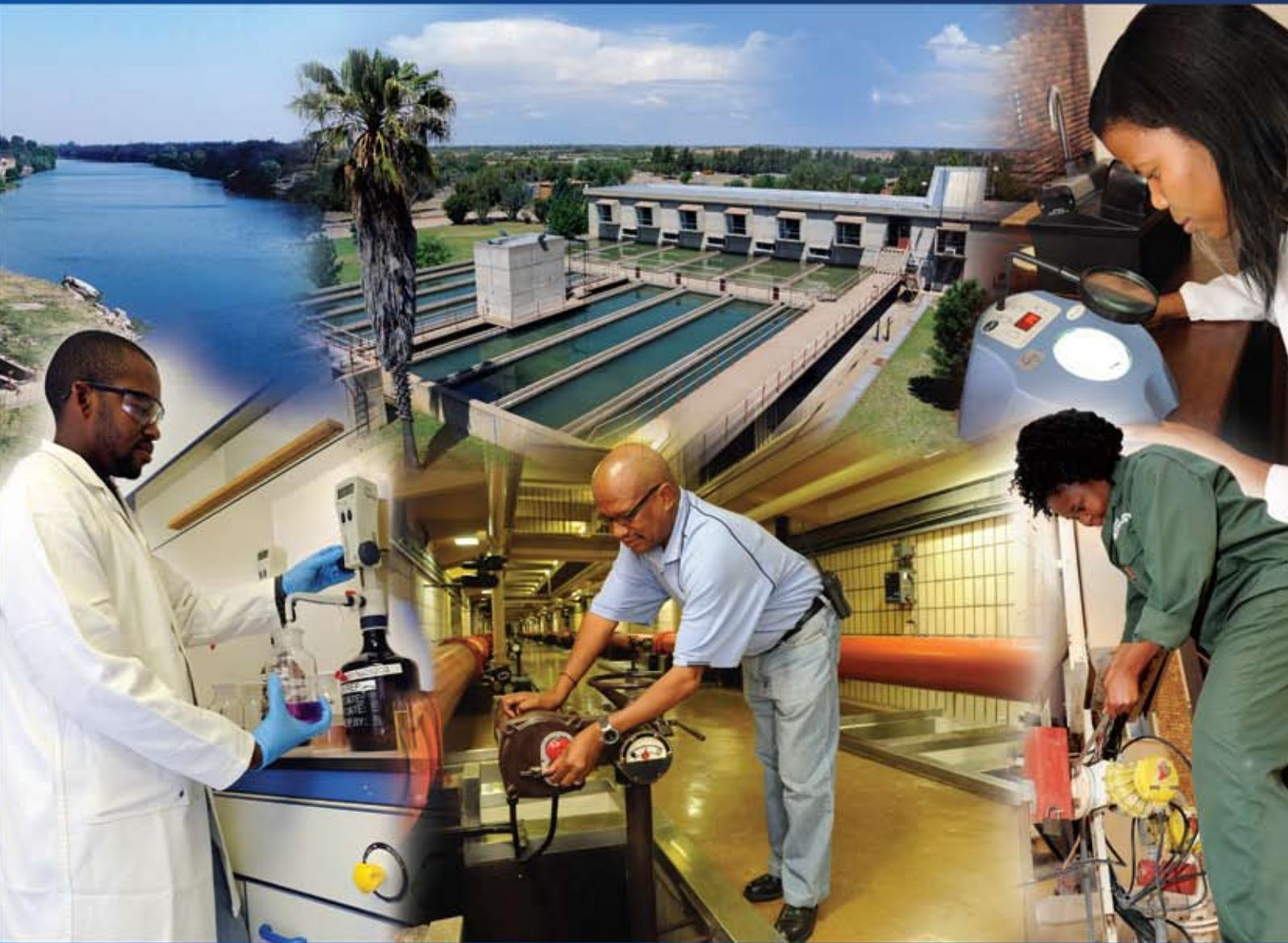




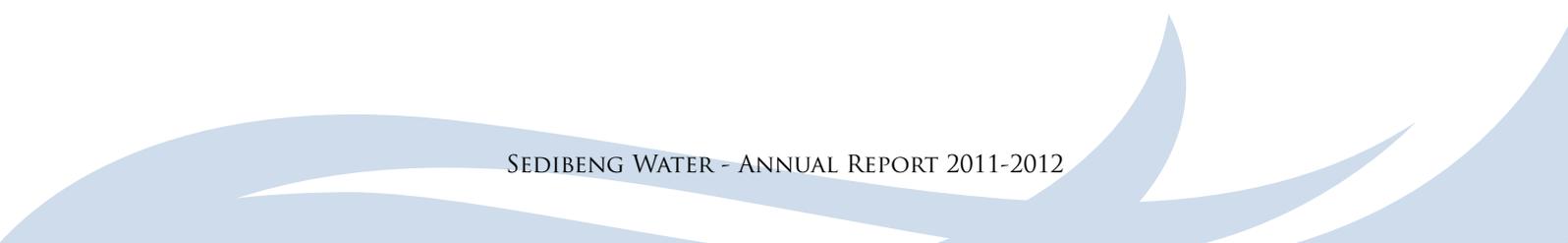
**Sedibeng
WATER**

SUSTAINING THE SOURCE AND FLOW OF LIFE FOREVER



2011 - 2012

Annual Report



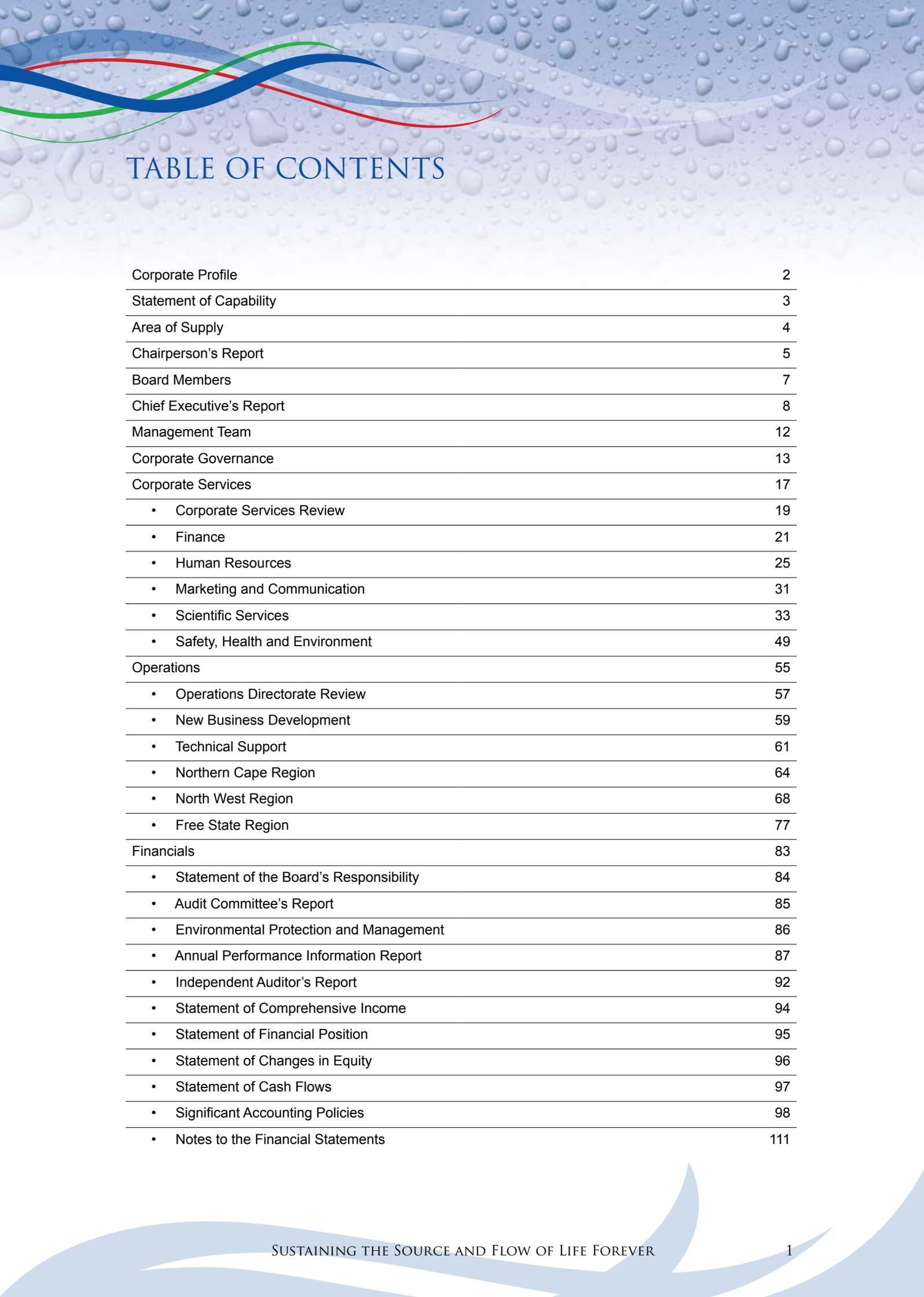


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CORPORATE PROFILE

Introduction

Sedibeng Water was established on 1 June 1979. It serviced the Free State Goldfields and parts of the former Western Transvaal. In 1996 Sedibeng Water extended its operational area to the North West Province. Since then Sedibeng Water grew to include the Vaal Gamagara Water Scheme in the Northern Cape Province.

Sedibeng Water has recently expanded its operational area even further with the incorporation of the Namakwa Water Board. As a result, Sedibeng Water now serves the Nama Khoi Local Municipality (Steinkopf, Okiep, Concordia, Carolusberg, Nababeep and Springbok) and the De Beers Namaqua mines in the arid north-western part of the Northern Cape.

The organisation currently services an operational area spanning more than 86 000 square kilometres across three (3) provinces: Free State, North West and Northern Cape. This makes Sedibeng Water one of the largest water utilities in the country.

Vision and Mission

Sedibeng Water is driven by its vision of *Excellence in Water Services Provision*.

Sedibeng Water's mission statement underpins this commitment to excellence by focusing on:

- The appropriate treatment of wastewater and supply of potable water;
- Ensuring viability and sustainability;
- Creating an environment that is conducive to the growth and retention of skills;
- Providing effective and efficient communications; and
- Ensuring compliance.





STATEMENT OF CAPABILITY

Technical Services

- Evaluation and planning of systems;
- Project planning and management;
- Refurbishment and upgrade of existing infrastructure; and
- Implementing agency.

Social Services and Community Involvement

- Capacity building and training; and
- Community involvement in water and sanitation facilitation.

Wastewater Treatment

- Chemical and bacteriological analysis;
- Chemical treatment and process upgrading;
- Process problem solving and control;
- Process optimisation; and
- Consultancy.

Water Quality Management in Network

- Chemical analysis;
- Bacteriological analysis; and
- Consultancy.

Environmental Services

- Chemical analysis;
- Bacteriological analysis;
- Toxicity testing; and
- Consultancy (waste disposal and pollution control).

Water and Wastewater Management Services

- Bulk water treatment and distribution;
- Retail water services;
- Bulk sanitation management; and
- Water metering and billing services.

Operations and Maintenance Services

- Optimisation of operational and infrastructure efficiencies; and
- Infrastructure maintenance and support services.

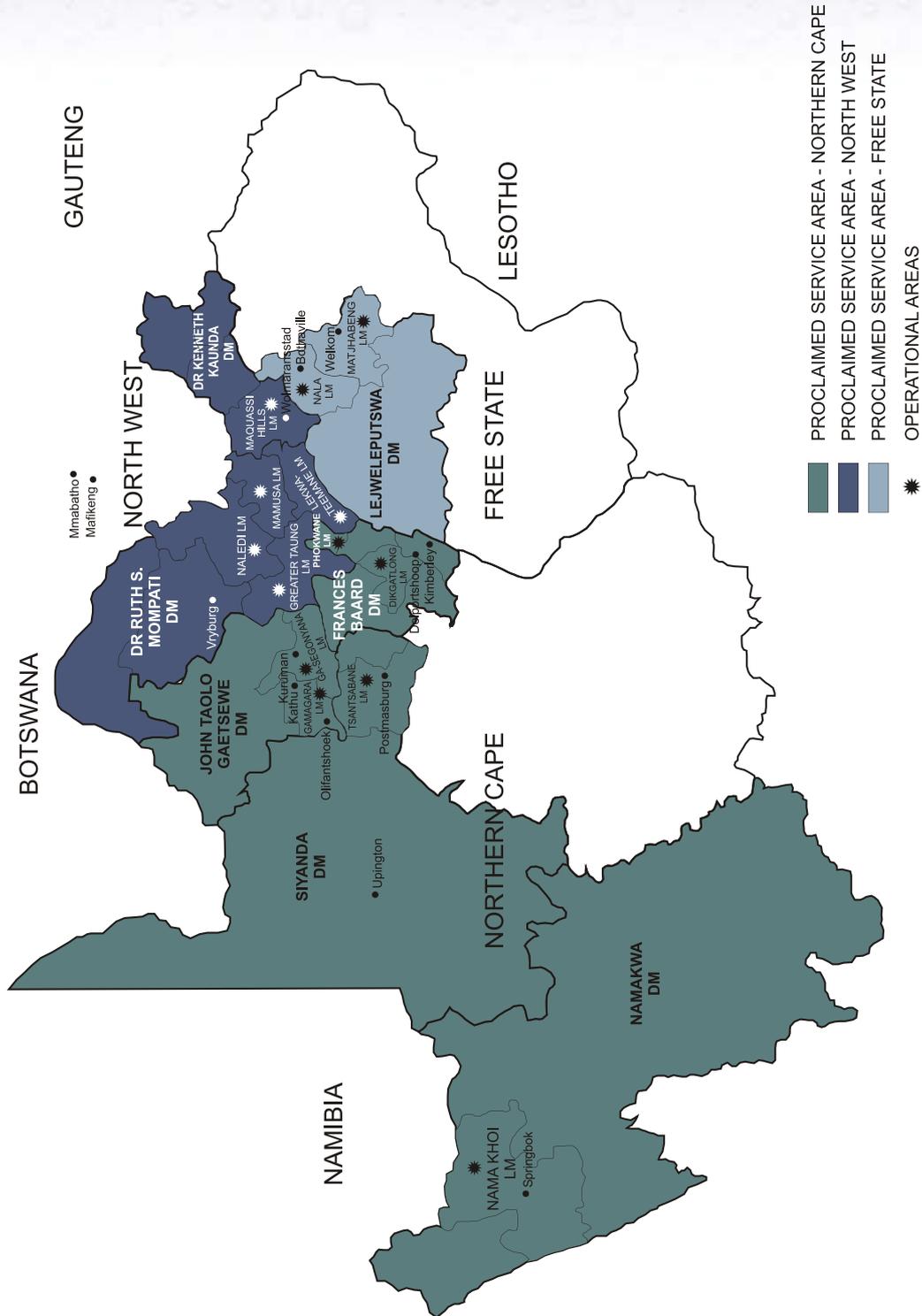
Water Purification

- Chemical analysis;
- Bacteriological analysis;
- Process upgrading;
- Process problem solving and control;
- Process optimisation; and
- Consultancy.

