo began developing an Integrated Management System (IMS) aligned with the International Standard Organisation (ISO) standards for Quality (ISO 9001:2015), Environment (ISO 14001:2015), and Occupational Health and Safety (ISO 45001:2018), as well as the NOSA Five Star System (CMB 253) for Integrated Occupational Health, Safety, and Environmental Platinum Star Grading. This journey involved a series of workshops, training sessions and the implementation of requirements for each standard.

The first surveillance certification audit was conducted by NQA, an internationally recognised certification body, from 15 to 17 November 2023. Following a successful Stage 1 Certification, the Association was cleared to progress to Stage 2.

From 4 to 8 December 2023, the Association underwent an Integrated Audit conducted by NQA and NOSA, covering all four standards. The audit resulted in the Association receiving certification for all three ISO standards as well as a NOSA 4-Star Platinum Grading. Notably, Lebalelo achieved a total injury frequency rate of zero over the 12-month certification period, with no reported occupational diseases, health-related cases, or major spillages. The Disabling Incident Frequency

Rate was verified by NOSA and NQA auditors during the Stage 2 Audit on 17 November 2024.

In May 2024, Lebalelo received the prestigious NOSA Regional (Northern Region) award for the best-improved integrated management system. This recognition reflects the Association's commitment, effort and tireless work not only to implement robust occupational health, safety, environment, and quality risk management systems but to ensure compliance and a safer workplace. Competing across the mining, manufacturing and commercial sectors, the Association emerged as the top performer against companies that had been assessed on the rigorous CMB253 grading system in the last year and achieved four platinum stars.

The Association's Disabling Incident Frequency Rate at the end of the 2023/2024 financial year is detailed in the following table:

Disabling Inc	ident Frequency Criteria	
Safety		
DIFR	Disabling Injury Frequency Rate	0
F	Fatal as a result of an accident (injury)	0
PD	Permanent Disability (evaluated by a medical doctor resulting in more than 30% PD)	0
PPD	Permanent Partial Disability	0
LWD	Lost Workday (One Complete Shift Lost)	0
RWD	Restricted workday (including "light duty"	0
Health		
DIFR	Disabling Illness Frequency Rate	0
F	Fatal as a result of an occupational disease for example asbestoses	0
IDD	Irreversible diagnosed disease (such as asbestosis, brucellosis etc.)	0
RDD	Reversible Diagnosed Disease (such as dermatitis)	0
NIHL	Noise-induced hearing loss (diagnosed and confirmed by an audiologist)	0
Environment		
Environmental Incidents	Major Environmental Incidents	0









Outlook

Lebalelo is now setting its sights even higher, aiming to achieve five stars in the next NOSA Grading Audit and attain NOSCAR status by 2027. The Association is currently working to integrate three additional ISO standards—ISO 50001:2018 (Energy Management), ISO 55001:2014 (Asset Management), and ISO 37101:2016 (Sustainable Development in Communities)—with plans to achieve certification for these standards in 2025.

Governance

The King IV Report on Corporate Governance for South Africa, 2016 ("King IV"), defines corporate governance as the exercise of ethical and effective leadership by the governing body (in the Association's case, the Management Committee) towards achieving an ethical culture, good performance, effective control and legitimacy.

The Association is committed to upholding the highest standards of corporate governance, a guiding principle for every decision we make. Our purpose and mandate are rooted in these governance principles, ensuring they are embraced by management and cascaded to all employees. Our governance framework provides strategic oversight and supports the implementation of strong internal controls, policies and procedures. This framework aligns with our commitment to carry out our mandate actively, ethically and effectively.

Management committee

According to 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. It is in effect, the board of the Association. ManCom is composed in accordance with Chapter 8 of the National Water Act 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 in accordance with clause 13 of the Constitution at the Association's Annual General Meeting.

While ManCom is responsible for the management of the affairs of the Association, it has appointed a Chief Executive Officer to oversee the day-to-day management of the Association's affairs in accordance with Section 16(1) and Schedule 4 of the National Water Act. The Constitution and the Delegation of Authority Framework set the parameters of the powers of the Chief Executive Officer, Overall, 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 is comprised of four members elected from the membership, and held five meetings during the period under review.

- Mr JC Jansen (Chairperson) African Rainbow Minerals
- Mr P Moodliar Anglo American Platinum
- Ms LT Kobe Limpopo Department of Water and Sanitation
- Mr JA Bierman (CEO) Lebalelo Water User Association

Key Achievements

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

- Reviewed and approved the 2023 Annual Financial Statements, the budget and annual report;
- Appointed SNG Grant Thornton as the new external auditor for the Association for a period of five years;
- Approved the court application in terms of Section 129 of the National Water Act, enabling the Association
- to acquire servitudes over its water pipeline and other related infrastructure;
- Reviewed and approved the Safety, Health, Safety and Quality (SHEQ)
- Approved the appointment of the contractor for the early works associated with the detail design, procurement and early site access for Phase 2B & 2B+ of the OMMP. subject to final agreement with DWS;
- Appointed the project management consultant for the OMMP;
- Appointed members of the Finance Committee and the Social and Ethics Committee;
- Oversaw the process of addressing the audit findings;
- Filled the following critical executive positions:
 - Chief Executive Officer;
 - Programme Director; and
 - Shared Services Director.

Outlook

On 25 July 2023, the then Minister of Water and Sanitation, Mr Senzo Mchunu, approved the amendments to our Constitution, expanding our scope and area of operation to pave the way for the OMMP. Furthermore, the amendments will result in the 50:50 membership of the Association between the Institutional Members and Commercial Members.

The next step is for the new Minister, Ms Pemmy Majodina, to gazette the amendments, which we expect to take place during the 2024/2025 financial year. Once the amendments are gazetted ManCom will be reconstituted in accordance with the amended Constitution and Members' Agreement, which make provision for nine members: four representing the Institutional Members, four representing Commercial Members and the final member being the CEO, as an exofficio member of ManCom. Mr J Jansen ManCom Chairperson

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, our new Constitution promotes the principle of equal representation between the Institutional Members and the Commercial Members in the Management Committee.

Sub-committees

The Association has established three standing sub-committees with delegated authority from ManCom. Each committee operates in accordance with a charter that is formally approved by ManCom. These charters address various aspects, including composition, meetings, 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 ManCom, focusing on areas such as financial management, auditing, compliance, risk, governance, combined assurance, IT governance and remuneration. The committee charter outlines the core responsibilities and functions that guide its actions and contributions to the Association's governance structures.

Composition

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

Membership of the Finance Committee

- Mr P Moodliar (Chairperson) Anglo American Platinum (Alternate – Mr C Stockill)
- Mr P Nel Department of Water and Sanitation
- Mr R Essay African Rainbow Minerals
- Mr S Laubscher Samancor
- Mr JA Bierman (Chief Executive Officer) Lebalelo Water User Association

Permanent Invitees

- Mr JC Jansen (Chairperson) African Rainbow Minerals
- Mr J Mahapa (Finance Manager)
 Lebalelo Water User Association
- Ms H Oberholzer
 Rustenburg Platinum Mines

Key Achievements

As noted in the finance section of this report, the Association faced challenges that put pressure on its revenue during the review period. The Finance Committee (FinCom) provided consistent oversight and guidance to management, not only through scheduled meetings but also on an ongoing, ad-hoc basis. We are sincerely grateful for the continued support and engagement that FinCom members provide.