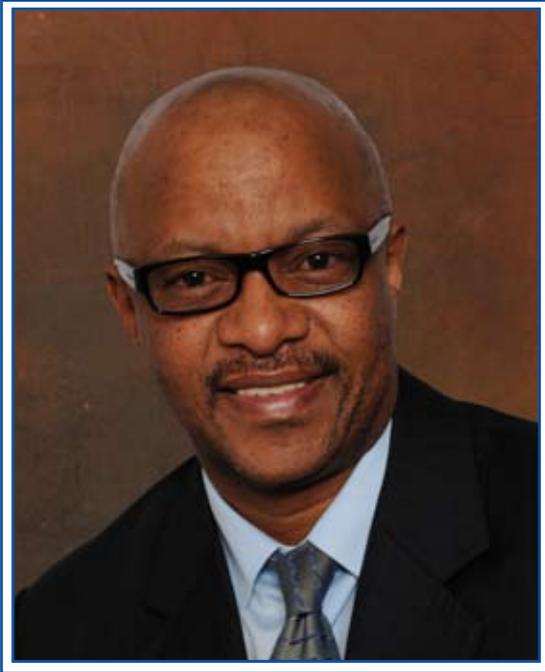
Training and Development Services

- Water purification and distribution:
 - Theoretical and practical aspects of the operation and maintenance of different unit processes;
 - Process optimisation;
 - Sampling procedures and techniques;
 - Management of water quality in the network; and
 - Reservoir cleaning.
- Wastewater treatment:
 - Plant optimisation; and
 - Theory of wastewater treatment.
- Establishment of laboratories:
 - Implementation of a quality management system; and
 - Performing of chemical and bacteriological analysis on drinking water and wastewater.
- Industrial cost-recovery;
- Pollution control; and
- Student training programmes.

AREA OF SUPPLY



CHAIRPERSON'S REPORT



T.B. Phitsane
Chairperson

As Chairperson of the Board of Sedibeng Water, it gives me much pleasure to present the organisation's annual report for the 2011/2012 financial year, which ended on 30 June 2012. The Bloem Water Board was instructed in 2009 by the then Minister of Water Affairs, Ms. Buyelwa Sonjica, to oversee the affairs of Sedibeng Water. Resultantly, this is the third year that this oversight role had been performed successfully.

During the year under review, Sedibeng Water continued to progressively position itself as an important role player and partner in the water services sector in South Africa, especially in the Free State, Northern Cape and North West provinces that form its area of operations. Driven by its vision of *Excellence in Water Services Provision*, the organisation has made a significant contribution towards addressing government's imperatives related to the delivery of water services to communities. In so-doing, Sedibeng Water

has fulfilled its mandate with honour and integrity. In line with its performance in the past, Sedibeng Water has again received an unqualified audit report for the year under review. This is not only indicative of the organisation's commitment to prudent financial management, but also reflects good governance and efficient operations that are prerequisites for long term viability and sustainability.

New business was generated through stakeholder interaction programmes. An agreement was reached between Sedibeng Water and the Dr. Ruth S. Mompoti District Municipality to take over the operation and maintenance of the Christiana Wastewater Treatment Plant (Lekwa Teemane Local Municipality) and the Pudimoe Water Purification Plant. Negotiations are still under way to further expand our services in the Dr. Ruth S. Mompoti District Municipality.

Sedibeng Water has achieved an improved employment equity profile in compliance with legislation and the implementation of benchmarked employment policies and practices. In addition, several training and development initiatives were devised to ensure that staff members have the opportunity to improve their skills. This is instrumental to the cultivation of a better qualified and equipped workforce. All of this resulted in a favourable working environment for optimal performance by management and employees alike.

Once again Sedibeng Water has invested considerably in its Corporate Social Investment Programme to the benefit of communities in its operational area. The main focus of this programme is to assist previously disadvantaged schools with special needs (disability), women, non-governmental organisations, community-based organisations and other cause-worthy organs of civil society. Assistance took on the form of donations, sponsorships and the development of sports and arts.

Some highlights of the year under review include the laboratory at Balkfontein maintaining its SANAS accredited status after successfully undergoing an external technical audit against the ISO/IEC 17025:2005. Furthermore, Sedibeng Water's plants at Balkfontein and Virginia have been awarded Blue Drop Status. The Matjhabeng Local Municipality received similar status for five of their plants, namely Welkom, Hennenman, Allanridge, Virginia and Ventersburg. The Department of Water Affairs acknowledged and congratulated both organisations for also achieving the Provincial Top Performer Award.

During the year under review, the Professional Management Review (PMR) awarded Sedibeng Water with the Diamond Arrow Award in the Northern Cape (2011) and Free State (2012) provinces. The organisation has also received the Silver Arrow Award during 2011 in both the North West and Free State provinces. Furthermore, the Golden Arrow Award was presented to Sedibeng Water in 2012 for its remarkable contribution to economic growth and development in the Northern Cape province.

On behalf of the Board, I wish to thank the management and all employees of Sedibeng Water for their contribution towards the achievements and success of the organisation during the past financial year. Your dedication and support ensured the delivery of high quality services to communities and clients in our operational area. I am deeply grateful to our highly regarded customers, shareholders and partners in the industry for their continued support, interest and cooperation.

I would also like to express my gratitude to the Minister of Water Affairs who has continuously expressed confidence in the Board and its governance of the organisation. The Minister's support, as well as the guidance given to us by the Department of Water Affairs and the Portfolio Committee, are highly appreciated and played a significant role in our achievements during the 2011/2012 financial year.

I thank the Acting Chief Executive, Mr. Rembuluwani Takalani for his valued contribution throughout the year. Like in the past, he continued to lead by example in a selfless fashion. His leadership and clear vision have been an inspiration to the Board.

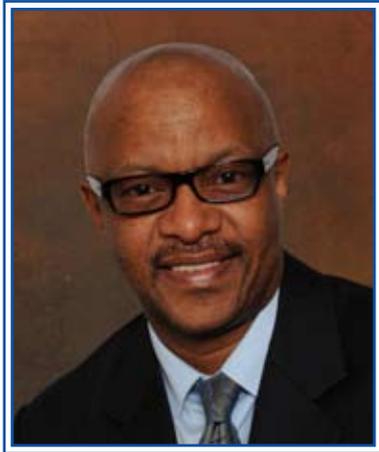
As part of an efficient team, the Bloem Water Board of Directors is proud to serve Sedibeng Water and remains committed to oversee the affairs of the organisation for as long as the Minister sees fit.



T.B. Phitsane
Chairperson



BOARD MEMBERS



Mr. T.B. Phitsane



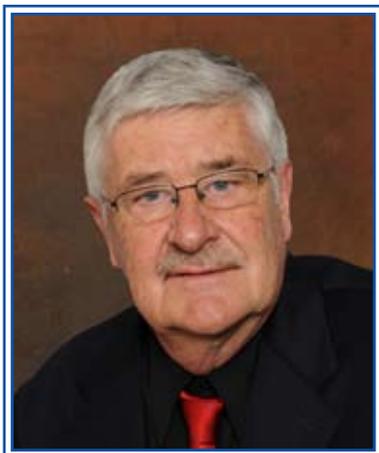
Dr. L. Moorosi



Ms. M.S.S. Maboe-Phike



Mr. L. Bomela



Dr. J. van der Merwe



Mr. N. Mokhesi

CHIEF EXECUTIVE'S REPORT



R. T. Takalani
Acting Chief Executive

During the 2011/2012 financial year, Sedibeng Water re-affirmed its reputation as an established, capacitated and reliable supplier of water and sanitation services to 2 million people in the area where we operate, namely the Free State, North West and the Northern Cape provinces.

We take pride in our achievements and excellent results obtained in the past year. As the Acting Chief Executive, I will now briefly highlight important indicators of organisational progress and improved performance that had been recorded.

Financial Performance

Sedibeng Water continued its endeavours to contain expenditure, and increase and improve services as well as income generation, without sacrificing high standards in water services provision. The fact that we have again obtained an unqualified audit report and the content of our financial statements confirm that Sedibeng Water is a viable and sustainable organisation. We are well positioned for future growth and self-sustainment.

Strict financial management ensured that operating costs were contained to an escalation of 23.9%, amounting to a total of R633,5 million for the year under review. This escalation can be attributed to an increase in electricity costs, planned and unplanned maintenance costs and provision for impairment staff costs. When compared to the previous financial year, an increase of 20.7% in consolidated revenue was recorded. This was due to an 8.5% increase in potable water tariffs as well as an increase in sales volume. Our annual turnover has increased to R570,5 million, while our total assets have grown to R1,5 billion. These assets include 8 plants, 56 pump stations, 326 reservoirs and a pipeline network of more than 2 000 kilometres extending over the Free State, North West and Northern Cape provinces.

Corporate Governance

The Board of Bloem Water, comprising of 6 non-executive members, continued to oversee the affairs of Sedibeng Water during the past financial year. Apart from its commitment to best practice in corporate governance, this Board also made a significant contribution towards sustaining a culture of openness, fairness, accountability and integrity in the organisation.

Operation's Report

All three regions (Free State, Northern Cape and North West) performed operationally well during the 2011/2012 financial year, despite challenges encountered by municipalities.

• Water Supply

Sedibeng Water is unwaveringly committed to the uninterrupted supply of water to municipalities, farms, mines and other industries. Consequently, water supply in all the regions was delivered without major interruptions, through the concerted efforts of a dedicated workforce. In comparison with the previous financial year, an increase of 5.8% in the supply of water was noted.

- **Water Quality**

Sedibeng Water continued to supply potable water of a high standard and where challenges have been experienced, these were promptly addressed by experienced scientists and resolved as soon as possible. Sedibeng Water's laboratory at Balkfontein has maintained its ISO 17025/IEC accreditation status that signifies our commitment to water quality management.

Concerning Blue Drop status, the Northern Cape Region strives to obtain Blue Drop status at the next assessment, while in the North West Region, monthly meetings are held to ensure compliance to Blue and Green Drop requirements. In the Free State Region, Sedibeng Water and Matjhabeng Local Municipality jointly received Blue Drop Status Awards at the WISA Conference in May 2012. This honour was bestowed on the plants at Balkfontein, Virginia, Welkom, Hennenman, Allanridge, Virginia and Ventersdorp.

Sedibeng Water has been tasked by the Department of Water Affairs to determine the current need for operational water quality test equipment and the need for Maintenance Manuals, Water Safety and Security Plans and Storm Water Management Plans at water and wastewater treatment facilities within 19 local municipalities in the Free State. This project includes the procurement of the necessary equipment and the development of the aforementioned plans and manuals.

- **Infrastructure Development and Maintenance**

Capital expenditure on refurbishment and maintenance amounted to R111,5 million, that constitutes an increase of 59.5%, when compared to the previous year. Furthermore, all planned capital projects are either completed or in progress. In some instances, unforeseen maintenance work had to be done. Such cases were dealt with on an individual basis when and where it occurred.



Note must also be taken that vandalism and theft of Sedibeng Water's infrastructure has increased during the year under review. Drastic measures will have to be implemented in certain areas to curb this phenomenon, as it not only escalates maintenance and replacement costs, but also poses a threat to the uninterrupted supply of water.

People

Human capital in an organisation can be both an asset and a risk to realising strategic objectives. Therefore, the Human Resources Department at Sedibeng Water places a high premium on the correct placement of staff, staff development and staff support.

As a progressive organisation, we have implemented a number of programmes and interventions that were aimed at providing employees at all levels with skills and knowledge to perform their current responsibilities competently. During the year under review, an amount of R570,920 was also allocated to our bursary and study loans scheme in support of deserving employees who want to further their studies at recognised tertiary institutions.

To ensure that Sedibeng Water is able to attract and retain talented individuals at all levels in the organisation, many existing job positions had to be restructured and re-evaluated, while the reward strategy and employee benefits have also been reviewed and improved.

Another mentionable success was achieving the aim of 30% representation of designated groups at middle management level in the organisation.

Environment and Sustainability

Sedibeng Water continues to give priority to the well-being of employees and caring for the environment alike. Against this background, a successful internal Safety Health and Environment audit was conducted in December 2011, followed by a NOSA external audit in March 2012.

SHE committee meetings were held as scheduled in all regions. Moreover, our SHE representatives have persistently cooperated with management in the successful implementation of the SHE programme in compliance with relevant organisational policies and legislation by government.

Acknowledgements

As an acting Chief Executive, I wish to thank the Chairperson and Members of the Board for their continued support during the 2011/2012 financial year. Your guidance, visionary leadership and involvement empowered Sedibeng Water not only to successfully address the challenges related to the ever-changing and demanding water services environment, but also to excel in optimising organisational efficiency and operational performance.

I express my gratitude to the Ministry of Water Affairs for the trust they have placed in the Management and Board of Sedibeng Water. Your support provided us with a positive and constructive organisational climate for strategic planning, decision-making and day-to-day operations. This allowed us the opportunity to realise our mandate and make a significant contribution towards the development of our country and its people. We re-commit ourselves to supporting all governmental initiatives to improve the living conditions of communities in our area of operations by securing water supply and delivering water and sanitation services of a very high standard.

I also want to thank our stakeholders and customers who are the reason for our existence as a water services provider. We regard you as partners in our quest for service excellence. Without your constructive involvement and support, our organisational progress, achievements and growth during the past year, would not have been possible. As had been the case in previous years, the employees of Sedibeng Water have proven themselves as a workforce to be reckoned with.

Your dedication, skilled input and willingness to negotiate challenges in a positive manner, again ensured that we have achieved favourable results in the year under review. On behalf of management, I want to express my profound appreciation to all of you for making us the service provider of choice in the areas where we serve.

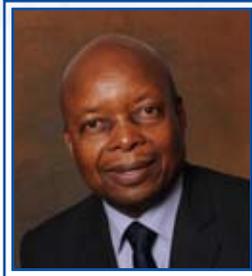
In conclusion, Sedibeng Water has progressively earned its reputation as one of the largest (in terms of the geographical area that we serve), most reliable and fastest-growing water utilities in South Africa. We see ourselves playing an increasingly important role in the water services sector in the years to come – focussed on adding value from source to end usage. In doing so, we are driven by our commitment to quality water services through quality processes.



R. T. Takalani
Acting Chief Executive



MANAGEMENT TEAM



Mr. R.T. Takalani
Director: Corporate
Services and Acting
Chief Executive



Mr. G.M. Dippenaar
Regional Manager:
Free State



Mr. M.M. Lebitso
Regional Manager:
North West and
Acting Manager:
Scientific Services



Mr. N.T. Molobybe
Manager: Human
Resources



Mr. N. Makhakhe
Manager: Corporate
Administration



Mr. I.M. Hasenjager
Manager: Business
Development and Acting
Regional Manager:
Northern Cape



Mr. N.E. Ratshitanga
Manager: Technical
Support and Acting
Manager: Safety, Health
and Environment



Mr. M.I. Motsamai
Manager: Internal
Audit and Acting
Manager: Finance



Mr. N.A. Theys
Manager: Marketing
and Communication



Ms. J.T. Busakwe
Internal Auditor and
Acting Manager:
Internal Audit



CORPORATE GOVERNANCE

The Board Members of Sedibeng Water are committed to maintaining high standards of corporate governance, which they see as fundamental to honouring their stewardship responsibilities. All the regions share this commitment, and the adoption of, and adherence to, sound corporate governance policies which have become a business imperative for the organisation. The Board strives to provide the right leadership, strategic oversight and control environment to produce and sustain the delivery of value to the shareholder and stakeholders. The Board continues to instil a culture of openness, fairness, accountability and integrity, which is reflected in its commitment to best practice of corporate governance. The organisation is proud of its ethical and transparent management of the business, following not only accepted corporate practices for risk management, but also providing strong assurance to its shareholder and stakeholders by living the organisation's ethics.

Shareholding and Shareholders' Compact

In accordance with the terms enshrined in the Public Finance Management Act, the organisation, as a state owned enterprise, is obliged to develop a Shareholder's Compact with its shareholder, the Department of Water and Environmental Affairs. The Shareholder's Compact is entered into by the Board and the Minister on behalf of the Department of Water and Environmental Affairs on an annual basis. The Shareholder's Compact sets out the objectives that the organisation is committed to achieve for the next five (5) years.

Board

Board Structure and Composition

The Board of Bloem Water is currently overseeing the affairs of Sedibeng Water since its Board was disbanded in February 2010. To date, progress has been made with regard to the appointment of a new Board for Sedibeng Water. Members of the Selection Panel have compiled a shortlist which has been submitted to the Minister of Water and

Environmental Affairs for consideration and final appointment of new Board Members.