Amongst the FinCom's achievements during the period under review, the following are most noteworthy:

- Reviewed the 2023 Annual Financial Statements and audit findings, ensuring that management addressed and resolved them;
- Recommended to ManCom the approval of compensation for landowners to facilitate the efficient and expedited acquisition of servitudes over the Association's pipelines;
- Oversaw the approval of the Association's Manual in compliance with Section 51 of the Promotion of Access to Information Act:
- Recommended to ManCom the approval of land acquisition policies and procedures to ensure alignment with applicable legislation;

- Reviewed management's proposal and recommended to ManCom, the appointment of SNG Grant Thornton as the Association's auditor for a five-year term;
- Regularly reviewed the Association's management accounts to ensure compliance with solvency and liquidity requirements as outlined in the FinCom Charter and Annual Work Plans;
- Reviewed and recommended to ManCom, the approval of the budget;
- Continuously monitored the financial performance of the OMMP;
- Oversaw the governance of risk and information management; and
- Considered and recommended to ManCom the approval of water tariffs.

Outlook

The FinCom is cautiously optimistic about the future and will be monitoring the impact of the rising operating costs 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. Specific focus will be placed on the enhancement of corporate governance adherence. Mr P Moodliar FinCom Chairperson

Olifants Management Model Programme Steering Committee

Purpose and Role of the Committee

The Olifants Management Model Programme Steering Committee (OMMPSC) supports ManCom in overseeing the Olifants Management Model Programme (OMMP). It advises ManCom on institutional, technical, environmental, social, financial and other OMMP-related business. The primary role of the OMMPSC is to serve as a collaborative forum, ensuring consensus on decisions related to the OMMP.

Composition

The committee is currently comprised of six members and held five meetings in the period under review.

Membership of the Project Steering Committee

- Mr L Mabuda (Chairperson) Department of Water and Sanitation
- Mr L Manus Department of Water and Sanitation (resigned December 2023)
- Ms LT Kobe Department of Water and Sanitation
- Ms H Oberholzer Anglo American Platinum
- Mr Z Tsotetsi Northam Platinum (resigned May 2024)
- Mr V Khumalo African Rainbow Minerals
- Mr W van der Berg Ivanplats
- Mr JA Bierman (Chief Executive Officer) Lebalelo Water User Association

Key Achievements

The committee's regular meetings during this period underscore its commitment to ongoing engagement and effective management of the OMMP, and its key achievements include:

- Providing strategic direction for the Association's future during a workshop with Association Members from 5-6 July 2023;
- Public opening of contractors' bids for the construction of Phases 2B and 2B+ pipelines on 31 August 2023;
- The Infrastructure South Africa (ISA) site visit to Southern Extension 2 Phase 1 in October 2023:
- Approval of the Final Investment Decision (FID) for Stage 1 of the OMMP in November 2023;
- Approval of the Budget Facility for Infrastructure (BFI) Stage 1 of the OMMP (for Phases 2B & 2B+) in February 2024, supporting Institutional Members' contributions to the OMMP; and
- The Ministerial commissioning of Southern Extension 2 Phase 1 at the new Spitskop Pump Station 2 in Steelpoort, Limpopo, on 26 April 2024.

Outlook

The OMMPSC will continue to define arrangements and provide oversight for the delivery, monitoring and evaluation of the OMMP, including feedback to the Association's strategic and governance bodies. This will be done in accordance with international best practice. With the close out of the study phase, the Committee is preparing for the commencement of the construction phase and is working with management to reach financial close by the end of December 2024. Mr L Mabuda PSC Chairperson

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 ManCom on various matters encompassing HR policies, remuneration, organisational structure, compliance with the Employment Equity Act, and other labour legislation.

The RemCom responsibilities also include the following matters:

- Terms of employment for executive management; and
- Appointment of the CEO and executive management members.

Members

- Mr JC Jansen (Chairperson) ARM Mining Consortium/ African Rainbow Minerals
- Mr P Moodliar Anglo American Platinum
- Mr JA Bierman (Chief Executive Officer) Lebalelo Water User Association

- 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; and
- Bonuses as proposed by the CEO.

Composition

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

Key Achievements

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

- Reviewing and, where necessary, aligning salary packages;
- Approving the payment of a safety incentive;
- Approving annual salary increases; and
- Reviewing and approving performance bonuses.

Outlook

In the coming year, the Association will commence with the construction phase of the OMMP, which will entail a significant growth in personnel. Accordingly, the Remuneration Committee will ensure the adequacy of the salary packages, review and approve the 2025/2026 annual inflationary increases. In addition, the Remuneration Committee will consider the performance assessments of the management team and make the appropriate recommendations regarding performance and retention bonuses. **Mr JC Jansen RemCom Chairperson**



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 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 practices.

This oversight encompasses a range of domains, including safety and occupational hygiene, health and wellness, with a focus on occupational health, environmentally responsible operations, preserving the Association's reputation, and brand and ethics management, while upholding social mandates and fostering community development, as well as managing and nurturing relationships with various stakeholders.

Composition

The committee is currently comprised of five members and held three meetings in the period under review.

Members

- Dr G Maluleke (Chairperson) Anglo American Platinum
- Mr Z Tsotetsi Northam Platinum (resigned May 2024)
- Ms LT Kobe Department of Water and Sanitation
- Mr W Louw Impala Platinum
- Ms H Oberholzer Anglo American Platinum
- Mr JA Bierman (Chief Executive Officer) Lebalelo Water User Association

Permanent Invitees

- Mr JC Jansen (ManCom Chairperson) African Rainbow
- Mr W Makgowe (Socio-Economic Development) Manager) Lebalelo Water User Association
- Mr E Moloto (Social Development Officer) Lebalelo Water User Association

Key Achievements

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

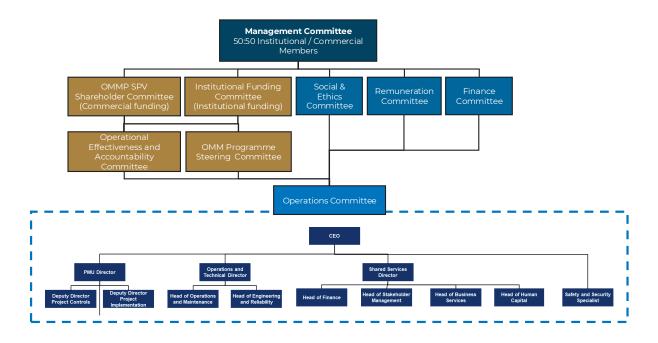
- Oversaw socio-economic development projects, including the Nal'ibali reading program, SMME training, and the refurbishment and equipping of schools in the Association's surrounding communities, as well as overseeing the rolling out of reading resources, interactive whiteboards, and Wi-Fi access;
- Oversaw the achievement of 100% fatality-free hours since inception;
- Oversaw the achievement of 125 364 injury free hours in the review period;
- Fostered improved understanding, cooperation, and partnerships with the DWS, provincial departments of Basic Education, Agriculture and Rural Development, as well as traditional councils, municipalities, and communities;
- Monitored water and energy usage by Members and the Association, the maintanance of the Association's infrastructure, and assessed the environmental impact of our operations;
- Oversaw the acquisition of land rights for the Association's SE2 infrastructure and OMMP; and
- Oversaw the development of a Brand Guideline and Management Procedure for the Badirammogo Water User Association.

Outlook

The SeCom understands that as the Association's staff complement increases, it will be challenging to maintain the Association's safety and environment records and will accordingly be more vigilant in its oversight role. Furthermore, the Association will be looking into creating partnerships with the Members and non-member users in the conceptualisation and implementation of SED programmes. The committee will also be overseeing the rollout of the rebranding strategy and more school upgrade projects, with six (6) schools already identified for upgrades in the 2024/2025 financial year. Dr G Maluleke SeCom Chairperson

Badirammogo governance structure

Upon the gazetting of Badirammogo Water User Association, additional governing committees will come into effect with the implementation of the OMMP, which is illustrated in the diagram below.