During the period under review, the Board comprised of six (6) non-executive Board Members. The roles of Chairperson and Chief Executive are separated in order to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making. The Board is responsible for the strategic direction of the organisation. Matters reserved for the Board and its Committees are defined to ensure that the Board Members retain full and effective control over the organisation, specifically regarding strategic, financial, organisational and compliance matters.

All Board Members have a fiduciary responsibility to represent the best interests of the organisation, shareholder and all of its stakeholders. All members have the appropriate expertise to fulfil their duties and enjoy significant influence at meetings. This ensures a balance of authority and precludes any one member from exercising unfettered decision-making.

Responsibilities of the Board

The Board's role is to exercise stewardship of the organisation within a framework of prudent and effective controls that enable risks to be assessed and managed. The Board sets the organisation's strategic goals, reviews whether the necessary financial and human resources are in place for it to meet its objectives, and monitors management performance.

The Board has overall authority for the conduct of the organisation's business. There are also a number of matters that have been specifically reserved for the Board to decide. These include:

- approval of financial reporting and controls such as interim and annual results, the organisation's Annual Report and policies;

- reviewing and implementing effective systems of delegation and internal control, and the carrying out of an annual review of the effectiveness of such systems;
- identifying and continually reviewing key risks, as well as their mitigation by management, against a background of economic, environmental and social issues;
- the overall review and approval of organisational strategy and the setting of long term objectives and/or changes in strategic direction; and
- monitoring the overall performance of the organisation in relation to its objectives, plans and targets, as well as monitoring the implementation of projects and decisions.

Board Sub-committees

While the Board remains accountable and responsible for the performance and affairs of the organisation, it delegates to management and the Board Sub-committees certain functions to assist it to properly discharge these duties. Appropriate structures for such delegations are in place, accompanied by monitoring and reporting systems. Each Board Sub-committee acts within written terms of reference. The Chairperson of each Sub-committee delivers a report at each scheduled Board meeting. The various established Board Sub-committees are set out below:

Audit Committee

The Audit Committee is constituted in terms of the requirements of the PFMA and King III reports, conforms to sound Corporate Governance practices and operates within that framework. The committee's terms of reference are set out in an Audit Committee Charter. The Audit Committee is mandated by the Board to review the financial statements, appropriateness of the organisation's accounting and disclosure policies, compliance with IFRSs, and the effectiveness of internal controls. In keeping with this policy, PricewaterhouseCoopers was appointed as the organisation's external auditors. Both the external

and internal auditors have unrestricted access to the Audit Committee, and attend meetings whenever necessary to report on their findings and discuss matters relating to accounting; auditing; risk identification, measurement and mitigation; internal controls and financial reporting. The Audit Committee has three (3) non-executive members.

Finance Committee

The responsibilities of the Finance Committee are to make recommendations to the Board regarding the following:

- Capital investment proposals;
- Evaluation and recommendation of new business ventures;
- Loan requirements and bank facilities;
- Financial reports;
- Budgets and business plans;
- Water tariffs;
- Overseeing the development and implementation of policies and procedures with regard to financial activities and transactions; and
- Contract management.

The Finance Committee has three (3) non-executive members.

Internal Audit and Control

The organisation's internal controls are designed and operated to support the identification, evaluation and management of risks affecting the organisation and the business environment in which it operates.

Internal control systems were introduced to provide management and the Board with reasonable assurance as to the integrity and reliability of the financial statements. Responsibility for the adequacy and operation of the systems is delegated to the Executive Management. These records and systems are designed to safeguard assets and prevent and detect fraud.

Internal auditing is an independent appraisal and assurance function that is central to the

organisation's governance structures. Its primary mandate is to examine and evaluate the appropriateness and effectiveness of the internal control systems applicable to the operational activities of the business units within the organisation.

Nothing has come to the attention of the Board to indicate any material breakdown in the functioning of these controls, procedures and systems during the year under review.

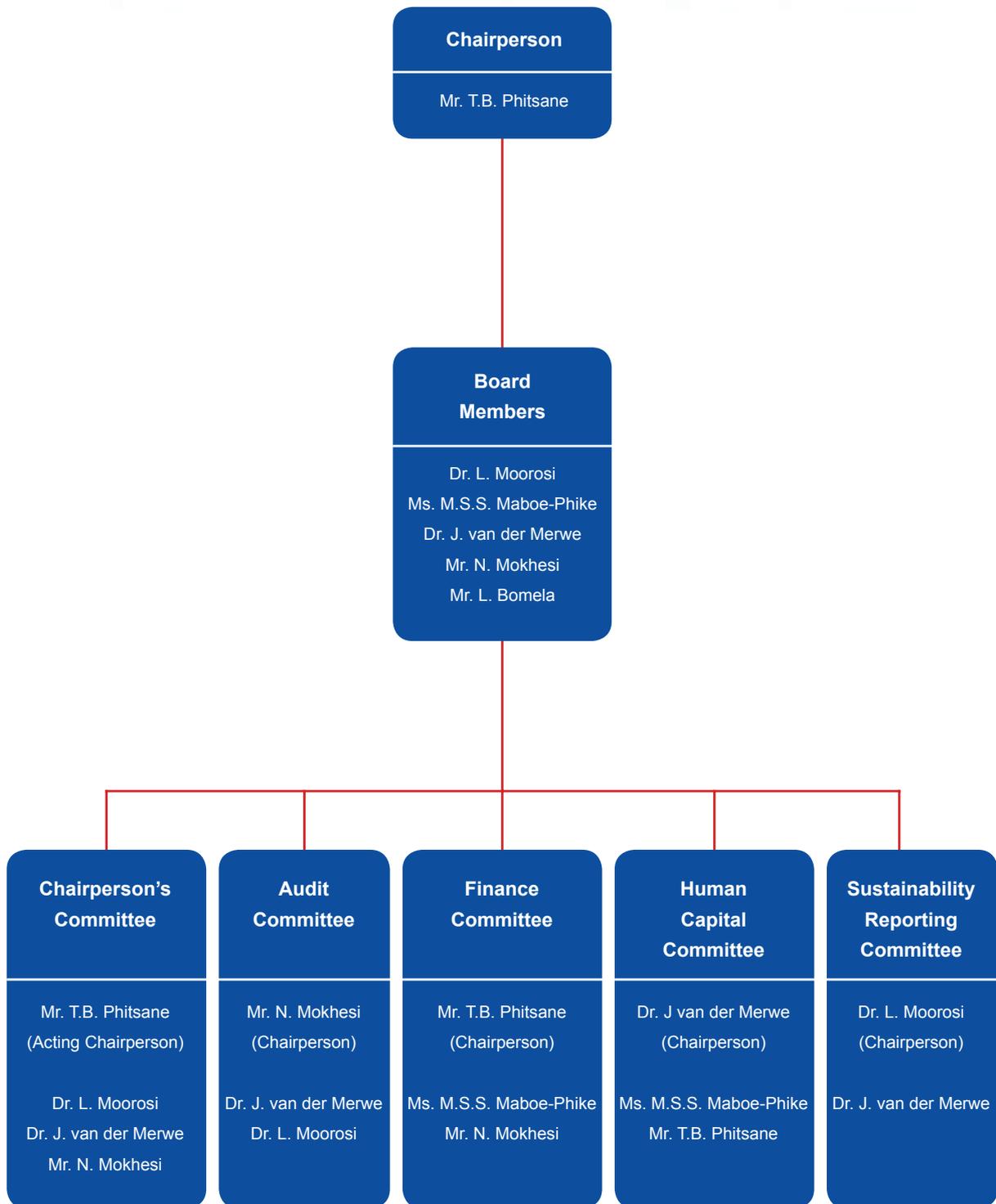
Communication with Stakeholders

Sedibeng Water values constructive dialogue and its relationship with stakeholders. Ongoing interaction with municipalities and others enables the organisation to improve customer service, satisfy stakeholders' needs and meet regulatory requirements. Sedibeng Water has formal meetings and a continuous programme of engaging with specific stakeholders and addressing issues that are critical to the execution of its business strategy.

Summary of Board and Sub-committee Meetings

Board Members	Board Meetings	Audit Committee Meetings	Finance Committee Meetings
Number of scheduled meetings	4	2	1
Mr. T.B. Phitsane	4/4		1/1
Dr. L. Moorosi	3/4	1/2	
Dr. J. van der Merwe	3/4	2/2	
Mr. N. Mokhesi	2/4	2/2	1/1
Mr. L. Bomela	1/4		
Ms. M.S.S. Maboe-Phike	4/4		0/1

Board Structure





CORPORATE SERVICES

- › CORPORATE SERVICES REVIEW
- › FINANCE
- › HUMAN RESOURCES
- › MARKETING AND COMMUNICATION
- › SCIENTIFIC SERVICES
- › SAFETY, HEALTH AND ENVIRONMENT





CORPORATE SERVICES REVIEW

The Corporate Services Directorate at Sedibeng Water consists of a number of support services that contribute to the efficiency by which the organisation operates. As in the past, our business operations are in alignment with the triple bottom principle, which consists of people, environment and profit. As an organisation that values its human capital, business is run according to the recommendations in the King Report III.

The support services that form part of the Corporate Services Directorate include the following Departments: Finance; Marketing and Communication; Human Resources; Scientific Services; and Safety, Health and Environment. These departments contribute to the achievement of goals that are annually set by the organisation.

Budget Control and Financial Stability

The Audit Committee is mandated by the Board to review the financial statements; appropriateness of the organisation's accounting and disclosure policies; compliance with IFRS, and the effectiveness of internal controls. PricewaterhouseCoopers was appointed as external auditors for the 2011/2012 financial year. Sedibeng Water again received an unqualified auditor's report which means that financial management is in a healthy state. The organisation continued its positive financial growth and all financial challenges encountered, were met successfully during the year under review.

Cost-recovery

When compared to the previous financial year, cost-recovery has improved especially after the signing of payment agreements with the Water Services Authorities (WSAs) concerned. Through the assistance of the National and Provincial Treasuries as well as the Department of Water Affairs, we continually strive to recover any outstanding amounts on the accounts of the WSAs.

Being a Preferred Employer

The continued success of Sedibeng Water is enhanced by a healthy, engaged, well-trained, well-developed and motivated workforce at every level in the organisation. Currently, 471 people from diverse cultures and backgrounds, are employed on a full-time basis. In the year under review much improvement in employment equity has been achieved.

The organisation has reviewed most of the benefits that are offered to permanently employed staff to ensure that Sedibeng Water through its remuneration mix, continues to attract and retain skilled and talented individuals at all times and thereby, maintains its competitive advantage. With improved retirement and risk benefits, among others, the organisation aims to promote the fair treatment of employees and enhance their loyalty towards their employer. Furthermore, Sedibeng Water has committed itself to good labour relations and we respect the right of employees to associate freely and have union representation.

Skills Development and Training

The training and development initiatives implemented by Sedibeng Water include, among others, a work-shadow programme; an experiential training programme; a learnership programme; skills development programmes; recognition of prior learning; artisan training and management development programmes. Through these programmes, Sedibeng Water ensures that staff members have the opportunity to improve their skills and in so-doing, the organisation will likewise benefit from a better qualified and equipped workforce. To enable employees with potential to acquire new skills and to develop further in their careers of choice, the organisation is allocating bursaries and study loans to deserving employees to pay for their studies at recognised tertiary institutions.

Stakeholder Engagement and Partnerships

During the past financial year, Sedibeng Water has initiated and participated in a series of educational, environmental and public awareness campaigns. The strategies and programmes of the Marketing and Communication Department have ensured that there is continuous engagement between Sedibeng Water and all its stakeholders.

This Department organised various events, such as a Sports Day, Women's Day celebrations, year-end functions and HIV/AIDS awareness programmes to engage internal stakeholders and build relationships among staff members. External stakeholder liaison during the year under review included scheduled meetings, involvement of and collaboration with stakeholders in some of the projects presented, road shows, a corporate newsletter, a website, the use of print and electronic media as well as an inspector phone-in programme.

As a feedback mechanism, Sedibeng Water continues to enhance and support customer interaction structures such as co-ordinating committees, customer interaction forums, project steering committees and community forums. Through these forums, the organisation has driven systematic processes that capture and record customer issues, with timeous feedback through follow-ups. These forums were used to share information with both stakeholders and communities.

Safety, Health and Environment

Despite challenges, Sedibeng Water has continued to invest in the safety and health of its workforce and the environment. Regular SHE committee meetings were held in the various regions to ensure that safety remains a high priority. An internal audit was conducted in December 2011, followed by the NOSA external audit in March 2012. Furthermore, SHE representatives have shown commitment and cooperation with management in the successful implementation of the SHE programme.

Occupational and Environmental Health Management Systems are in place in the organisation. Employees' well-being in the workplace is also taken care of through programmes related to general health issues and HIV/AIDS. Throughout the year under review, the SHE Department together with Human Resources Development provided training to 126 employees in various competencies in the area of Health and Safety. These training sessions covered topics such as the transportation of dangerous goods, basic fire fighting, identification and risk assessment, etc.

Water Quality Monitoring

At Sedibeng Water the quality of potable water supplied to various communities is non-negotiable. Through the Scientific Services Department, quality controls are stringently adhered to and all regulations and laws governing water services supply are followed.

As a result of an audit conducted by the South African National Accreditation System (SANAS) in September 2011, Sedibeng Water's laboratory at Balkfontein retained its status as an ISO/IEC 17025 accredited facility.

In addition to this external audit, internal audits are conducted regularly to ensure compliance and the continuous improvement of the Quality Management System. The Department is set on providing an accurate, reliable, professional and economically viable service to internal and external customers, which can only be achieved through continuous monitoring, analytical services and research by qualified and competent staff. As a result of high standards being implemented, Blue Drop status was jointly achieved by Sedibeng Water and the Matjhabeng Local Municipality in May 2012.

In conclusion, it is evident from the above that the Corporate Services Directorate has in the 2011/2012 financial year made a significant contribution towards enhancing the overall organisational efficiency of Sedibeng Water.



FINANCE

The annual financial statements for the financial year 2011/2012 were prepared and presented in accordance with South African Generally Accepted Accounting Practices (SA GAAP), the Public Finance Management Act, (PFMA) Act 1 of 1999 (as amended) and reflect the reporting requirements of the Water Services Act (Act 108 of 1997).

The overall financial and operational performance of Sedibeng Water remains positive and solid, notwithstanding outstanding amounts owed by Water Service Authorities. The operating profit for the year, before gains and net finance income and costs, was R44,2 million (2011: R18,5 million).

The net profit for the year was R60,1 million (2011: R25,5 million). The gross profit percentage for the year was 72% (2011: 70.4%). These results were achieved through enhanced governance processes and efficient operations.

Revenue Performance

The financial operating performance for this year has increased significantly despite a slight increase in the volume of bulk water sales, and the escalating cost of energy and chemicals.

The organisation achieved a 20.7% (R99,1 million) increase in consolidated revenue during the 2011/2012 financial year compared to the previous financial year.

This operating performance was achieved after taking the following Sedibeng Water Regions individually into account:

The Free State Region realised an increase of R43,8 million (2011: R52,4 million) in revenue due to increased demand from mines and Water Services Authorities. The consolidated volume of bulk water sales increased by 2.51% .

The Northern Cape Region contributed a R8,8 million (2011: R14 million) increase in operating revenue during the year under review. This was achieved as a result of an increase of 8.5% in water tariffs as well as an increase in the volume of bulk water sales to mines.

The North West Region's revenue increased by R1,6 million (2011: R1,5 million) in the 2012 financial year due to two additional plants that were taken over for the year under review and an improvement in service revenue obtained from the Water Services Authorities.

An adjustment of R11 million (2011: R9,5 million) was made to revenue as per Circular 9/2006 (Extended Payment Terms) for deemed interest received on debtors in the period where no interest was raised. The amount was then transferred from water sales to "deemed interest received" under the heading "other income".