Risk

Lebalelo's approach to enterprise risk management (ERM) centres on recognising and mitigating the effects of significant strategic, operational, financial, reputational as well as Environmental, Social and Governance (ESG), and also regulatory risks that confront the Association across the geographic regions and economic domains in which we conduct our operations. We adopt a proactive risks 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 identified is meticulously evaluated within the parameters of 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.

1.	2.	3.	4.
Risk management framework:	Risk identification, analysis and rating:	Risk register:	Recommendation of risk register to mancom:
The Business Manager is responsible for ERM and has a direct line to the CEO and OpsCom	The risk register is reviewed and updated periodically	Emerging risks are presented to OpsCom for inclusion in the risk register	ManCom approves the risk register and makes decisions on risk appetite.

Risk Governance

ManCom supervises the Association's risk framework, policies and procedures. While it entrusts these responsibilities to the Operations Committee (OpsCom), which oversees the day-to-day management of the Association through a formally approved Delegation of Authority Framework (DoA), 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 fulfils its duties by delegating particular risk management responsibilities to its committees and the executive management team.

Compliance and ethics

The Association recognises that one of its fundamental risks is ensuring adherence to statutory obligations and voluntary commitments, such as King IV as well as industry codes. Consequently, it is both prudent and essential to identify relevant legislation and consistently monitor compliance levels. To support this goal, we enhanced our compliance oversight during the review period by implementing quarterly reviews of the Legislative Universe. The Legislative Universe is a management tool that details new legislation, proposed legislation, standards, and codes ("Compliance Requirements") that affect the Association. A report is then generated which includes updates on the steps taken to ensure compliance, the implementation timeline, and the personnel responsible for execution.

Additionally, reports on legal matters and findings, with

recommendations for improvement, were submitted to OpsCom, ManCom, and relevant sub-committees. One such report addressed the National Water and Water Services Amendment Bills, gazetted in November 2023. The Association has proactively managed the impact of these legislative changes by providing both oral and written comments to the DWS.

Furthermore, the Association has conducted an extensive audit of its compliance with the water use license conditions as stipulated by DWS. The audit involved the assessment of each license condition against actions taken by the Association to ensure compliance. We are pleased to report that the audit found that we were fully compliant with our license conditions and the audit report has been shared with the relevant authorities.





Information technology/information management governance

Information technology (IT) and information management (IM) are a crucial enabler of efficiency at the Association and support the long-term viability of the Association's growth ambitions. Our strategically aligned IT approach informs 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.

The overall roles and responsibilities for IT/IM function include providing leadership in the technology portfolio to enable and drive innovation, while managing a portfolio of technology projects to meet cost, scope and schedule constraints.

The IT/IM function is also responsible for thedevelopment of key performance indicators (KPIs) and service level agreements (SLAs) that align with stakeholder requirements and creates internal IT policies to support SLA attainment. It defines the enterprise architecture to meet the Association's current and future needs and manages the delivery of software, hardware and associated projects.

Additionally, the IT/IM function supports process efficiency in the back-office operations and drives innovation in the front-office and core business operations by recommending viable technological solutions. It also prioritises cybersecurity to safeguard information. Lastly, it oversees and manages external IT/IM vendors in delivering contracted work.

Arrangements for Governing and Managing IT



Outlook

Looking ahead, the Association will focus on several key initiatives within information technology and information management:

Information Management System (IMS)

The Association has adopted an IMS that will be enhanced with improved software systems together with the roll out of the OMMP and its control software systems. These system upgrades will include SAGE, MAXIMO, DOCUSIGN and Operation and Maintenance oversight systems for remote monitoring and control.

Cybersecurity, Data Protection, and Compliance,

The Association will conduct a Cybersecurity Business Impact Analysis (BIA) for critical business assets, implement a Cybersecurity Awareness Program to train employees on cybersecurity protocols and IT governance, ensure compliance with the Protection of Personal Information Act of 2013 and continuously update cybersecurity standards and guidelines in line with best practices and industry standards.

IT Infrastructure

Our initiatives include the integration of printing services, deployment of Active Directory, completion of a Disaster Recovery Business Study and the implementation of Fileshare services to support employees.

Telecommunications and Networking

The Association will establish a full SD-WAN (Software-Defined Wide Area Network) for all the Association's pump stations, enhance mobile coverage at pump station sites, and implement a business VPN for secure connectivity.

End User Support

We will introduce a Service Desk ticketing system to streamline support and enhance service for users.

Annual Financial Statements

for the year ended 30 June 2024

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

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General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Supplying bulk raw water to surrounding mines and public entities.
Chief Executive Officer	J.A. Bierman
Members	L.T. Kobe
	P. Moodliar
	J.C. Jansen
Business address	Farm Havercroft 99KT
	Modubeng
	Moroke
	Limpopo
	1154
Postal address	PO Box 2075
	Polokwane
	07000
Bankers	Absa Bank Limited
	First National Bank a division of First Rand Bank Limited
Auditors	SNG Grant Thornton
	Chartered Accountants (S.A.)
	Registered Auditors
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the National Water Act.
Preparer	The annual financial statements were independently compiled by:
	HTCO Financial Services Proprietary Limited

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 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 5 to 7.

The annual financial statements set out on pages 8 to 27, which have been prepared on the going concern basis, were approved by the management committee on 11 November 2024 and were signed on their behalf by:

Approval of financial statements

Chief Executive Officer

P. Moodliar

Deputy Chairperson Management Committee

Chairperson

Management Committee

Member

Management Committee

Management Committee's Report

The members of the Management Committee has pleasure in submitting their report on the annual financial statements of Lebalelo Water User Association for the year ended 30 June 2024.

1. Nature of business

The Association is engaged in terms of its water use licence, 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 financial statements and do not in our report require any further comment.

There have been no material changes to the nature of the Association's business from the prior year.

2. Management Committee

During the year and to the date of this report, the Management Committee of the Association consists of the following persons:

Member	Position	Changes
J.A. Bierman	Chief Executive Officer	
P. Moodliar	Deputy Chairperson Management Committee	
J.C. Jansen	Chairperson Management Committee	
L.T. Kobe	Committee member	
Z. Tsotetsi	Committee member	Resigned 24 March 2024

A full outline of the Management Committee and subcommittees are set out in the annual report.

3. Events after the reporting period

The members of the Management Committee are not aware of any material event which occurred after the reporting date and up to the date of this report.

4. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The members of the Management Committee believe that the association has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The members have satisfied themselves that the association is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The members are not aware of any new material changes that may adversely impact the association. The members are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the association.

5. Auditors

SNG Grant Thornton were appointed in office as auditors for the Association for 2024.

At the AGM, the members will be requested to reappoint SNG Grant Thornton as the independent external auditors of the association and to confirm the designated lead audit partner for the 2025 financial year.

6. Secretary

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

Independent auditor's report

To the Management Committee of Lebalelo Water User Association

Opinion

We have audited the financial statements of Lebalelo Water User Association ("the Association") set out on pages 8 to 27, which comprise the statement of financial position as at 30 June 2024, 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 financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lebalelo Water User Association as at 30 June 2024, and its financial performance and cash flows for the year then ended are in accordance with the basis of preparation described in the accounting policy note number 1.1 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 (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Association in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Association for the year ended 30 June 2023, were audited by predecessor auditor who expressed an unmodified opinion on those financial statements on 08 November 2023.

Other Information

The Management Committee is responsible for the other information. The other information comprises of the information included in the Integrated Annual Report for the year ended 30 June 2024, which includes, strategic overview, performance review and governance, risk and compliance reports as required by the National Water Act No. 36 of 1998. The other information does not include the financial statements and our auditor's report thereon.

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

We did not receive the other information prior to the date of this auditor's report. When we do receive and read this information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Management Committee and request that the other information be corrected. If the other information is not corrected, we may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Responsibilities of the Management **Committee for the Financial Statements**

The Management Committee is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting policies described in the accounting policy note number 1.1 to the Annual Financial Statements and the requirements of the National Water Act, and for such internal control as the Management Committee determine is necessary to enable the preparation of 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 continued

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Committee.
- Conclude on the appropriateness of the Management Committees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance.

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.

Thabo E Mogano CA (SA),

Registered Auditor Director

25 November 2024 Building 4, Sumit Place Office Park Menlyn, 0081

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note	2024	2023 * Restated
Assets			
Non-Current Assets			
Property, plant and equipment	2	663,640,298	488,925,880
Intangible assets and long-term prepayments	3	63,481,106	73,121,813
Other financial assets	4	5,628,530	5,316,436
		732,749,934	567,364,129
Current Assets			
Consumable stock	5	5,838,799	4,284,704
Trade and other receivables	6	110,955,310	105,330,356
Other financial assets	4	253,241,823	435,819,032
Cash and cash equivalents	7	50,938,872	68,802,725
		420,974,804	614,236,817
Total Assets		1,153,724,738	1,181,600,946
Equity and Liabilities			
Equity			
Capital reserve	8	551,544,720	551,544,720
Retained surplus	G	272,680,101	270,964,729
		824,224,821	822,509,449
Liabilities		- /	
Non-Current Liabilities			
Deferred income	9	51,677,365	60,664,639
Current Liabilities			
Trade and other payables	10	63,870,394	42,412,141
Short-term payables	11	191,443,309	234,627,101
Deferred income	9	8,987,354	8,987,354
Provisions	12	13,521,495	12,400,262
		277,822,552	298,426,858
Total Liabilities		329,499,917	359,091,497
Total Equity and Liabilities		1,153,724,738	1,181,600,946

^{*}Certain comparative figures have been restated. Refer to note 26.

Statement of Comprehensive Income for the year ended 30 June 2024

Figures in Rand	Note	2024	2023 * Restated
Revenue	13	328,437,944	377,110,768
Direct cost	14	(50,617,069)	(44,487,935)
Gross surplus		277,820,875	332,622,833
Other income	15	42,890,565	9,364,500
Operating expenses		(351,283,125)	(185,143,976)
Operating Surplus/(Deficit)	16	(30,571,685)	156,843,357
Interest received	17	33,851,493	16,777,158
Finance costs paid	18	(1,564,436)	(3,207,681)
Surplus for the year		1,715,372	170,412,834
Total comprehensive surplus (deficit) for the year		1,715,372	170,412,834

^{*}Certain comparative figures have been restated. Refer to note 26.

Statement of Changes in Equity for the year ended 30 June 2024

Figures in Rand	Capital reserve	Retained surplus	Total equity
Opening balance as previously reported	397,327,896	96,829,425	494,157,321
Adjustments			
Prior period error (Refer note 26)	-	3,722,470	3,722,470
Balance at 1 July 2022 as restated	397,327,896	100,551,895	497,879,791
Surplus for the year	-	170,412,834	170,412,834
Capital contribution for the year	154,216,824	-	154,216,824
Balance at 1 July 2023 as restated	551,544,720	270,964,729	822,509,449
Surplus for the year	-	1,715,372	1,715,372
Total comprehensive income for the year	-	1,715,372	1,715,372
Balance at 30 June 2024 (Note 8)	551,544,720	272,680,101	824,224,821

^{*}Certain comparative figures have been restated. Refer to note 26.

Statement of Cash Flows for the year ended 30 June 2024

Figures in Rand	Note	2024	2023 * Restated
Cash flows from operating activities			
Cash receipts from customers		356,716,281	300,082,863
Cash paid to suppliers and employees		(348,993,745)	(179,038,734)
Cash generated from operations	21	7,722,537	121,044,129
Interest received	17	33,851,493	16,777,158
Finance costs paid	18	(1,564,436)	(3,207,681)
Net cash from operating activities		40,009,594	134,613,606
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(196,954,768)	(163,941,303)
Proceeds from disposal of property, plant and equipment	2	-	179,047
Proceeds from withdrawals of other financial assets	4	218,328,089	40,774,640
Cash paid to acquire other financial assets	4	(36,062,976)	(339,349,787)
Net cash from investing activities		(14,689,655)	(462,337,403)
Cash flows from financing activities			
Repayments of short-term payables	11	(43,183,792)	-
Cash advances received on short-term payables	11	-	184,792,202
Proceeds from additional capital contributions		-	154,216,823
Net cash from financing activities		(43,183,792)	339,009,025
Total cash movement for the year		(17,863,853)	11,285,228
Cash and cash equivalents at the beginning of the year		68,802,725	57,517,497
Cash and cash equivalents at the end of the year	7	50,938,872	68,802,725

^{*}Certain comparative figures have been restated. Refer to note 26.

Accounting Policies for the year ended 30 June 2024

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

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.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements is entity specific and requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Summary of Judgments for Property, Plant, and Equipment and intangible assets

Recognition of Assets:

Judgment was applied to determine when an item qualifies as property, plant, and equipment. The association recognises an asset when it is probable that future economic benefits will flow to the association, and the cost can be measured reliably.

Initial Measurement:

All items of property, plant, and equipment are initially measured at cost, including expenditures directly attributable to bringing the asset to its intended use.

Depreciation Method:

The straight-line method and diminishing balance method was chosen for depreciation, as it best reflects the pattern in which economic benefits are consumed. This requires judgment in assessing the asset's useful life and residual value.

Useful Life Assessment:

Useful lives for various categories of assets were determined based on management's estimates, historical data, and industry standards. Regular reviews are conducted to reassess useful lives and residual values based on indicators that may suggest changes.

Impairment Testing:

Management exercises judgment in identifying indicators of impairment. When such indicators exist, an impairment test is performed to determine if the carrying amount exceeds the recoverable amount.

Derecognition:

The criteria for derecognition involve judgment about when an asset is disposed of or when no future economic benefits are expected. The gain or loss on derecognition is calculated based on the difference between net disposal proceeds and the carrying amount.

Subsequent Expenditure:

Expenditure for major services, additions, or replacements is capitalised only if it is probable that future economic benefits will flow. Day-to-day servicing costs are expensed, requiring judgment to differentiate between capital and revenue expenditures.

Accounting Policies for the year ended 30 June 2024

1.2 Significant judgements and sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

Useful lives of property, plant and equipment

The estimation of useful lives involves the following uncertainties:

Physical Deterioration: The extent to which assets, such as civil works and mechanical assets, will deteriorate over time can be unpredictable due to factors such as wear and tear, usage patterns, and maintenance practices.

Technological Advancements: Rapid changes in technology may render certain assets, especially IT equipment and instrumentation, less efficient or obsolete sooner than anticipated.

Environmental Conditions: Factors like climate change and operational environments can impact the longevity of assets such as fencing and civil works.

Management assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of plant and equipment, furniture and fixtures, motor vehicles, tools and equipment, IT equipment ,plant and equipment and capital work in progress are determined based on association's replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

1.3 Property, plant and equipment

Property, plant and equipment are tangible assets which the association holds for its own use or for rental to others and which are expected to be used for more than one period.

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 initially measured at cost.