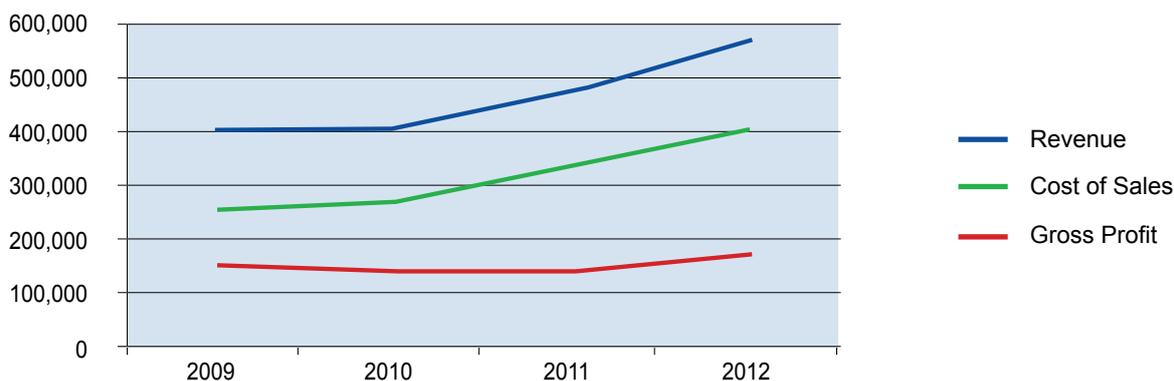
Cost of Sales

Water purchase increased by only 4.2%, despite an above 8% increase in Vaal River tariffs. This is due to water abstracted from the Sand River at the Virginia Plant as well as ground water from the Northern Cape Province. Sedibeng Water continues to seek cheaper, yet sustainable water sources.

The gross profit margin percentage increased to 72.0% compared to 70.4% in the 2010/2011 financial year due to an increase in water sales.

The following chart depicts the trend of sales and gross profit over the past four years:

Figure 1: Sales, Cost of Sales and Gross Profit (R'000)



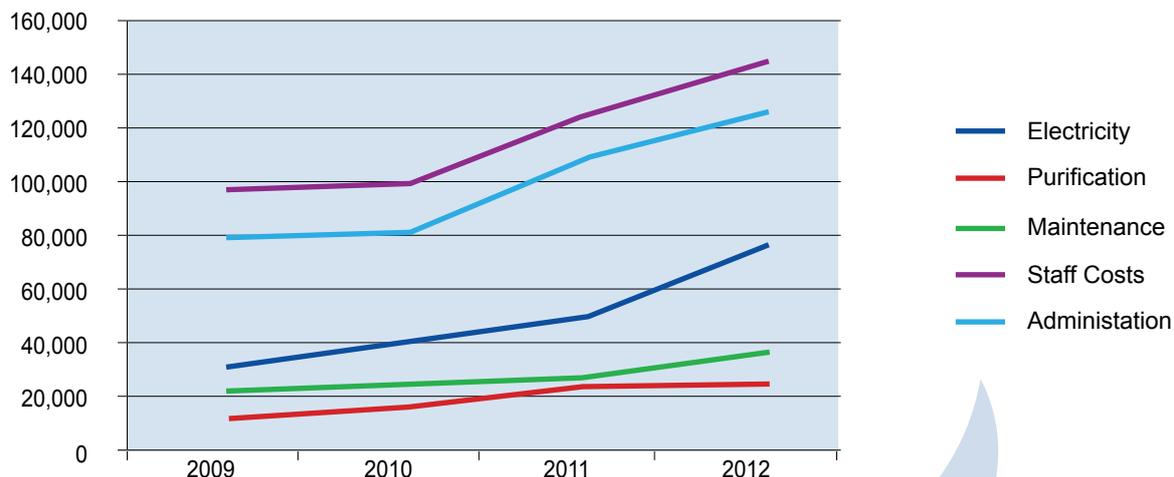
Operating and Administrative Expenses

An increase of R92 million (25.8%) was noted in operating and administrative expenses due to the following factors:

- Electricity costs increased by R27,6 million (55.5%), notwithstanding an increase in electricity tariffs of 19%. The organisation continues to invest in proper maintenance and capital programmes to assist with efficient savings on electricity usage.
- Maintenance costs increased by R9,2 million (33.6%), due to the refurbishment of infrastructure. The organisation continues to invest in preventative maintenance programmes in order to ensure uninterrupted service.
- Provision for impairment of trade receivables (expense) increased by R25,4 million (41.0%), due to non-payment of debts by Water Services Authorities. We expect this figure to decline sharply in the next few years, due to efforts by Sedibeng Water and other stakeholders to encourage Water Services Authorities to settle their accounts timeously.
- Salaries and wages increased by R20,6 million (16.4%), due to the inclusion of Namakwa Water and annual salary increases. An additional provision of R6,1 million for post employment medical liability is included.

The following chart shows the expenditure trend for major cost drivers over the past four years:

Figure 2: Expenditure (R'000)



Net Operating Surplus for the Year

The consolidated profit for the year increased by R34,6 million (135.3%) in the current financial year due to an increase of R43,8 million in water sales in the Free State Region.

The Free State Region showed a R12,8 million (30.1%) increase in surplus compared to the previous year. This is mainly due to the purchase of more water from the Sand River (at lower tariffs) than the previous year

The Northern Cape Region showed a surplus of R288,000 which is a significant decrease compared to last year (R7,5 million). This is mainly due to an increase of R7,3 million in electricity costs and another R3,9 million in depreciation and amortisation expense on re-valued assets.

The North West Region suffered another difficult year, ending with a net loss of R8,1 million. The region continues to encounter difficulties with debt collection and cost recovery. The cost of rendering services remains well below what the Water Services Authorities are willing to pay. The Free State Region offers temporary relief in the form of short term loans to ensure that the North West Region continues to carry out its mandate.

The surplus reported for the year will be ploughed back in the form of capital projects which are financed from own funds.

Capital Expenditure

Capital expenditure for the year amounted to R74,8 million (2010/11: R29,3 million). All major capital projects budgeted for were either implemented or in progress at the end of the financial year. In the Free State Region, expenditure on property plant and equipment amounted to R20 million (2010/11: R8,8 million) and was financed from own funding.

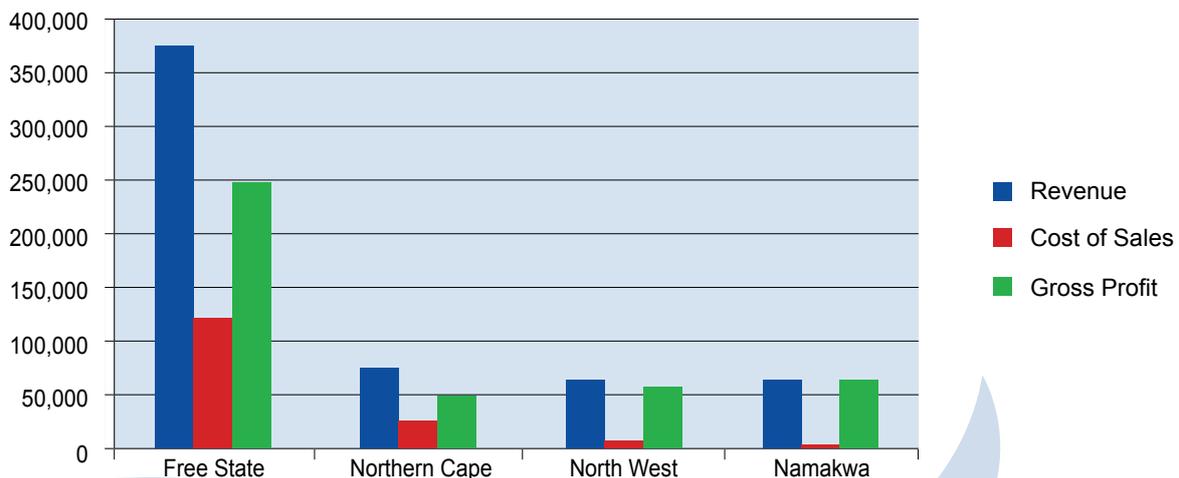
The Northern Cape Vaal Gamagara Water Scheme spent R20,5 million (2010/11: R20,3 million) which was financed from own funds as well as funds from the Northern Cape Department of Water Affairs as part of the Vaal Gamagara Water Scheme transfer agreement.

The North West Region’s capital expenditure amounted to R5,8 million (2010/11: R135,000) and was financed from own funding.

The capital expenditure of Namakwa in the Northern Cape amounted to R28,5 million which was financed by the Northern Cape Department of Water Affairs.

Figure 3: Regional Performance (R'000)

The financial performance of the various regions is presented in the following chart:



Investments

Investments decreased by R4 million, due to repayment of loans. These investments were held for purposes of repaying long term debt upon maturity.

Debtors Management

The total outstanding amount owed by the Water Services Authorities as at 30 June 2012, is R739 million (2011: R492 million) before the provision for impairment. The debtor's age analysis is presented in Figure 4 at consolidated level at the end of the financial year as follows:

Trade receivables increased by R247,2 million before the provision for impairment. There has been slow recovery of debt from Water Services Authorities, but significant progress has been made post the balance sheet date, as most of these authorities signed settlement agreements which will see their debts settled within a 12 month period.

Cash Flow

Cash and cash equivalents increased by R42,8 million as a result of reclassification of 32 days' notice deposit as cash and cash received from municipalities to settle their outstanding accounts. The notice deposit will be held and be available as cash, should the need arise. We believe that the

organisation has sufficient cash reserves to continue to pay our debts as they become due in the ordinary course of business.

Subsequent Events

There were no significant changes that had a material impact on the financial statements during the year under review and no material events took place after the date of the financial statements.

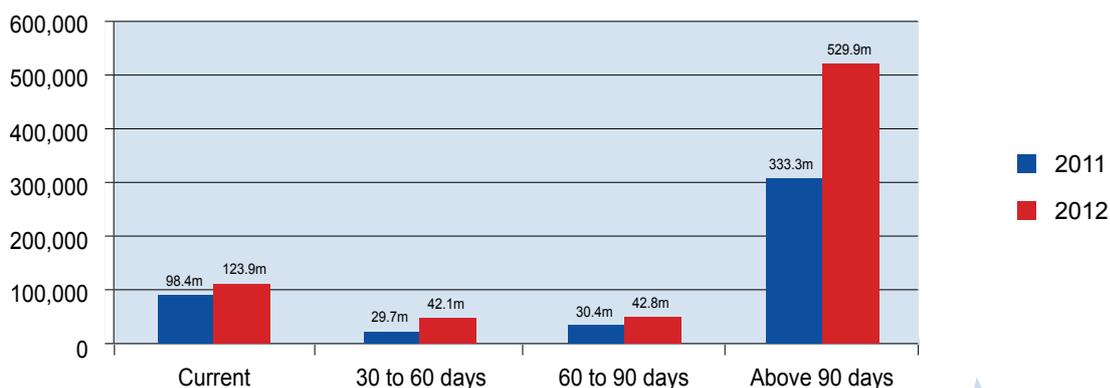
The Year Ahead

There were no significant changes that had a material impact on the financial statements, as at 30 June 2012.

Sedibeng Water aims to focus on the recovery of debt owed by municipalities, preventative maintenance programmes, and investment in human capital, infrastructure and IT solutions in order to remain financially viable and sustainable.

We will continue to improve our service in our area of operation as well as assist Water Services Authorities in other areas in partnership with the provincial and national Departments of Water Affairs. Based on the financial analysis and available cash resources, the organisation has sufficient and adequate resources to continue as a going concern in the foreseeable future.

Figure 4: Debtor's Age Analysis (R'000).



HUMAN RESOURCES

The continued relevance and success of the organisation is enhanced by a healthy, engaged, well-trained, well-developed and motivated workforce in each and every unit and level of the organisation. Employees, who were part of the organisation during the year under review, passionately performed the tasks that were assigned to them and geared towards the achievement of the following broadly defined Human Resources (HR) strategic goals:

- Improved employment equity profile of the organisation focusing at gender, diversity, and people with disabilities (PWDs);
- Compliance to relevant legislation and implementation of benchmarked best employment practices;
- Recruitment of skilled and competent individuals, offering competitive and market-related remuneration and benefits;
- Effective training and development of staff; and
- Retention of technical staff and promotion of the well-being of employees in general.

Improved Employment Equity Profile

Sedibeng Water employs four hundred and seventy one (471) people on a full-time basis from diverse cultures and backgrounds. In our quest to become a flexible, fair and equitable employer of choice, we have endeavoured to treat all employees fairly and with respect, offered them opportunities for personal growth and development so that they may progress in their careers regardless of their race, gender and/or disability. To this end, our performance against the set targets on employment equity has been as follows:

The table reflects the performance of the organisation for the larger part of the review period, but the changes that were experienced in the last quarter as a result of natural attrition meant retrogression on the afore-stated positions. Deliberate plans are in place to foster empowerment of females and PWDs, and thereby improve our impact in this area.

Compliance to Legislation and Implementation of Benchmarked Employment Policies and Practices

As a responsible “corporate citizen”, the organisation ensured that all our policies and practices complied with the laws that regulate general employment relations and practices in the workplace. On the Employment Equity front, the Department of Labour visited most of our worksites for the purposes of auditing and/or checking if the organisation complies fully with the various provisions of the *Employment Equity Act*. As an outcome of the review process, we received the Director General’s (Department of Labour) Review report which revealed some shortcomings. The ensuing are areas that required immediate attention:

- Reconstitution of the Employment Equity Consultative Forum both at regional and central levels, to ensure that they reflect the various interest groups in the organisation. The newly constituted consultative forums are now fully representative i.e. they reflect the interest groups within the workforce and employees from all occupational categories and levels in terms of both designated and non-designated groups.

Performance Target	Actual Performance
To achieve a 30% gender representation at senior management level	27%
To achieve a 20% diversity at management level	27%
To achieve a 30% representation of designated groups at middle management level (Superintendent)	69%
To achieve a 1% workforce representation of people with disability (PWDs) organisation wide	1.60%

- Keeping of records of consultation meetings where the analyses of the workforce, workplace environment, policies and practices were conducted; the preparation and implementation of the Employment Equity Plan and a report to the Department of Labour were discussed with stakeholders.
- Assignment of a senior manager to take responsibility for Employment Equity: a person who is a permanent employee of the organisation; who reports directly to the Chief Executive; who has executive authority and mandate; who has an appropriate budget and access to other resources and who has employment equity outcomes incorporated in the performance contract.

It is heartening to report that all the above-listed non-compliances have since been adequately addressed with full co-operation from organised labour and other representatives of the various occupational levels and categories and interested groups in the organisation.

Further to the above, all HR policies and procedures are being reviewed by the Central Equity Consultative Forum and they will then be submitted to the Policy Review Committee of MANCO (Management Committee) for refinement and then to the Board for approval before they could be implemented.

Recruitment of Skilled and Competent Individuals and the Offering of Competitive Market Related Remuneration and Benefits

Generally, the organisation has been successful in attracting and retaining skilled and competent individuals from the open labour market to fill positions that became vacant during this review period. Turnaround times for filling vacancies in operational centres that are situated in deeply rural and remote areas have been longer than normal because posts had to be re-advertised more than once in both print and electronic media. To

kick-start the process of ensuring that the organisation is able to attract and retain talented individuals for all our operational centres, many existing jobs had to be restructured and re-evaluated; the reward strategy reviewed; and benefits improved one way or the other.

Restructuring and Evaluation of Jobs

Strategic jobs in the three regions (Free State, North West and Northern Cape) were re-designed and evaluated accordingly so as to ensure that internal and external equity concerns are addressed. In the Namakwa area which was acquired and incorporated into the organisation at the beginning of the financial year (1 July 2011), all jobs were analysed and new job descriptions were written and submitted for evaluation. Outcomes of this process could not be implemented when it became apparent that additional funds would be required. A request for a subsidy has subsequently been lodged with the Department of Water Affairs and as soon as it is granted, adjustment of the Namakwa employees' remuneration packages will then be effected so that there is parity and a uniform salary structure throughout the organisation.