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

Expenditure incurred subsequently for major services, additions or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Association and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the period in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the association.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Pipeline	Diminishing balance	50 years
Civil works	Diminishing balance & Straight line	45 years
Ventilation and cranes	Diminishing balance	20 years
Mechanical	Diminishing balance	15 years
Electrical	Diminishing balance	15 years
Valves	Diminishing balance	10 years
Security and fencing	Diminishing balance & Straight line	10 years
Furniture and fittings	Straight line	10 years
Instrumentation and meters	Diminishing balance & Straight line	8 years
Borehole pumps	Diminishing balance	5 years
Tools and equipment	Straight line	5 years
Motor vehicle	Diminishing balance & Straight line	4 years
IT Equipment	Straight line	3 years
Alarm system and safety ropes	Diminishing balance	1 year

Accounting Policies for the year ended 30 June 2024

1.3 Property, plant and equipment (continued)

When indicators are present that the useful lives and residual values of items of property, plant and equipment have changed since the most recent annual reporting date, they are reassessed. Any changes are accounted for prospectively as a change in accounting estimate.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in surplus or deficit to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in surplus or deficit when the item is derecognised.

The association selected the diminishing balance method and straight line depreciation method as it reflects the pattern in which the association expects to consume the asset's future economic benefits.

1.4 Intangible assets and long-term prepayments

Intangible assets and long-term prepayments are initially recognised at cost.

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 prepayments are carried at cost less any accumulated amortisation and any impairment losses, to accurately reflect the time frame 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 prepayments, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Servitude	None	Indefinite
Capital cost – Eskom power-line	Straight line	25 years
Eskom point of delivery (POD) costs	Straight line	25 years
Exemption from water resource development charge	Straight line	25 years

1.5 Financial instruments

The association has adopted IAS 39 as its accounting policy.

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.

Accounting Policies for the year ended 30 June 2024

1.5 Financial instruments (continued)

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

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.

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.

Short term payables

Classification Short-term payables (note 11) are measured at amortised cost.

Recognition and measurement

Short-term payables are recognised when the association becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

Interest expense is included in surplus or deficit in finance costs paid (note 18).

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 amortised cost.

1.6 Consumable stock

Consumable stock consist of mechanical, electrical, instrumentation and other spares that are used to carry out maintenance.

Consumable stock is measured at the lower of cost and net realisable value, on the weighted average cost basis.

1.7 Provisions

Provisions are recognised when:

- the association has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Provisions are not recognised for future operating losses.

Accounting Policies for the year ended 30 June 2024

1.8 Deferred income

Payments received in advance where the association has yet to comply with all attached conditions are recognised as a liability (included in deferred income) and released to income when all attached conditions have been complied with, the payment is recognised in surplus once the conditions has been met.

1.9 Revenue

The association recognises revenue from the following major sources:

Sale of goods:

Sale of raw water

The rendering of services:

- Feasibility Southern Ext. 2 Project
- Feasibility OMM Programme
- Fixed operating cost
- Refurbishment Fund Levy and SED Levy

The amount recognised on the sale of raw water is based on the volume of water supplied, and is measured at an approved water tariff for members and non-members. Revenue from Social Economic Development (SED) levy is based on the volume of water supplied to members only and is measured at an approved SED rate. Revenue from Refurbishment levy is measured at an approved fixed refurbishment amount that is equivalent to the budgeted depreciation amount. Revenue from Fixed Costs is measured by dividing the approved budgeted fixed operating costs over a period of 12 months. Revenue from OMMP & SE2 Feasibility study is measured based on the members and potential members committed water allocation.

Revenue 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.
- It is probable that economic benefits association with the transaction will flow to the Association.
- The costs incurred or to be incurred in respect of the transactions can be measured reliably.

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

1.10 Direct costs

The related cost of providing services recognised as revenue in the current period is included in Direct costs.

2. Property, plant and equipment

		2024			2023	
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Plant and equipment – Existing scheme	332,425,575	(98,095,609)	234,329,966	315,135,275	(86,707,847)	228,427,428
Furniture and fixtures	2,546,291	(867,720)	1,678,571	1,706,125	(659,603)	1,046,522
Motor vehicles	20,422,544	(14,195,176)	6,227,368	18,783,779	(13,289,295)	5,494,484
Tools and equipment	6,120,100	(4,376,667)	1,743,433	4,811,673	(3,936,488)	875,185
IT equipment and infrastructure	7,663,221	(5,327,849)	2,335,372	6,021,414	(4,415,722)	1,605,692
Plant and equipment Booysendal Platinum	2,101,359	(832,527)	1,268,832	2,046,459	(734,286)	1,312,173
Plant and equipment Southern Extension	172,753,595	(55,200,305)	117,553,290	172,756,704	(47,856,086)	124,900,618
Restated Capital Work in Progress Existing Scheme	-	-	-	6,707,356	-	6,707,356
Capital Work in progress Southern Extension 2	298,503,466	-	298,503,466	118,556,422	-	118,556,422
Total	842,536,151	(178,895,853)	663,640,298	646,525,207	(157,599,327)	488,925,880

Reconciliation of property, plant and equipment 2024

	Opening balance	Additions	Transfers	Depreciation	Total
Plant and equipment – Existing scheme	228,427,428	10,582,945	6,707,356	(11,387,763)	234,329,966
Furniture and fixtures	1,046,522	840,166	-	(208,117)	1,678,571
Motor vehicles	5,494,484	2,579,479	-	(1,846,595)	6,227,368
Tools and equipment	875,185	1,308,428	-	(440,180)	1,743,433
IT equipment and infrastructure	1,605,692	1,641,807	-	(912,127)	2,335,372
Plant and equipment Booysendal Platinum	1,312,173	54,900	-	(98,241)	1,268,832
Plant and equipment Southern Extension	124,900,618	-	-	(7,347,328)	117,553,290
Capital Work in Progress Existing Scheme	6,707,356	-	(6,707,356)	-	-
Capital work in progress Southern Extension 2	118,556,422	179,947,044	-	-	298,503,466
	488,925,880	196,954,769	-	(22,240,351)	663,640,298

Reconciliation of property, plant and equipment 2023

	Opening balance	Additions	Scrapping & disposals	Depreciation	Total
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
Tools and equipment	500,470	575,787	-	(201,072)	875,185
IT equipment and infrastructure	1,287,247	1,638,232	-	(1,319,787)	1,605,692
Plant and equipment – Booysendal Platinum	1,404,333	46,618	-	(138,778)	1,312,173
Plant and equipment – Southern Extension	126,810,627	27,292	-	(1,937,301)	124,900,618
Restated Capital Work in Progress Existing Scheme	3,993,693	2,713,663	-	-	6,707,356
Capital work in progress Southern Extension 2	-	118,556,422	-	-	118,556,422
	338,761,828	163,941,303	(2)	(13,777,249)	488,925,880

3. Intangible assets and long-term prepayments

	2024				2023	
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Eskom POD Cost	3,168,837	(2,790,534)	378,303	3,168,837	(2,664,433)	504,404
Capital costs – Eskom power line	11,102,342	(9,517,714)	1,584,628	11,102,342	(8,989,505)	2,112,837
Exemption from water resource development charge	224,730,097	(164,071,922)	60,658,175	224,730,097	(155,085,525)	69,644,572
Servitudes	860,000	-	860,000	860,000	-	860,000
Total	239,861,276	(176,380,170)	63,481,106	239,861,276	(166,739,463)	73,121,813

Reconciliation of intangible assets and long-term prepayments 2024

	Opening balance	Amortisation	Total
Eskom POD Cost	504,404	(126,101)	378,303
Capital costs – Eskom power line	2,112,837	(528,209)	1,584,628
Exemption from water resource development charge	69,644,572	(8,986,397)	60,658,175
Servitudes	860,000	-	860,000
	73,121,813	(9,640,707)	63,481,106