Reward Strategy and Improvement of Employment Benefits

The organisation has as a norm reviewed most of the benefits that are offered to permanently employed staff, the objective being to ensure that the organisation, through its remuneration mix, continues to attract and retain skilled and talented individuals at all times and thereby, have a competitive advantage. To this end, the benefits that are enumerated hereunder were improved as follows:

Retirement and Risk Benefits

Firstly, the organisation has maintained the hybrid retirement fund (Pension and Provident Funds). The Board of Trustees was reconstituted for the new term which began on 1st July 2011 and will end on 30th June 2014. With the life-staging

investment model adopted, employees who are left with 7 years before they could go on retirement have their pension and provident funds invested in less aggressive or conservative investment vehicles like cash and bonds. This is done to ensure that this group of members is not exposed to equities and consequently affected by the volatility of the markets. It is comforting to report that both funds experienced a positive growth over the past 12 months. The good performance referred to is far above the inflation plus 4% benchmark that the trustees have set for the investment consultants to achieve annually. As a further confirmation that the retirement and risk benefits have been in good hands, it is pleasing to report that:

- The unqualified financial statements for the period ending 30 June 2011 for both Funds (Pension and Provident) were submitted timeously;
- There was a Financial Services Board (FSB) compliance visit during February 2012 and following that, a feedback letter was received and no material matters were highlighted; and
- The statutory valuation reports were submitted to the FSB (Financial Services Board) indicating that both Funds are financially sound and can meet their liabilities.

Secondly, the organisation offers a death benefit of 5 (five) times the annual pensionable salary plus member share of funds. This is far above the market norm of between 2 (two) and 3 (three) times the annual pensionable salary.

Thirdly, the organisation provides employees with a comprehensive disability cover which ensures that should an employee become disabled, he/she should get 100% of the monthly pensionable salary for the first 24 months and thereafter 75% of the monthly pensionable salary plus 3 times the annual pensionable salary lump sum if the employee is permanently disabled.

Fourthly, employees also have spouses cover and funeral benefits to which they contribute at very reasonable and competitive rates. The improvement in the disability benefit has been that definitions of disability in both the policies that constitute the benefits as stated above, were aligned, thus there will never be a situation where one benefit claim would be approved and another repudiated.

Employee Relations

As a result of the implementation of the Organisational Rights Agreement (ORA) which was negotiated about six years ago at sector level, there has been improved interaction and communication between the union and management and to a larger extent it can be said that significant strides are being made to democratise the workplace. During the year under review, development at sector level impacted negatively on the relations between the general workforce and management because the employer parties and the unions under the auspices of Amanzi Statutory Council could not conclude annual salary negotiations on time. Consequently, the negotiations stalled and were riddled with referrals to the Bargaining Council for conciliation and arbitration. Implementation of the 2011/2012 increase for the bargaining levels was done almost 9 months into the financial year and this made employees to request management to consider plant level bargaining for the next financial year. Management has considered to grant the request for plant level bargaining for the next financial year because this will go a long way to restore the sound relations that have always existed between management and organised labour over the years.

Despite all the sector level developments which left employees in the bargaining levels disgruntled, amazingly union membership has remained stable at 80.56% and above the 300 threshold which qualified the majority union SAMWU for full-time shop steward entitlement. This in itself shows our commitment and how we value good labour

relations and our respect for the right of our employees to associate freely and have union representation. Furthermore, a full-time shop steward was elected by the union and in return management confirmed the appointment by signing a memorandum of agreement which detailed the conditions within which the incumbent in this position (full-time shop steward) has to operate going forward. The distribution of union membership per region as on 30 June 2012, is as per the table below:

Region	SAMWU	Non-unionised	Total
Free State	169	42	211
North West	151	16	167
Northern Cape	79	14	93
Total	339	72	471

Effective Training and Development of Staff

As a progressive and a learning organisation, we have a number of programmes and interventions that are aimed at providing employees at all levels with skills and knowledge to perform their current jobs competently and to a point of being innovative in the way in which service is provided to our customers, be they internal or external.

The interventions or training and development initiatives referred to include, amongst others: work-shadows; experiential training programme; learnership programme; skills programmes; recognition of prior learning; artisan training and management development programmes (MDP).

Work-shadow

Sedibeng Water has introduced a work-shadow programme, and through it one student who is studying towards a Diploma in Human Resources at the Central University of Technology, Welkom Campus was accommodated. Based on the request from the relevant faculty at the University of Technology, the student was given exposure to the real world of work and an opportunity to put the

acquired theoretical knowledge of HR into practice under the guidance of experienced and competent mentors. Our aim is to broaden this initiative by partnering with other universities of technology in the country.

Experiential Training Programme

Qualified graduates with no work experience and current students, who require practical training in order to qualify, were enlisted in our experiential training or internship program. This initiative has had tremendous results in the past because it has helped many graduates who, at the end of their practical training program, were either absorbed or got employed elsewhere. Certainly, this initiative does not only benefit the organisation, but on a small scale it enables us to address the skills shortage in the country. As more money will be availed to fund these initiatives, more opportunities will be provided as young people need experience in order to get employed and this is another way to deal with the high unemployment in the communities that we serve. The uptake for the year under review has been as follows:

Function	Males	Females	Total
Human Resources	0	2	2
Finance	1	1	2
IT	1	0	1
Scientific Services	2	1	3
Internal Audit	0	1	1
Total	4	5	9

Recognition of Prior Learning (RPL)

Through this initiative we were able to enrol six (6) employees in the programme that will eventually enable them to be recognised for the experience they have acquired over the years and thereby acquire a National Certificate in Water and Wastewater at NQF Level 2. The candidates eventually managed to fulfil all the requirements to be declared competent and their Portfolios of Evidence were submitted to the EWSETA for

verification. In our quest to comply with Water Services Act's Regulation 17 which is still to be promulgated, arrangements are being made to put all Grand-Parented Operators on the RPL processes. A total of thirty (30) Grand-Parented Process Operators qualify for this. Those that are found to be "not yet competent" will be enrolled in Skills Programmes to fill the gaps.

Learnership Programme

During the review period forty (40) learners were enrolled for the National Certificate in Water and Wastewater NQF Level 3. The program was completed on 31 March 2012. This group comprised of both the employed and the unemployed learners that were drawn from the communities that we serve. It is pleasing to report that 90% of all the unemployed learners who were in our learnership programmes since inception, have been absorbed by the organisation, while others have found employment elsewhere.

The distribution of learners in terms of employment status and gender in the learnership programme mentioned above, is as per the table below:

Gender	Employed	Unemployed	Total
Male	12	10	22
Female	8	10	18
Total	20	20	40

Management Development Programmes

The organisation has, in partnership with the University of the Free State, put a group of twenty (20) employees (which comprised of supervisors and middle managers) on the Management Development Programme (MDP). At the end of the 12 months learning process, twelve (12) candidates were declared competent, two (2) not competent, three (3) had to enrol for the outstanding subjects and three (3) left the organisation before they could complete their studies. The MDP has enabled us to have a pool of future leaders in the organisation and plans are underway to increase our skills pool by enrolling talented individuals in the middle and senior management levels on the Senior Management Development Program at NQF Level 6 and Executive Management Program at NQF level 7, respectively.

Bursaries

To enable employees with potential to acquire new skills and to develop further in their careers of choice, the organisation has allocated bursaries and study loans to deserving employees to pay for their studies at recognised tertiary institutions. The table below provides the detail of bursaries and study loans that were offered and study programmes that were undertaken by beneficiaries during this review period:

Qualification	Males	Females	Total
National Trade Certificate	4	-	4
National Diploma: Mechanical Engineering	1	-	1
B. Tech: Electrical Engineering	1	-	1
B. Tech: Internal Audit	1	-	1
National Diploma: Human Resources Management	-	2	2
B Tech: Human Resources Management	-	1	1
MBA	1	1	2
National Diploma: Office, Management and Technology	-	3	3
B. Tech: Water Care	2	-	2
B. Tech: Project Management	1	-	1
Post Graduate Diploma: Labour Law	-	1	1
National Diploma: Safety Management	-	2	2
B. Comm. Honours	1	-	1
M Tech: Quality Management	-	2	2
Masters: Tax 98587	-	1	1
National Diploma: Cost and Management	1	-	1
Certificate: English for Professional Purpose	-	1	1
Total	13	14	27

As a sign of the organisation's commitment to improving the skills of employees and service excellence, we provided on average 3.9 days for every employee during the year under review. Finally, it can be confirmed that the organisation received grants for submitting the Workplace Skills Plan (WSP) and Annual Training Report (ATR) for the skills initiatives implemented. To this end, a total of R532,572 of grants was received by the organisation.



MARKETING AND COMMUNICATION

During the year under review, the Marketing and Communication Department embarked on initiatives which were geared towards building and enhancing relations with all Sedibeng Water's stakeholders, both internally and externally. The organisation has also initiated and participated in a series of educational, environmental and public awareness campaigns. Sustained and interactive dialogue with various stakeholders has been maintained by means of established customer forums. The organisation continues to support its Marketing and Communication Department which is responsible for rendering marketing and promoting services of Sedibeng Water in respect of its mandate, brand, services and products.

The Marketing and Communication Department's key focus areas included:

- Employee Relations;
- Internal Liaison (internal newsletter);
- Corporate Relations (fostering alliances and lobbying support for the activities of the company);
- Media Relations (generating positive publicity for the company);
- Corporate Affairs (monitoring and assisting with the improvement of service quality);
- Marketing Communications (use marketing and advertising media to create awareness);
- Communication Management (facilitation of research on communication related issues); and
- Technical Communication Support (photography, graphic design and layout, speech writing, video production, exhibitions, compilation of annual reports, designing and managing the website).

The strategies and programmes of the Department Marketing and Communication have ensured that there is continuous engagement between Sedibeng Water and all its stakeholders.

The Department has also coordinated customer relations, market development, and market penetration initiatives.

Employee Relations

Sedibeng Water recognises that employee relations are enhanced through events that bring all divisions together. Sports day, Women's Day, year-end functions and HIV/AIDS awareness programmes have been a unifier of people from different backgrounds.

These events also create an opportunity for Sedibeng Water employees, management and business partners to interact in an informal manner and build relationships.

Customer Relations

Sedibeng Water has used various channels and platforms to reach each targeted stakeholder effectively and efficiently. These included regular scheduled meetings, involvement and collaboration on some of the projects, road shows, a corporate newsletter, website, print and electronic media as well as an inspector phone-in programme. Sedibeng Water continues to enhance and support customer interaction structures such as co-ordinating committees, customer interaction forums, project steering committees and community forums. Through these forums, the organisation has driven systematic processes that capture and record customer issues, refer them to relevant departments and ensure timeous feedback through follow-ups. Furthermore, these forums were used to share information to both stakeholders and communities.

Market Development

In an attempt to increase market share and sales volume, the Department continued to sell products and services of the organisation to municipalities, mines and other industries.

Negotiations between Sedibeng Water and the Dr. Ruth S. Mompati District Municipality to take over the operation and management of the following supply areas are continuing:

- Reivilo (Operation and maintenance and Taung/Pudimoe Wastewater services); and

- The Mamusa Local Municipality (Bulk Water and Wastewater services).

An agreement was reached between Sedibeng Water and the Dr. Ruth S. Mompoti District Municipality to take over the operation and maintenance of the following:

- Christiana Wastewater Treatment plant; and
- Pudimoe Water Purification plant.

Technical audits were conducted and presented to municipalities. These will assist Water Service Authorities (WSAs) with identifying and addressing prevailing problems. In addition, some Water Service Authorities utilised the audit outcome as a checklist to improve the condition of their infrastructure.

Market Positioning

Sedibeng Water has successfully positioned itself by providing the following services:

- Water Quality Monitoring;
- Implementing Agent for DWA Projects;
- Environmental Management Services;
- Operations and Maintenance Services; and
- Community Capacity Building.

Corporate Social Investment

The main focus of our Corporate Social Investment (CSI) programme is to assist previously disadvantaged schools with special needs (disability), women, non-governmental organisations, community-based organisations and other organs of civil society.

The areas of need to which the company responded included requests for donations, sponsorships and development of sports and arts. To ensure monitoring and sustainability of its support, Sedibeng Water holds monthly meetings with beneficiaries and conducts annual reviews to assess the impact.

The following organisations and schools have benefited from our Corporate Social Investment Programme:

Letlotlo Naledi Public School

The school is situated in Kgotsong, Bothaville and caters for learners from previously disadvantaged communities. Sedibeng Water established a feeding scheme and a trust fund that benefits more than one thousand learners.

Lesedi Day Care Centre

The centre is located at Saaiplaas in Virginia, and runs a feeding scheme that caters for unemployed families and orphans from these communities.

Learamele School for the Mentally Disabled

The school is situated in the Ga-Segonyana Local Municipality within Mothibistad. The school aims to develop talent in the technical and art fields. More than 500 mentally disabled learners benefit from this project.

Lokgabeng Centre for the Disabled

Located in the Greater Taung Local Municipality in the Dr. Ruth S. Mompoti District Municipality area, the school caters for learners with special needs. Sedibeng Water contributes towards its feeding scheme, and the projects in which it is involved are aimed at improving the social, emotional, physical and psychological well-being of disabled and vulnerable people.

M.M. Sebitloane Special School for the Disabled

The school is located in the Greater Taung Local Municipality, and caters for more than five hundred learners with special needs.

Emang Disability Care Centre

The centre is located in the Maquassi Hills Local Municipality and caters for more than 500 disabled people around the Wolmaransstad area.

Tihomamo Child Care Centre

The centre is located in the Greater Taung Local Municipality and caters for 128 orphans and 34 vulnerable children. The centre is based in the Dryharts village.



SCIENTIFIC SERVICES

Sedibeng Water is committed to a preventative water quality management system that is comprehensive. This is practiced in terms of drinking water and wastewater legislation and other best practice requirements. Relevant requirements are specified in Section 9 of the Water Services Act (Act No. 108 of 1997), the general authorisation or license conditions for the specific wastewater treatment plant as indicated in Section 39 of the National Water Act (Act No. 36 of 1998) and the Blue and Green Drop criteria. The performance benchmark for ensuring drinking water quality is set by South African National Standards (SANS) 241- 2006, Class 1.

As a Water Services Provider (WSP) to Water Services Authorities (WSAs), the organisation has the obligation to ensure that legislative requirements are met when entering into contracts with municipalities. It is the constitutional responsibilities of municipalities to ensure access to safe drinking water to all consumers. The role of the organisation in achieving this is to provide effective, efficient and sustainable services to the municipalities it serves.

Credibility of water quality data is paramount. To this end, the laboratory at Balkfontein has ensured that it does not lose its ISO/IEC 17025 accreditation which it acquired since 2002. The South African National Accreditation System (SANAS), the external accreditation body, conducts a full technical and system audit every eighteen (18) months to ensure ongoing compliance of the laboratory with ISO/IEC 17025. An audit was conducted in September 2011 and continued accreditation was recommended by SANAS. The laboratory continues to comply with the requirements of ISO 17025.

In addition to the audit conducted by SANAS, internal audits are conducted in terms of an annual schedule to ensure compliance and continuous improvement of the Quality Management System.

The Department has continued its work in line with the vision of the organisation. To align to this, it has set itself a goal of ensuring the provision of an accurate, reliable, professional and economically viable service to internal and external customers. This is achieved through continuous monitoring, analytical services and research by qualified and competent staff. The Research and Development Section comprises of a specialist technical expert team. Analytical results are utilised to provide early warning alerts on failures and ensure compliance to drinking water standards.

Performance Review

In order to generate additional income, external work was acquired for the delivery of services to WSAs, the Department of Water Affairs (DWA) and other external clients.