Reconciliation of intangible assets and long-term prepayments 2023

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

4	Ot	her	fin	anci	ial	assets
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At amortised cost	2024	2023
Fixed deposits – Absa (Eskom guarantees) Interest rates ranging from 7.47% to 9.26% (2023: 6.51% to 8.67%) per annum. Refer to note 22.	5,628,530	5,316,436
Fixed deposits – Absa (Designated funds)* Interest rates ranging from 7.60% to 8.60% (2023: 6.53% to 7.60%) per annum. Refer to note 11.	-	40,643,772
Fixed deposits – Absa (Community support services and social development) Interest rates ranging from 7.70% to 9.00% (2023: 6.79% to 7.70%) per annum. Refer to note 11.	13,521,495	12,400,262
Short-term deposits – Absa Interest rates ranging from 7.85% to 9.33% (2023: 7.60% to 8.67%) per annum.	169,867,112	347,551,429
Short-term deposits – FNB Interest rates ranging from 7.00% to 9.08% (2023: 6.47% to 7.00%) per annum.	69,853,216	35,223,569
	258,870,353	441,135,468

^{*}The provision was realised as the Association has present obligation to execute the SED projects for the mining communities per mandate from the members. (Refer to Note 12) The communities are yet to reach an agreement with the Association on the SED projects to implement. The community funds were invested in an interest bearing account for the purpose of ringfencing the funds and taking advantage of favourable of the interest income.

Split between non-current and current portions	2024	2023
Non-current assets at amortised cost Current assets at amortised cost	5,628,530 253,241,823	5,316,436 435,819,032
	258,870,353	441,135,468

5. Consumable stock

	2024	2023
Consumable stock	5,838,799	4,284,704

6. Trade and other receivables

	2024	2023
Trade receivables	92,839,631	92,805,075
Deposits – Servitude	2,000,000	2,000,000
Deposits – Eskom	9,178,093	9,178,093
Deposits Rental	843,476	441,221
Value added tax	6,094,110	905,967
Total trade and other receivables	110,955,310	105,330,356

7. Cash and cash equivalents

Cash and cash equivalents consist of:	2024	2023
Cash on hand	1,063	-
Bank balances	14,236,038	28,753,028
Short-term deposits	36,701,771	40,049,697
	50,938,872	68,802,725

8. Capital reserve

Capital reserves consist of members capital contribution towards construction of Lebalelo Water Schemes.

Capital contributions were received from members to construct a main scheme at the establishment of the Association. Capital contributions were also made to Booysendal and Southern Ext 1 & 2 as the Association expanded.

	2024	2023
Capital contributions	551,544,720	551,544,720

9. Deferred income

	2024	2023
Prepayments	60,664,719	69,651,993
Split between non-current and current portions		
Non-current liabilities	51,677,365	60,664,639
Current liabilities	8,987,354	8,987,354
	60,664,719	69,651,993

Prepayment 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.

R8 987 354 as recognised in the income statement for 2023 and 2024.

Deferred income are recognised over a period of 25 years.

10. Trade and other payables

	2024	2023
Trade payables	50,880,392	29,158,441
Raw water payables – Refer to note 22	1,559,870	1,559,870
Other payables*	5,817,637	6,264,490
Accrued payroll expenses	5,612,495	5,429,340
	63,870,394	42,412,141

^{*}Other payables consists of provisions for audit fees, purchases accruals and non-member deposits.

11. Short-term payables

Held at amortised cost	2024	2023
Payables due to members – Northern Extension Mogalakwena	-	39,101,129
Payables due to members – Southern Extension	3,316,297	7,398,960
Non-members funding contribution – Southern Extension 2	188,127,012	188,127,012
	191,443,309	234,627,101
Split between non-current and current portions		
Current liabilities	191,443,309	234,627,101

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 nonmembers. The funding contributions by non-members commitment parties will be converted to capital upon the non-members becoming members of the Association.

12. Provisions

Reconciliation of provisions 2024

	Opening balance	Additions	Total
Community support services and social development	12,400,262	1,121,233	13,521,495
Reconciliation of provisions 2023			_
	Opening balance	Additions	Total
Community support services and social development	11,636,537	763,725	12,400,262

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.

13. Revenue

The association disaggregates revenue from members and non-members as follows:

	2024	2023
Sale of goods		
Sale of raw water	54,664,299	51,608,248
Rendering of services		
Fixed operating costs	102,888,959	93,245,346
Feasibility – OMM Programme	151,390,670	204,088,310
Refurbishment Fund Levy	15,646,179	13,929,313
Feasibility – Southern Extension 2 Project	-	12,304,908
SED Levy	3,847,837	1,934,643
	273,773,645	325,502,520
Total revenue from contracts with customers	328,437,944	377,110,768

The feasibility revenue consist of amounts received and accrued from the participating members in the Southern Extension 2 project and the Olifants Management Model (OMMP) programme. Project feasibility amounts for Olifants Management Model (OMM) were recognised as revenue and expenses as the project is in the research phase.

14. Direct cost

	2024	2023
Water	4,310,940	5,068,141
Other direct cost	73,962	54,692
Electricity	46,232,167	39,365,102
	50,617,069	44,487,935

15. Other income

	2024	2023
Rental income	84,700	92,400
Recoveries	-	17,610
Insurance claims received	5,805	38,517
Profit and loss on sale of assets	-	179,046
Discount received	-	7,169
AdHoc Services rendered DWS Giyani WTW	33,421,870	-
Grants received	109,770	-
Scrapping income	281,146	42,404
Amortisation of prepayment – Refer to note 9	8,987,274	8,987,354
	42,890,565	9,364,500

50,296,478

70,839,155

Notes to the Annual Financial Statements for the year ended 30 June 2024

16. Operating profit (loss)

Operating Surplus/(Deficit) for the year is stated after charging (crediting) the following, amongst other	S:	
	2024	2023
Auditor's remuneration external		
Audit fees	784,909	665,000
Depreciation and amortisation		
Depreciation and amortisation of property, plant and equipment and intangible assets	31,881,058	23,417,956
Expenses by nature		
The total direct costs, marketing expenses, general and administrative expenses, research and development maintenance expenses and other operating expenses are analysed by nature as follows:	nent expenses,	
Direct costs	50,617,069	44,487,935
Employee costs	70,839,155	50,296,478
Lease expenses	2,732,560	1,130,604
Depreciation and amortisation	31,881,058	23,417,956
Other expenses	46,599,681	39,797,405
Southern Ext. 2 Feasibility Expenses	7,490,686	2,810,253
Olifants Management Model Programme Feasibility Expenses	191,739,985	67,691,280
	401,900,194	229,631,911
17. Interest received		
	2024	2023
Interest revenue		
Bank	1,517,880	1,243,064
Trade and other receivables	140,191	640,343
Other financial assets	32,193,422	14,893,751
Total interest revenue	33,851,493	16,777,158
18. Finance costs paid		
	2024	2023
Finance costs paid on designated funds	1,415,196	3,154,891
Other finance cost	149,240	52,790
Total finance costs	1,564,436	3,207,681
19. Employee costs		
	2024	2023
Employee costs		
Compensation	67,104,046	47,563,028
Unemployment Insurance Fund	117,367	103,875
Workmen's compensation	-	225,384
Skills Development Levy	606,572	411,708
Short-term employee costs	3,011,170	1,992,483

20. Management Committee' remuneration

Execu	uч	٧C

2024

Member's emoluments	Compensation	Retention bonus	Total
Services as director or prescribed officer			
J.A. Bierman (Chief Executive Officer)	4,846,112	4,147,200	8,993,312
2023			
Member's emoluments	Compensation		Total
Services as director or prescribed officer			
J.A. Bierman (Chief Executive Officer)	4,755,900		4,755,900
21. Cash generated from operations			
		2024	2023
Surplus		1,715,372	170,412,834
Adjustments for:			
Movement in provision for doubtful debt		3,274,226	-
Depreciation and amortisation		31,881,058	23,417,955
Loss/(profit) on sale of assets		-	(179,046)
Movements in SED provisions		1,121,233	763,725
Interest income		(33,851,493)	(16,777,158)
Finance costs		1,564,436	3,207,681
Changes in working capital:			
(Increase) decrease in consumable stock		(1,554,095)	(1,069,669)
(Increase) decrease in trade and other receivables		(8,899,180)	(77,405,051)
Increase (decrease) in trade and other payables		21,458,254	27,660,212
Increase (decrease) in deferred income		(8,987,274)	(8,987,354)
		7,722,537	121,044,129

22. 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 R27,608,798.91 (2023: R24,618,865.19) 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 offtake 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 offtake 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 offtake 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.