The Free State Regional Department of Water Affairs (DWA) contracted the organisation for a period of twelve (12) months as an Implementing Agent (IA). The purpose of the contract was to provide assistance to local municipalities in the Free State Province using the Local Government Turnaround Strategy as a basis. Assistance was provided to DWA in 2011. Municipalities in the Free State received the much needed Water Safety Plans, Risk Abatement, Operation and Maintenance Manuals and operational monitoring analytical equipment.

During the current financial year, 69 750 (sixty nine thousand seven hundred and fifty) chemical and 17 020 (seventeen thousand and twenty) bacteriological analyses were performed for both internal and external clients using methods accredited by SANAS.

Accreditation

The laboratory is subjected to an eighteen month cycle technical standard. The last technical audit against the ISO/IEC 17025:2005 was conducted during this financial year and the outcome was that the laboratory maintained its accreditation status.

During the current financial year, one employee received approval from SANAS as Technical Signatory.

Research and Development

This section focuses mainly on water quality management. The scope of work includes the analysis of water quality data for proactive decision-making dealing with both short and long term solutions. It also includes investigations into recurring water quality failures. The following investigations were conducted during the past financial year:

Removal of organic substances – reducing taste and odour in drinking water

The weekly monitoring programme that was implemented due to the annual occurrence of blue green algae in the raw water sources for both Balkfontein and Virginia Plants showed that excessive blooms dominate during late summer months, i.e. between January and March. The blue green algae were detected throughout the monitoring period, but taste and odour complaints were only received during January and March. One of the main problematic areas identified from this monitoring programme is the large number of blue green algae in the recycled water. An operational procedure was put in place to discontinue recycling of water from the sludge lagoons during blue green algae dominance. It was also found that the blooms in the sludge lagoons last much longer than in the Vaal River. An investigation will be started in the next financial year to determine if the number of blue green algae can be reduced in the sludge lagoons because of its negative impact on operational cost.

Successful reduction of blue green algae was reported by the Tshwane Local Municipality using mixing devices to break up stratification in the Rietvlei Dam, but because the sludge lagoons are shallow, i.e. no stratification, this method might not work. Other options are being investigated.

The monitoring programme also indicated that the number of blue green algal cells was remarkably reduced by the sedimentation process of the two plants.

Investigations into bacteriological water quality failures

Bacteriological failures have occurred in all three (3) regions. Correlations between operational and environmental conditions and the occurrence of failures were established. Investigations were planned accordingly.

- ***Free State Region***

Failures at the furthest point in the distribution system highlighted the need to re-investigate the chlorination process. An extensive monitoring process was launched and it was found that the process was not working optimally. It was found that although chlorinated water was pumped into the distribution network, free chlorine was also detected at some points in the network. Booster chlorination facilities were implemented at the reservoirs where failures occurred, and reservoirs were cleaned. The Ammonia dosing system will be upgraded at the Treatment Plants to ensure optimal chlorination of the final water.

- ***Northern Cape Region***

Bacteriological failures occurred in the one system from the Okiep reservoir in the Namakwa Region. The reason for failures was investigated and the reservoirs were cleaned and chlorinated. The chlorination system at the plant has also been upgraded.

- **North West Region Rural borehole water supply: Lotlhapong Project**

Disinfection of borehole water in rural areas showed that a simple dosing system, using slow releasing HTH tablets, could be used. It was found that the residual chlorine could be controlled up to the furthest point.

Optimisation of Filtration Processes

Routine filter surveillance and evaluation continued in all three (3) regions. This allows for a systematic approach to troubleshooting by means of checks on operation and maintenance.

- **Balkfontein Plant**

All thirty filters at the Balkfontein Water Treatment Plant were evaluated during the past year. The media evaluation showed that the filter sand is in good condition.

- **Virginia Plant**

The only major concern at the Virginia Plant was the media loss, but the filter sand that was lost was calculated and replaced. The media evaluation showed that the filter sand is in good condition.

- **Pampierstad Plant**

All the filters at the Pampierstad Water Treatment Plant were evaluated during the past year. The media evaluation showed that the filter sand is in good condition.

- **Vaal Gamagara Plant**

All six filters at the Vaal Gamagara Water Treatment Plant were evaluated during the past year. The media were recently replaced and are still in an excellent condition.

- **Henkries Plant**

All eight filters were evaluated in the laboratory and the filter media were replaced.

Regional Support: Blue and Green Drop Northern Cape Region

A combined Water Safety Plan was compiled for the Namakwa Region and the Nama Khoi Local Municipality. The Water Safety Plan was signed by the managements of both Sedibeng Water and the Nama Khoi Local Municipality. A monitoring programme was implemented in the region and monitoring started immediately thereafter. The Water Treatment Plant and Process Controllers were registered on the DWA Blue Drop System. Recognition of Prior Learning (RPL) on core modules for Water and Wastewater Treatment Practices (NQF level 2) were conducted on the Process Controllers. The report was sent to the Department of Water Affairs.

Blue Drop task team meetings between the Vaal Gamagara Region and the Gamagara Local Municipality, the Dikgatlong Local Municipality as well as the Tsantsabane Local Municipality, were established. The aim of the region is to obtain Blue Drop Awards in the next assessment.

North West Region

Task teams comprising of personnel from Sedibeng Water and the Dr. Ruth S. Mompati District Municipality have been established. Task Team meetings are held monthly in order to ensure compliance to Blue and Green Drop requirements.

Free State Region

Sedibeng Water and the Matjhabeng Local Municipality jointly received Blue Drop Status Awards at the WISA Conference held during May 2012 in Cape Town. Sedibeng Water's plants at Balkfontein and Virginia were awarded Blue Drop Status, while the Matjhabeng Local Municipality obtained the same status for five of their plants namely: Welkom, Hennenman, Allanridge, Virginia and Ventersburg.

Projects

Implementing Agent: DWA project for the procurement of Water Quality Test Equipment, Operations & Maintenance Manuals, Storm Water Management Plans and Water Safety Plans in the Free State

The Department of Water Affairs requested Sedibeng Water to be responsible for the following functions:

- To determine the current need for operational water quality test equipment at water and wastewater treatment facilities within nineteen (19) local municipalities in the Free State Province and to procure the necessary equipment;
- To determine the need for operation and maintenance manuals at water and wastewater treatment facilities in nineteen (19) local municipalities in the Free State Province and the development of these manuals;
- To determine the need for Water Safety and Security Plans in nineteen (19) local municipalities in the Free State Province and the development of these plans; and
- To determine the need for Storm Water Management Plans in nineteen (19) local municipalities in the Free State Province and the development of these plans.

Staff Development

In terms of ISO/IEC 17025, proof of competency of employees is to be provided during a SANAS audit. Employees can only become Technical Signatories after a thorough assessment by assessors and approval by SANAS. It is therefore critical to invest in the development of employees through in-house training and relevant identified external training courses. Employees are also encouraged to improve knowledge and skills through furthering of their studies.

Employees are subjected to internal as well as external training provided by accredited service

providers. The Department also participates in social responsibility initiatives by providing on the job training as part of the practical work required for completion of their qualification at their respective institutions.

The following promotions took place in the Department: the Microbiologist was promoted to Deputy Manager Scientific Services and the Analytical Chemist Sewage was promoted to Quality Scientist Vaal Gamagara Laboratory.

External Services Rendered to Stakeholders

Analytical services

More than R2 million was generated through analytical services rendered to municipalities and external private clients.

Catchment Monitoring Programme

The Department continued to work with other departments, notably the Department of Safety, Health & Environment (SHE) and external stakeholders on environmental issues. The most important aspects of our work included the following:

- Implementation of catchment monitoring programs for all regions. Results are made available to the different regions, the SHE Department and the relevant regional offices of the DWA.

Drinking Water Quality Performance

Regulations relating to compulsory national standards and measures to conserve water were promulgated under sections 9(1) and 73(j) of the Water Services Act, 1997 (Act No. 108 of 1997). Wastewater quality performance is measured in accordance with the requirements of the General Authorisation or the site-specific permit/license as required by the National Water Act (Act No. 36 of 1998).

The aim of the legislation is to ensure that:

- Water treatment processes are managed to ensure the production of safe drinking water for the protection of public health; and
- Wastewater treatment processes are managed to ensure the discharge of compliant effluent for the protection of water resources and the environment.

The Department is assisting the regions in practising water quality management according to set procedures. These procedures are incorporated in regional Water Safety Plans for each system and covers water quality management from the catchment to the consumer.

Quality Management Systems were implemented at regional laboratories to provide quality assurance. These laboratories also participate in Proficiency Testing Schemes (PTS) administered by the South African Bureau of Standards (SABS) and National Health Laboratories (NLA).

Drinking water quality monitoring programmes for compliance were registered on the national Blue Drop System. These programmes include a full SANS analysis. Samples are analysed according to registered programmes. In terms of Blue Drop best practices, it is required that 80% compliance to the registered monitoring program should be achieved on a monthly basis. Results are submitted to DWA by means of the Blue Drop System.

Drinking water quality performance is established on an annual basis indicating compliance (as a percentage) to each requirement listed in SANS 241-2006 and is presented in Tables 1-6. The presence of *E. coli* indicates unacceptable microbiological water quality. As the deterioration of water quality can occur in any water distribution network, compliance at the plant does not necessarily result in compliance within the network.

In terms of Blue Drop requirements, performance is regarded as excellent on an annual basis if:

- It achieves 95% compliance to the specifications for Class 1 water for each determinand listed in SANS 241-2006; and
- No *E. coli* is detected in 99% of the samples analysed.

Regional Water Quality

Plants

Free State Region

Balkfontein (Table 1a)

The quality of the final water at Balkfontein plant met the specifications for Class 1 water as set out in SANS 241-2006 in at least 95% of the samples analysed. Except for turbidity, 100% compliance to Class 1 water was met for all final water samples analysed.

The specifications for Class 2 water were not exceeded. No *E. coli*, *Cryptosporidium*, *Giardia cysts* or viruses were detected in the final water samples analysed.

Drinking water quality failures occurred in the networks supplying water to the Nala and Maquassi Hills Local Municipalities. These failures were as a result of the presence of *E. coli* in samples from reservoirs in the distribution network. Investigations were conducted and corrective and preventative measures were put in place.

Although some failures occurred, there were still great improvements in the water quality supplied to these municipalities following the measures that were put in place. The bacteriological water quality performance in the case of drinking water supplied to the Nala Local Municipality was 98% and to the Maquassi Hills Local Municipality, 99%.

Virginia (Table 1b)

The quality of the final water at the Virginia plant met the specifications for Class 1 water as set out in SANS 241-2006 in at least 95% of the samples analysed. 100% compliance to Class 1 water was met for all final water samples analysed. No *E. coli*, *Cryptosporidium*, *Giardia cysts* or viruses were detected in the final water samples analysed.

The overall compliance for the Free State Region for the period 1 July 2011 to 30 June 2012 was as follows:

Microbiological:	99.7%
Chemical:	99.1%
Physical:	97.2%

North West Region (Tables 2 - 5)

The quality of water as supplied from the various plants is indicated in Tables 2 - 5.

Bogosing Water Treatment Plant (Table 2)

The aesthetic quality of the water was mainly affected by the high turbidity levels and by iron concentrations in excess of the specifications for Class 1 water. Although the removal of suspended particles remained a challenge throughout the year, water supplied from the Bogosing Plant has greatly improved when compared to the previous financial years. Only 23% of the final water samples analysed met SANS 241 specifications for Class 1 water for turbidity. Although turbidity does not pose any direct health risk, the detection of levels in excess of prescribed limits is associated with the presence of pathogens.

The ineffective removal of turbidity has also resulted in high concentrations of residual aluminium being present in the final water. Only 91% of the samples analysed met the specifications for Class 1 water and 6% of the samples analysed exceeded the specifications for Class 2 water. Iron concentrations in the final water were in excess of the specifications for Class 1 water in 9% of the samples analysed.

Compliance to SANS 241 specifications for Class 1 water was met for all other determinands analysed. No *E. coli*, *Cryptosporidium*, *Giardia cysts* or viruses were detected in the samples analysed for microbiological quality.

Turbidity levels measured in the network exceeded the specified limits in less than 20% of the samples analysed. This coincided with high levels of aluminium being detected in the network. Apart from the poor aesthetic quality of the water caused by the ineffective removal of suspended material, it may also affect the disinfection process.

The overall microbiological compliance for the Bogosing plant supply system was 99.9% and chemical and physical compliance was 89.4%.

Kgomotso Water Treatment Plant (Table 3)

The water quality produced at this plant is of excellent quality. Specifications for Class 1 water was met for all determinands listed in SANS 241. No *E. coli*, *Cryptosporidium*, *Giardia cysts* or viruses were detected in the samples analysed. The overall compliance to microbiological safety requirements was 100%.

Pampierstad Water Treatment Plant (Table 4)

Turbidity levels exceeded the specifications for Class 1 water in only 1% of the samples analysed. At times, the high turbidity levels coincided with the presence of iron concentrations in excess of the specified limits and only 99% compliance to Class 1 specifications was achieved.

Compliance to Class 1 specifications was met for all other determinands analysed. No *E. coli*, *Cryptosporidium*, *Giardia cysts* or viruses were detected and the samples analysed met microbiological safety requirements.

In the network 100% compliance to the specifications for Class 1 was met for all health related chemical analyses performed. Turbidity met the specifications

for Class 1 water in 99.0% of the samples analysed. The decrease in turbidity in the network is caused by reservoir retention, allowing suspended material to settle. Residual chlorine measurements in the network indicated that the required levels were not maintained in about 12% of the samples analysed; the overall compliance to microbiological safety requirements was 98.6%.

Pudimoe Water Treatment Plant (Table 5)

There has been some improvement on the drinking water quality performance in the case of turbidity and manganese levels in the final water. Only 1% the samples exceeded specifications for Class I water for turbidity and dissolved organic carbon. For the rest of the analyses performed, 100% compliance to the specifications for Class I water was met.

Although operational limits for Heterotrophic plate counts and Total coliform organisms were not met for all samples analysed, microbiological safety requirements were met in 100% of the final water samples analysed. No *Cryptosporidium*, *Giardia* cysts or viruses were detected.

The overall compliance including distribution networks was as follow:

Microbiological:	93.2%
Chemical:	98.3%
Physical:	96.0%

Boreholes

Non-compliance was mostly as a result of the presence of *E. coli* in the Ga-Segonyana Local Municipality supply area. 97.6% of the samples analysed complied with the specification for chemistry. Bacteriological safety requirements were met in 95.5% of the samples analysed.

In the case of the Taung East borehole, supply system microbiological compliance was 90.1% and chemical compliance 98.8%. For the Taung West supply system, 90.3% of the samples analysed met microbiological safety requirements and chemical

compliance was 99.4%. A simple disinfection system using slow releasing HTH tablets was tested at the Lotlhapong borehole and was found to be effective.

Northern Cape Region

Vaal Gamagara (Table 6)

Only 2% of samples exceeded specifications for Class 1 Water for turbidity. All other determinands analysed for, as per the full SANS analysis, met the specifications for Class 1 water for all the samples analysed. The combination of chemicals used was changed with intermittent positive effect. No *E. coli*, *Cryptosporidium* or *Giardia* cysts were detected in the final water.

Failures, however, occurred in the network. The required 99% compliance for bacteriological quality was not met at the take-off points to the Tsantsabane and Gamagara Local Municipalities.

Henkries (Table 7)

Sedibeng Water acquired the region mid-2011. Monitoring programmes were implemented to ensure compliance to Drinking Water Standard SANS 241. Except for turbidity exceeding specification for Class II water, the water met SANS 241 Class I specifications for those determinands analysed for.

The overall compliance including distribution networks, was as follows:

Microbiological:	98%
Chemical:	99%
Physical:	98%

Wastewater Quality Compliance

Free State Region

Except for nitrates, ammonia and phosphate, the effluent discharged from the Balkfontein wastewater treatment plant complied with the General Standard for wastewater in terms of DWA General Authorisation. *E. coli* was detected in 20% of the samples analysed. The final effluent is, however, no



longer discharged back into the river as the water is used for irrigation.

North West Region

Except for nitrates, the effluent discharged from the Pampierstad and Christiana wastewater treatment plants complied with the General Standard for wastewater in terms of DWA General Authorisation. This is as a result of the design capacity of the plant.

Northern Cape Region

Except for nitrates, the effluent discharged from the Vaal Gamagara wastewater treatment plant complied with the General Standard for wastewater in terms of DWA General Authorisation. This is as a result of the design capacity of the plant.

Table 1a Compliance of Potable Water in the Free State Region - Balfontein Final Water							
Determinand	Unit	Based on SANS 241 : 2006			Compliance Levels (%)		
		Class I max	Class II max		95% min to	97% min to	
					Class I	Class II	
Physical and organoleptic requirements							
Colour (aesthetic)	PtCo	20	50				
EC (aesthetic)	mS/m	150	370		100%	100%	
pH (aesthetic/operational)	pH units	5 - 9.5	4 - 10		100%	100%	
Turbidity	NTU	1	5		95%	100%	
TDS (aesthetic)	mg/l TDS	1,000	2,400		100%	100%	
Organic determinand							
DOC (aesthetic/health)	mg/l C	10	20		100%	100%	
THM (health)	µg/L THM	200	300		100%	100%	
Micro determinand							
Al acid soluble	µg/L Al	300	500		100%	99%	
As (health)	µg/L As	10	50		100%	100%	
Cd (health)	µg/L Cd	5	10		100%	100%	
Cr total (health)	µg/L Cr	100	500		100%	100%	
Cu (health)	µg/L Cu	1,000	2,000		100%	100%	
Co (health)	µg/L Co	500	1,000		100%	100%	
CN ⁻ (health)	µg/L CN ⁻	1,000	2,000		100%	100%	
Fe acid soluble	µg/L Fe	200	2,000		100%	100%	
Mn acid soluble	µg/L Mn	100	1,000		100%	100%	
Pb (health)	µg/L Pb	20	50		100%	100%	
Hg (health)	µg/L Hg	1	5		100%	100%	
Ni (health)	µg/L Ni	150	350		100%	100%	
Se (health)	µg/L Se	20	50		100%	100%	
V (health)	µg/L V	200	500		100%	100%	
Macro determinand							
Ca (aesthetic/operational)	mg/l as Ca	150	300		100%	100%	
Cl ⁻ (aesthetic)	mg/l as Cl ⁻	200	600		100%	100%	
F ⁻	mg/l as F ⁻	1	2		100%	100%	
Mg	mg/l as Mg	70	100		100%	100%	
NO ₃ ⁻	mg/l as N	10	20		100%	100%	
K	mg/l K	50	100		100%	100%	
Na	mg/l Na	200	400		100%	100%	
SO ₄ ²⁻	mg/l as SO ₄ ²⁻	400	600		100%	100%	
Zn	mg/l Zn	5	10		100%	100%	
Determinand	Unit	Allowable compliance contribution			Allowable compliance contribution		
		95% of samples min	4% of samples max	1% of samples max	95% of samples min	4% of samples max	1% of samples max
		Upper limits			Upper limits		
Microbiological safety requirements							
<i>E. coli</i>	count/100m ^l	Not detected	Not detected	1	100%	100%	100%
Faecal coliform bacteria	count /100m ^l	Not detected	1	10	100%	100%	100%
Operational Water Quality Alert Values							
		Alert value			Compliance		
Heterotrophic plate count	count /1m ^l	5,000			100%		
Total coliform bacteria	count /100m ^l	10			99%		
Cytopathogenic virusses	count /100 ^l	1			100%		
Protozoan parasites (<i>Giardia</i> and <i>Cryptosporidium</i>)	count /10 ^l	1			100%		
Somatic coliphages	count /10m ^l	1			100%		

Table 1b Compliance of Potable Water in the Free State Region - Virginia Final Water

Determinand	Unit	Based on SANS 241 : 2006					
						Compliance Levels (%)	
		Class I max		Class II max		95% min to	97% min to
				Class I	Class II		
Physical and organoleptic requirements							
Colour (aesthetic)	PtCo	20	50				
EC (aesthetic)	mS/m	150	370		100%	100%	
pH (aesthetic/operational)	pH units	5 - 9.5	4 - 10		100%	100%	
Turbidity	NTU	1	5		100%	100%	
TDS (aesthetic)	mg/l TDS	1,000	2,400		100%	100%	
Organic determinand							
DOC (aesthetic/health)	mg/l C	10	20		100%	100%	
THM (health)	µg/L THM	200	300		100%	100%	
Micro determinand							
Al acid soluble	µg/L Al	300	500		100%	99%	
As (health)	µg/L As	10	50		100%	100%	
Cd (health)	µg/L Cd	5	10		100%	100%	
Cr total (health)	µg/L Cr	100	500		100%	100%	
Cu (health)	µg/L Cu	1,000	2,000		100%	100%	
Co (health)	µg/L Co	500	1,000		100%	100%	
CN ⁻ (health)	µg/L CN ⁻	1,000	2,000		100%	100%	
Fe acid soluble	µg/L Fe	200	2,000		100%	100%	
Mn acid soluble	µg/L Mn	100	1,000		100%	100%	
Pb (health)	µg/L Pb	20	50		100%	100%	
Hg (health)	µg/L Hg	1	5		100%	100%	
Ni (health)	µg/L Ni	150	350		100%	100%	
Se (health)	µg/L Se	20	50		100%	100%	
V (health)	µg/L V	200	500		100%	100%	
Macro determinand							
Ca (aesthetic/operational)	mg/l as Ca	150	300		100%	100%	
Cl ⁻ (aesthetic)	mg/l as Cl ⁻	200	600		100%	100%	
F ⁻	mg/l as F ⁻	1	2		100%	100%	
Mg	mg/l as Mg	70	100		100%	100%	
NO ₃ ⁻	mg/l as N	10	20		100%	100%	
K	mg/l K	50	100		100%	100%	
Na	mg/l Na	200	400		100%	100%	
SO ₄ ²⁻	mg/l as SO ₄ ²⁻	400	600		100%	100%	
Zn	mg/l Zn	5	10		100%	100%	
Determinand	Unit	Allowable compliance contribution			Allowable compliance contribution		
		95% of samples min	4% of samples max	1% of samples max	95% of samples min	4% of samples max	1% of samples max
		Upper limits			Upper limits		
Microbiological safety requirements							
<i>E. coli</i>	count/100m ^l	Not detected	Not detected	1	100%	100%	100%
Faecal coliform bacteria	count /100m ^l	Not detected	1	10	100%	100%	100%
Operational Water Quality Alert Values							
		Alert value			Compliance		
Heterotrophic plate count	count /1m ^l	5,000			100%		
Total coliform bacteria	count /100m ^l	10			100%		
Cytopathogenic viruses	count /100 ^l	1					
Protozoan parasites (<i>Giardia</i> and <i>Cryptosporidium</i>)	count /10 ^l	1					
Somatic coliphages	count /10m ^l	1					

Table 2 Compliance of Potable Water in the North West Region - Bogosing Final Water

Determinand	Unit	Based on SANS 241 : 2006		Compliance Levels (%)			
		Class I max	Class II max	95% min to	97% min to		
				Class I	Class II		
Physical and organoleptic requirements							
Colour (aesthetic)	PtCo	20	50				
EC (aesthetic)	mS/m	150	370		100%	100%	
pH (aesthetic/operational)	pH units	5 - 9.5	4 - 10		100%	100%	
Turbidity	NTU	1	5		23%	77%	
TDS (aesthetic)	mg/l TDS	1,000	2,400		100%	100%	
Organic determinand							
DOC (aesthetic/health)	mg/l C	10	20		100%	100%	
THM (health)	µg/L THM	200	300		100%	100%	
Micro determinand							
Al acid soluble	µg/L Al	300	500		91%	94%	
As (health)	µg/L As	10	50		100%	100%	
Cd (health)	µg/L Cd	5	10		100%	100%	
Cr total (health)	µg/L Cr	100	500		100%	100%	
Cu (health)	µg/L Cu	1,000	2,000		100%	100%	
Co (health)	µg/L Co	500	1,000		100%	100%	
CN ⁻ (health)	µg/L CN ⁻	1,000	2,000		100%	100%	
Fe acid soluble	µg/L Fe	200	2,000		94%	100%	
Mn acid soluble	µg/L Mn	100	1,000		100%	100%	
Pb (health)	µg/L Pb	20	50		100%	100%	
Hg (health)	µg/L Hg	1	5		100%	100%	
Ni (health)	µg/L Ni	150	350		100%	100%	
Se (health)	µg/L Se	20	50		100%	100%	
V (health)	µg/L V	200	500		100%	100%	
Macro determinand							
Ca (aesthetic/operational)	mg/l as Ca	150	300		100%	100%	
Cl ⁻ (aesthetic)	mg/l as Cl ⁻	200	600		100%	100%	
F ⁻	mg/l as F ⁻	1	2		100%	100%	
Mg	mg/l as Mg	70	100		100%	100%	
NO ₃ ⁻	mg/l as N	10	20		100%	100%	
K	mg/l K	50	100		100%	100%	
Na	mg/l Na	200	400		100%	100%	
SO ₄ ²⁻	mg/l as SO ₄ ²⁻	400	600		100%	100%	
Zn	mg/l Zn	5	10		100%	100%	
Determinand	Unit	Allowable compliance contribution			Allowable compliance contribution		
		95% of samples min	4% of samples max	1% of samples max	95% of samples min	4% of samples max	1% of samples max
		Upper limits			Upper limits		
Microbiological safety requirements							
<i>E. coli</i>	count/100m ^l	Not detected	1	10	100%	100%	100%
Faecal coliform bacteria	count /100m ^l	Not detected	Not detected	1	100%	100%	100%
Operational Water Quality Alert Values							
		Alert value			Compliance		
Heterotrophic plate count	count /1m ^l	5,000			100%		
Total coliform bacteria	count /100m ^l	10			100%		
Cytopathogenic virusses	count /100 ^l	1			100%		
Protozoan parasites (<i>Giardia</i> and <i>Cryptosporidium</i>)	count /10 ^l	1			100%		
Somatic coliphages	count /10m ^l	1			100%		

Table 3 Compliance of Potable Water in the North West Region - Kgomotso Final Water

Determinand	Unit	Based on SANS 241 : 2006		Compliance Levels (%)			
		Class I max	Class II max	95% min to	97% min to		
				Class I	Class II		
Physical and organoleptic requirements							
Colour (aesthetic)	PtCo	20	50				
EC (aesthetic)	mS/m	150	370		100%	100%	
pH (aesthetic/operational)	pH units	5 - 9.5	4 - 10		100%	100%	
Turbidity	NTU	1	5		99%	100%	
TDS (aesthetic)	mg/l TDS	1,000	2,400		100%	100%	
Organic determinand							
DOC (aesthetic/health)	mg/l C	10	20		100%	100%	
THM (health)	µg/L THM	200	300		100%	100%	
Micro determinand							
Al acid soluble	µg/L Al	300	500		100%	100%	
As (health)	µg/L As	10	50		100%	100%	
Cd (health)	µg/L Cd	5	10		100%	100%	
Cr total (health)	µg/L Cr	100	500		100%	100%	
Cu (health)	µg/L Cu	1,000	2,000		100%	100%	
Co (health)	µg/L Co	500	1,000		100%	100%	
CN ⁻ (health)	µg/L CN ⁻	1,000	2,000		100%	100%	
Fe acid soluble	µg/L Fe	200	2,000		100%	100%	
Mn acid soluble	µg/L Mn	100	1,000		100%	100%	
Pb (health)	µg/L Pb	20	50		100%	100%	
Hg (health)	µg/L Hg	1	5		100%	100%	
Ni (health)	µg/L Ni	150	350		100%	100%	
Se (health)	µg/L Se	20	50		100%	100%	
V (health)	µg/L V	200	500		100%	100%	
Macro determinand							
Ca (aesthetic/operational)	mg/l as Ca	150	300		100%	100%	
Cl ⁻ (aesthetic)	mg/l as Cl ⁻	200	600		100%	100%	
F ⁻	mg/l as F ⁻	1	2		100%	100%	
Mg	mg/l as Mg	70	100		100%	100%	
NO ₃ ⁻	mg/l as N	10	20		100%	100%	
K	mg/l K	50	100		100%	100%	
Na	mg/l Na	200	400		100%	100%	
SO ₄ ²⁻	mg/l as SO ₄ ²⁻	400	600		100%	100%	
Zn	mg/l Zn	5	10		100%	100%	
Determinand	Unit	Allowable compliance contribution			Allowable compliance contribution		
		95% of samples min	4% of samples max	1% of samples max	95% of samples min	4% of samples max	1% of samples max
		Upper limits			Upper limits		
Microbiological safety requirements							
<i>E. coli</i>	count/100m ^l	Not detected	1	10	100%	100%	100%
Faecal coliform bacteria	count /100m ^l	Not detected	Not detected	1	100%	100%	100%
Operational Water Quality Alert Values							
		Alert value			Compliance		
Heterotrophic plate count	count /1m ^l	5,000			100%		
Total coliform bacteria	count /100m ^l	10			100%		
Cytopathogenic virusses	count /100 ^l	1			100%		
Protozoan parasites (<i>Giardia</i> and <i>Cryptosporidium</i>)	count /10 ^l	1			100%		
Somatic coliphages	count /10m ^l	1			100%		

Table 4 Compliance of Potable Water in the North West Region - Pampierstad Final Water

Determinand	Unit	Based on SANS 241 : 2006			Compliance Levels (%)		
		Class I max	Class II max		95% min to	97% min to	
					Class I	Class II	
Physical and organoleptic requirements							
Colour (aesthetic)	PtCo	20	50				
EC (aesthetic)	mS/m	150	370		100%	100%	
pH (aesthetic/operational)	pH units	5 - 9.5	4 - 10		100%	100%	
Turbidity	NTU	1	5		99%	100%	
TDS (aesthetic)	mg/l TDS	1,000	2 400		100%	100%	
Organic determinand							
DOC (aesthetic/health)	mg/l C	10	20		100%	100%	
THM (health)	µg/L THM	200	300		100%	100%	
Micro determinand							
Al acid soluble	µg/L Al	300	500		100%	100%	
As (health)	µg/L As	10	50		100%	100%	
Cd (health)	µg/L Cd	5	10		100%	100%	
Cr total (health)	µg/L Cr	100	500		100%	100%	
Cu (health)	µg/L Cu	1,000	2,000		100%	100%	
Co (health)	µg/L Co	500	1,000		100%	100%	
CN ⁻ (health)	µg/L CN ⁻	1,000	2,000		100%	100%	
Fe acid soluble	µg/L Fe	200	2,000		99%	100%	
Mn acid soluble	µg/L Mn	100	1,000		100%	100%	
Pb (health)	µg/L Pb	20	50		100%	100%	
Hg (health)	µg/L Hg	1	5		100%	100%	
Ni (health)	µg/L Ni	150	350		100%	100%	
Se (health)	µg/L Se	20	50		100%	100%	
V (health)	µg/L V	200	500		100%	100%	
Macro determinand							
Ca (aesthetic/operational)	mg/l as Ca	150	300		100%	100%	
Cl ⁻ (aesthetic)	mg/l as Cl ⁻	200	600		100%	100%	
F ⁻	mg/l as F ⁻	1	2		100%	100%	
Mg	mg/l as Mg	70	100		100%	100%	
NO ₃ ⁻	mg/l as N	10	20		100%	100%	
K	mg/l K	50	100		100%	100%	
Na	mg/l Na	200	400		100%	100%	
SO ₄ ²⁻	mg/l as SO ₄ ²⁻	400	600		100%	100%	
Zn	mg/l Zn	5	10		100%	100%	
Determinand	Unit	Allowable compliance contribution			Allowable compliance contribution		
		95% of samples min	4% of samples max	1% of samples max	95% of samples min	4% of samples max	1% of samples max
		Upper limits			Upper limits		
Microbiological safety requirements							
<i>E. coli</i>	count/100m ^l	Not detected	1	10	100%	100%	100%
Faecal coliform bacteria	count /100m ^l	Not detected	Not detected	1	100%	100%	100%
Operational Water Quality Alert Values							
		Alert value			Compliance		
Heterotrophic plate count	count /1m ^l	5,000			100%		
Total coliform bacteria	count /100m ^l	10			100%		
Cytopathogenic virusses	count /100 ^l	1			100%		
Protozoan parasites (<i>Giardia</i> and <i>Cryptosporidium</i>)	count /10 ^l	1			100%		
Somatic coliphages	count /10m ^l	1			100%		