23. 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.

24. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The members of the Management Committee believe that the association has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The members of the Management Committee is satisfied is that the association is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The members of the Management Committee is not aware of any new material changes that may adversely impact the association. The members of the Management Committee is also not aware of any material noncompliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the association.

25. Events after the reporting period

The members are not aware of any material event which occurred after the reporting date an up to the date of this report.

26. Prior period errors

During the year ended 30 June 2024, management became aware of the fact that balance sheet items were incorrectly presented in the income statement in the prior years. This error has been corrected in terms of the guidance from Section 32 of IFRS for SMEs by restating each of the affected financial statement line items in the statement of financial position. The change in property, plant and equipment relates to the construction of the emergency overflow pipeline.

During the compilation of the annual financial statements for the year ended 30 June 2024, it has come to our attention that there were discrepancies in the opening balance of retained earnings between the accounting system (SAGE 200) and the financial statements compilation system (Caseware). Upon further examination, it was discovered that certain transactions relating to capital work in progress, specifically concerning the construction of an emergency overflow pipeline, were erroneously classified as operating expenses in the preceding financial years of 2022 and 2023. To rectify this error, adjustments were made in the 2022 and 2023 financial statements by debiting the capital work in progress account and crediting operating expenses accordingly. Additionally, in the 2022 financial year, the accrued trade and other payables account was incorrectly mapped under other operating expenses in the Caseware system. This error was corrected by reclassifying the account from other operating expenses to trade and other payables in the 2022 financial year.

The following table summarise the impact on the relevant financial statement line items:

Statement of Financial Position	2023 as previously reported	2023 adjustment	2023 restated	2022 as previously reported	2022 adjustment	2022 restated
Property, plant and equipment	482,218,524	6,707,356	488,925,880	334,768,135	3,993,697	338,761,832
Equity Trade and other payables	(264,528,599) (42,140,915)	(6,436,130) (271,226)	(270,964,729) (42,412,141)	(96,829,425) (14,480,709)	(3,722,470) (271,226)	(100,551,895) (14,751,935)
Total equity and liabilities	(306,669,514)	(6,707,356)	(313,376,870)	(111,310,134)	(3,993,696)	(115,303,830)

Statement of profit or loss and other comprehensive income

Operating expenses	187,857,636	(2,713,660)	185,143,976	-	-	-
	, ,					

Movements on Other Financial Assets Presentation Restatement

In the 2023 financial statements, the net cash flow movement from investing activities was reported as R298,575,147. This figure was derived from a net calculation of cash inflows and outflows, which did not adequately disclose the gross cash receipts and gross cash payments as per the requirements outlined in Section 7.10 of IFRS for SMEs.

Upon review it was determined that:

- 1. The cash proceeds from withdrawals of other financial assets were not presented separately as an inflow of R40,774,640.
- 2. The cash paid to acquire other financial assets were also not presented separately as an outflow of R339,349,787.

This lack of separate presentation of gross cash flows resulted in an incorrect presentation of the cash flow position of the Association.

In compliance with Section 32 of IFRS for SMEs, the financial statements for the year ended 30 June 2023, have been restated to rectify this incorrect presentation. The following adjustments have been made:

Net Cash Flow from Investing Activities	(298,575,147)	(298,575,147)
Movement in other financial assets	(298,575,147)	-
Cash Payments for Acquisitions	-	(339,349,787)
Cash Proceeds from Withdrawals	-	40,774,640
Restatement of Investing Activities	2023 as previously reported	2023 amount (restated)

Supplementary information

The performance of operational schemes and projects is presented as supplementary information in the Annual Report and does not form part of the Audited Financial Statements. This distinction is made to provide a clear and comprehensive view of the Association's activities, showing the performance of both existing operations and ongoing or planned projects separately. The operational schemes include the Main Scheme, Southern Extension 1, and the Booysendal Scheme, which are all currently in operation. These schemes represent the established and ongoing activities of the Association, contributing to its current operational performance.

The projects section includes the Olifants Management Model Programme and the Southern Extension 2 Project. These represent ongoing or upcoming initiatives that are in various stages of planning and development. By presenting these separately, the report highlights the Association's commitment to expanding its operations and ensuring long-term growth, while clearly differentiating between established operational schemes and new or evolving projects.

Operational Scheme Performance for year ending 30 June 2024

	Actuals Year to Date	Prior Year to Date	Variance (YTD vs Prior)
Revenue	174,347,220	160,717,549	8%
Raw Water	54,664,299	51,608,248	6%
Fixed Operating Costs	102,888,959	93,245,346	10%
SED LEVY	1,147,783	1,934,643	-41%
Refurbishment Levy	15,646,179	13,929,313	12%
Direct Costs	-50,617,069	-44,487,935	-14%
Raw Water Costs	-4,310,940	-5,068,141	15%
Electricity Costs	-46,232,167	-39,365,102	-17%
Other Direct Costs	-73,962	-54,692	-35%
Gross Surplus	123,730,151	116,229,614	
Other Income	9,468,695	9,364,500	1%
Amortisation - Prepayment	8,987,274	8,987,354	-0%
Rental Income	84,700	92,400	-8%
Scrapping Income	281,146	42,404	563%
Recoveries	0	17,610	-100%
Insurance claims received	5,805	38,517	-85%
Profit on sale of assets	0	179,046	-100%
Discount received	0	7,169	-100%
Grants received	109,770	0	100%
Operating expenses	-121,159,510	-98,021,485	-24%
Employee Costs	-42,519,908	-34,717,548	-22%
Lease Expense	-158,864	-88,577	-79%
Depreciation & Amortisation	-31,881,058	-23,417,956	-36%
Administration Expenses	-25,986,182	-20,312,824	-28%
Social Development Costs	-2,866,268	-2,623,134	-9%
Repairs & Maintenance	-16,369,531	-13,350,671	-23%
Other Operating Expenses	-1,377,699	-3,510,774	61%
Operating Surplus	12,039,336	27,572,630	-56%
Interest Received	21,304,221	14,658,856	45%
Finance Charges	-1,564,436	-3,207,681	51%
Net Surplus For the Year - Operational Scheme	31,779,121	39,023,805	-19%

Supplementary information Continued

Olifants Management Model Programme (OMMP) performance for year ending 30 June 2024

	Actuals Year to Date	Prior Year to Date	Variance (YTD vs Prior)
Revenue	154,090,724	204,088,310	-24%
SED LEVY	2,700,054	0	100%
Feasibility - OMM Programme	151,390,670	204,088,310	-26%
Other Income	33,421,870	0	100%
Ad-Hoc Services - DWS Giyani WTW	33,421,870	0	100%
Operating Expenses	-221,381,775	-83,412,327	-165%
Employee Costs	-27,068,094	-14,679,020	-84%
Lease Expense	-2,573,696	-1,042,027	-147%
Programme Feasibility Expenses	-191,739,985	-67,691,280	-183%
Gross Operating Surplus/(Deficit)	-33,869,181	120,675,983	-128%
Interest Received	8,657,430	285,746	2930%
OMMP Net Surplus / (Deficit) For the Year	-25,211,751	120,961,729	-121%
OMMP - Opening Net Surplus	120,961,729	0	100%
OMMP Accumulated Net Surplus	95,749,977	120,961,729	-21%

Southern Ext. 2 project performance for the year ending 30 June 2024

	Actuals Year to Date	Prior Year to Date	Variance (YTD vs Prior)
Revenue	0	12,304,908	-100%
Feasibility - Southern Ext. 2	0	12,304,908	-100%
Operating Expenses	-8,741,840	-3,710,163	136%
Employee Costs	-1,251,154	-899,910	39%
Project Feasibility Expenses	-7,490,686	-2,810,253	167%
Gross Operating Surplus/(Deficit)	-8,741,840	8,594,745	-202%
Interest Received	3,889,842	1,832,555	112%
SE-2 Net Surplus / (Deficit) For the Year	-4,851,998	10,427,300	147%
SE-2 Opening Net Surplus	10,427,300	0	100%
SE-2 Accumulated Project Surplus	5,575,302	10,427,300	-47%
SOUTHERN EXT. 2 CAPEX FOR THE YEAR ENDING 30 JUNE 2024			
Capital Contribution Opening Balance	223,787,413	0	100%
Total Capital Contribution from Members	0	154,216,823	-100%
Total Capital Contribution from Non-Members	0	188,127,012	-100%
Project Costs Capitalised in the current year (Work in Progress)	-179,947,044	-118,556,422	52%
SE-2 CAPEX REMAINING BALANCE	43,840,369	223,787,413	-80%

SED Levy Revenue

Deferred Income

Depreciation

Finance Costs

Less: Amortisation

Nett surplus / (deficit)

Less: SED Project Expenses

Other Income from operations

Supplementary information Continued

Operational Scheme Projected Five-Year Statement of Comprehensive Income

2024/2025

2025/2026

2026/2027

2027/2028

2028/2029

Water use in m ³	9,034,000	9,336,000	9,596,000	9,806,000	9,956,000
Revenue					
Fixed operational income	104,650,371	106,908,088	114,894,850	122,582,906	128,663,782
Refurbishment income	22,653,846	23,786,538	24,975,865	26,224,659	27,535,892
Raw water	60,875,598	70,156,878	77,865,252	85,853,657	92,594,467
Total revenue	188,179,815	200,851,504	217,735,967	234,661,222	248,794,141
Variable costs					
Electricity Charges - Variable Costs	48,571,064	54,332,294	65,064,290	77,917,608	93,311,835
Raw Water Charges - Variable Costs	4,820,064	5,234,589	5,684,764	6,173,654	6,704,588
Total variable costs	53,391,128	59,566,883	70,749,054	84,091,262	100,016,423
Gross surplus	134,788,687	141,284,621	146,986,913	150,569,960	148,777,718
Electricity Charges - Fixed Costs	3,690,197	4,147,111	4,677,460	5,294,316	6,013,156
Raw Water Charges - Fixed Costs	920,873	966,916	1,015,262	1,066,025	1,119,326
Administration Costs	8,922,069	9,424,142	9,959,090	10,526,373	11,132,088
Personnel Costs	45,418,948	47,874,256	50,764,392	53,829,351	55,215,377
Maintenance	24,997,312	27,573,282	29,723,863	32,077,094	32,138,617
Training & Development	1,035,872	1,041,314	1,381,456	1,209,556	1,303,716
Vehicles Costs	2,136,916	2,307,869	2,492,499	2,691,899	2,907,251
Safety & Security	13,720,784	11,169,107	12,284,410	13,084,160	15,805,789
Governance	3,475,000	2,404,091	2,596,418	2,804,132	3,028,462
Admin & Consultants	332,400	-	-	-	-
Fixed costs	104,650,371	106,908,088	114,894,850	122,582,906	128,663,782
Operating Surplus / (Deficit)	30,138,316	34,376,533	32,092,063	27,987,054	20,113,936
Interest received	16,919,571	18,442,332	20,102,142	21,911,335	23,883,355

1,799,189

-1,799,189

210,000

8,987,354

-8,987,354

-22,653,846

-1,600,000

23,014,040

1,943,124

-1,943,124

8,987,354

-8,987,354

-23,786,538

-1,680,000

27,566,527

214,200

2,098,574

-2,098,574

218,484

8,987,354

-8,987,354

-24,975,865

-1,764,000

25,672,824

2,266,460

-2,266,460

222,854

8,987,354

-8,987,354

-26,224,659

-1,852,200

22,044,384

2,447,777

-2,447,777

8,987,354

-8,987,354

-27,535,892

-1,944,810

14,743,900

227,311

Projected Capital Expenditure Summary - Operations

	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029
Operations					
Office & Computer Equipment	3,386,736	3,489,924	3,766,966	4,042,313	4,372,113
Toots & Equipment	753,383	915,468	1,006,247	910,845	1,014,272
Vehicles & Mobile Equipment	1,678,920	1,463,400	1,024,920	647,352	-
Assets Replacement out of Refurbishment Funds	16,908,578	22,759,234	21,887,199	17,143,473	18,245,691
Less: Capex Funding from Refurbishment Fund	-16,908,578	-22,759,234	-21,887,199	-17,143,473	-18,245,691
Total Capital Expenditure Required / (Available)	5,819,039	5,868,792	5,798,133	5,600,510	5,386,385

Projected Operations Generic Financial Indicators/Ratios

	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029
Indicators/Ratios					
Gross Revenue (R)	188,179,815	200,851,504	217,735,967	234,661,222	248,794,141
Average Water Use Charge	5%	12%	8%	8%	6%
Operating Surplus (% of GR)	16%	17%	15%	12%	8%
Total Expenditure	158,041,499	166,474,971	185,643,904	206,674,168	228,680,205
Operating Costs (% of GR)	84%	83%	85%	88%	92%
Cost of Revenue (% of GR)	28%	30%	32%	36%	40%
Finance Costs (% of GR)	1%	1%	1%	1%	1%
Manpower Costs (% of GR)	24%	24%	23%	23%	22%
Training costs per employee (R/year)	18,498	18,595	24,669	21,599	23,281
Gross Surplus Margin	72%	70%	68%	64%	60%
Consumer Price Index (CPI or CPIX)	4.86%	4.5%	4.5%	4.5%	4.5%
Water Use Growth (%)	19%	3%	3%	2%	2%
Water Purchase Cost Increase (%)	12%	9%	9%	9%	9%
Prime Interest Rate (%)	10.25%	9%	9%	9%	9.00%

List of acronyms

AFS	Annual Financial Statements
BOQ	Bills of Quantity
BWUA	Badirammogo Water User Association
СВО	Community-Based Organisations
СМА	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
IM	Information Management
IT	Information Technology
ISSB	International Sustainability Standards Board
King IV	The King IV Report on Corporate Governance for South Africa, 2016
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
ОММР	Olifants Management Model Programme
OpsCom	Operations Committee
ORWRDP	Olifants River Water Resources Development Project
PGM	Platinum Group Metals
RemCom	Remuneration Committee
RFP	Request for Proposals
SE2	Southern Extension 2
SeCom	Social and Ethics Committee
SED	Socio-Economic Development
SMME	Small, Medium and Micro. Enterprises