Table 5 Compliance of Potable Water in the North West Region - Pudimoe Final Water

Determinand	Unit	Based on SANS 241 : 2006			Compliance Levels (%)		
		Class I max	Class II max		95% min to	97% min to	
					Class I	Class II	
Physical and organoleptic requirements							
Colour (aesthetic)	PtCo	20	50				
EC (aesthetic)	mS/m	150	370		100%	100%	
pH (aesthetic/operational)	pH units	5 - 9.5	4 - 10		100%	100%	
Turbidity	NTU	1	5		99%	100%	
TDS (aesthetic)	mg/l TDS	1,000	2,400		100%	100%	
Organic determinand							
DOC (aesthetic/health)	mg/l C	10	20		99%	100%	
THM (health)	µg/L THM	200	300		100%	100%	
Micro determinand							
Al acid soluble	µg/L Al	300	500		100%	100%	
As (health)	µg/L As	10	50		100%	100%	
Cd (health)	µg/L Cd	5	10		100%	100%	
Cr total (health)	µg/L Cr	100	500		100%	100%	
Cu (health)	µg/L Cu	1,000	2,000		100%	100%	
Co (health)	µg/L Co	500	1,000		100%	100%	
CN ⁻ (health)	µg/L CN ⁻	1,000	2,000		100%	100%	
Fe acid soluble	µg/L Fe	200	2,000		100%	100%	
Mn acid soluble	µg/L Mn	100	1,000		100%	100%	
Pb (health)	µg/L Pb	20	50		100%	100%	
Hg (health)	µg/L Hg	1	5		100%	100%	
Ni (health)	µg/L Ni	150	350		100%	100%	
Se (health)	µg/L Se	20	50		100%	100%	
V (health)	µg/L V	200	500		100%	100%	
Macro determinand							
Ca (aesthetic/operational)	mg/l as Ca	150	300		100%	100%	
Cl ⁻ (aesthetic)	mg/l as Cl ⁻	200	600		100%	100%	
F ⁻	mg/l as F ⁻	1	2		100%	100%	
Mg	mg/l as Mg	70	100		100%	100%	
NO ₃ ⁻	mg/l as N	10	20		100%	100%	
K	mg/l K	50	100		100%	100%	
Na	mg/l Na	200	400		100%	100%	
SO ₄ ²⁻	mg/l as SO ₄ ²⁻	400	600		100%	100%	
Zn	mg/l Zn	5	10		100%	100%	
Determinand	Unit	Allowable compliance contribution			Allowable compliance contribution		
		95% of samples min	4% of samples max	1% of samples max	95% of samples min	4% of samples max	1% of samples max
		Upper limits			Upper limits		
Microbiological safety requirements							
<i>E. coli</i>	count/100m ^l	Not detected	1	10	100%	100%	100%
Faecal coliform bacteria	count /100m ^l	Not detected	Not detected	1	100%	100%	100%
Operational Water Quality Alert Values							
		Alert value			Compliance		
Heterotrophic plate count	count /1m ^l	5,000			100%		
Total coliform bacteria	count /100m ^l	10			98%		
Cytopathogenic virusses	count /100 ^l	1			100%		
Protozoan parasites (<i>Giardia</i> and <i>Cryptosporidium</i>)	count /10 ^l	1			100%		
Somatic coliphages	count /10m ^l	1			100%		

Table 6 Compliance of Potable Water in the Northern Cape Region - Vaal Gamagara Final Water

Determinand	Unit	Based on SANS 241 : 2006			Compliance Levels (%)		
		Class I max	Class II max		95% min to	97% min to	
					Class I	Class II	
Physical and organoleptic requirements							
Colour (aesthetic)	PtCo	20	50				
EC (aesthetic)	mS/m	150	370		100%	100%	
pH (aesthetic/operational)	pH units	5 - 9.5	4 - 10		100%	100%	
Turbidity	NTU	1	5		98%	100%	
TDS (aesthetic)	mg/l TDS	1,000	2,400		100%	100%	
Organic determinand							
DOC (aesthetic/health)	mg/l C	10	20		100%	100%	
THM (health)	µg/L THM	200	300		100%	100%	
Micro determinand							
Al acid soluble	µg/L Al	300	500		100%	100%	
As (health)	µg/L As	10	50		100%	100%	
Cd (health)	µg/L Cd	5	10		100%	100%	
Cr total (health)	µg/L Cr	100	500		100%	100%	
Cu (health)	µg/L Cu	1,000	2,000		100%	100%	
Co (health)	µg/L Co	500	1,000		100%	100%	
CN ⁻ (health)	µg/L CN ⁻	1,000	2,000		100%	100%	
Fe acid soluble	µg/L Fe	200	2,000		100%	100%	
Mn acid soluble	µg/L Mn	100	1,000		100%	100%	
Pb (health)	µg/L Pb	20	50		100%	100%	
Hg (health)	µg/L Hg	1	5		100%	100%	
Ni (health)	µg/L Ni	150	350		100%	100%	
Se (health)	µg/L Se	20	50		100%	100%	
V (health)	µg/L V	200	500		100%	100%	
Macro determinand							
Ca (aesthetic/operational)	mg/l as Ca	150	300		100%	100%	
Cl ⁻ (aesthetic)	mg/l as Cl ⁻	200	600		100%	100%	
F ⁻	mg/l as F ⁻	1	2		100%	100%	
Mg	mg/l as Mg	70	100		100%	100%	
NO ₃ ⁻	mg/l as N	10	20		100%	100%	
K	mg/l K	50	100		100%	100%	
Na	mg/l Na	200	400		100%	100%	
SO ₄ ²⁻	mg/l as SO ₄ ²⁻	400	600		100%	100%	
Zn	mg/l Zn	5	10		100%	100%	
Determinand	Unit	Allowable compliance contribution			Allowable compliance contribution		
		95% of samples min	4% of samples max	1% of samples max	95% of samples min	4% of samples max	1% of samples max
		Upper limits			Upper limits		
Microbiological safety requirements							
<i>E. coli</i>	count/100m ^l	Not detected	1	10	100%	100%	100%
Faecal coliform bacteria	count /100m ^l	Not detected	Not detected	1	100%	100%	100%
Operational Water Quality Alert Values							
		Alert value			Compliance		
Heterotrophic plate count	count /1m ^l	5,000			100%		
Total coliform bacteria	count /100m ^l	10			100%		
Cytopathogenic virusses	count /100 ^l	1			100%		
Protozoan parasites (<i>Giardia</i> and <i>Cryptosporidium</i>)	count /10 ^l	1			100%		
Somatic coliphages	count /10m ^l	1			100%		

Table 7 Compliance of Potable Water in the Northern Cape Region - Henkries Final Water

Determinand	Unit	Based on SANS 241 : 2006			Compliance Levels (%)		
		Class I max	Class II max		95% min to	97% min to	
					Class I	Class II	
Physical and organoleptic requirements							
Colour (aesthetic)	PtCo	20	50				
EC (aesthetic)	mS/m	150	370		100%	100%	
pH (aesthetic/operational)	pH units	5 - 9.5	4 - 10		100%	100%	
Turbidity	NTU	1	5		97%	100%	
TDS (aesthetic)	mg/l TDS	1,000	2,400		100%	100%	
Organic determinand							
DOC (aesthetic/health)	mg/l C	10	20		100%	100%	
THM (health)	µg/L THM	200	300			100%	
Micro determinand							
Al acid soluble	µg/L Al	300	500		100%	99%	
As (health)	µg/L As	10	50		100%	100%	
Cd (health)	µg/L Cd	5	10		100%	100%	
Cr total (health)	µg/L Cr	100	500		100%	100%	
Cu (health)	µg/L Cu	1,000	2,000		100%	100%	
Co (health)	µg/L Co	500	1,000		100%	100%	
CN ⁻ (health)	µg/L CN ⁻	1,000	2,000			100%	
Fe acid soluble	µg/L Fe	200	2,000		100%	100%	
Mn acid soluble	µg/L Mn	100	1,000		100%	100%	
Pb (health)	µg/L Pb	20	50		100%	100%	
Hg (health)	µg/L Hg	1	5			100%	
Ni (health)	µg/L Ni	150	350		100%	100%	
Se (health)	µg/L Se	20	50			100%	
V (health)	µg/L V	200	500			100%	
Macro determinand							
Ca (aesthetic/operational)	mg/l as Ca	150	300		100%	100%	
Cl ⁻ (aesthetic)	mg/l as Cl ⁻	200	600		100%	100%	
F ⁻	mg/l as F ⁻	1	2		100%	100%	
Mg	mg/l as Mg	70	100		100%	100%	
NO ₃ ⁻	mg/l as N	10	20		100%	100%	
K	mg/l K	50	100		100%	100%	
Na	mg/l Na	200	400		100%	100%	
SO ₄ ²⁻	mg/l as SO ₄ ²⁻	400	600		100%	100%	
Zn	mg/l Zn	5	10		100%	100%	
Determinand	Unit	Allowable compliance contribution			Allowable compliance contribution		
		95% of samples min	4% of samples max	1% of samples max	95% of samples min	4% of samples max	1% of samples max
		Upper limits			Upper limits		
Microbiological safety requirements							
<i>E. coli</i>	count/100m ^l	Not detected	Not detected	1	100%	100%	100%
Faecal coliform bacteria	count /100m ^l	Not detected	1	10	100%	100%	100%
Operational Water Quality Alert Values							
		Alert value			Compliance		
Heterotrophic plate count	count /1m ^l	5,000					
Total coliform bacteria	count /100m ^l	10			99%		
Cytopathogenic viruses	count /100 ^l	1					
Protozoan parasites (<i>Giardia</i> and <i>Cryptosporidium</i>)	count /10 ^l	1					
Somatic coliphages	count /10m ^l	1					

SAFETY, HEALTH AND ENVIRONMENT

Since 2005, Sedibeng Water has been facing challenges that have negatively impacted on the implementation of our Safety, Health and Environment (SHE) programme. These challenges involved uncertainty regarding the future of our service provider, NOSA, that caused confusion as to which other suitable SHE system to adopt that would enable us to achieve our strategic objectives. With the return of NOSA, after being acquired by MICROOmega, the organisation moved from the NOSA CMB 150 system to the more challenging NOSA CMB 253 Integrated System.

SHE Performance Review

Despite all challenges, the organisation has continued to put priority in the well-being of the employees and the environment. SHE committee meetings were held in all regions as scheduled. Employee awareness was conducted through SHE Talks and Green Area Talks in all areas of operations. The organisation allocated enough resources for training of employees as per approved training matrix of each region. An internal audit

was conducted in December 2011, followed by the NOSA external audit in March 2012. Moreover, our SHE Representatives have persistently shown commitment and cooperation with management in the successful implementation of the SHE programme.

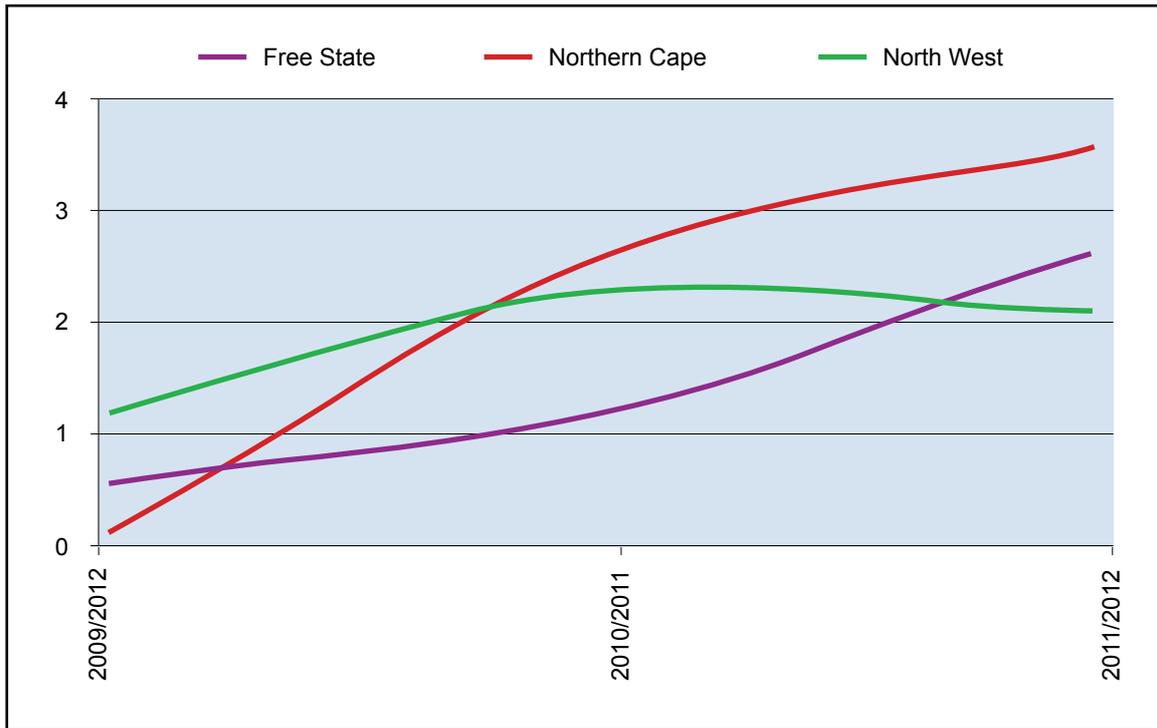
Incident Statistics

There has been an increase in the disabling injury frequency rate (DIFR). This has to do more with the way that NOSA defines the disabling injury. In the past, disabling injury was defined as a three-day off duty period due to injury, excluding public holidays and weekends, but the new definition is a one-day off duty period due to injury and it includes public holidays and weekends. Some medical practitioners are still following the old practice of offering a two-day sick note to an employee who otherwise could have been placed on light duty. However, the organisation has put some strategies and mechanisms in place to counteract the number of disabling injuries and DIFR.

Table 1: DIFR Statistics

Region	Disabling Injury Frequency Rate (DIFR)		
	2009/2010	2010/2011	2011/2012
Free State	0.6	1.2	2.7
Northern Cape	0.0	2.6	3.6
North West	1.2	2.3	2.1

Graph 1: DIFR Trends



External Audit Results

A NOSA CMB 253 audit was conducted in March 2012. This was the first grading audit since 2004. The information on the audit is displayed in Table 2 below:

The next NOSA CMB 253 audit will take place in March 2013. Action plans to rectify audit deviations have been compiled and are currently being implemented. As part of preparation for the next NOSA audit, two (2) internal SHE audits are planned to take place in September and November 2012.

Table 2: NOSA CMB 253 Audit for 2011/2012

Region	Audit Outcome
	Score (%)
North West	68.16
Northern Cape	64.73
Free State	
• Balfontein	66.80
• Virginia	67.57

Occupational Hygiene Surveys

Occupational Hygiene Surveys are required to be conducted once in two years. The last surveys were conducted in April 2011. The following occupational stressors were assessed:

- Noise/vibration;
- Ventilation;
- Ergonomics;
- Temperature;
- Hazardous chemical substances;
- Dust; and
- Illumination.

The organisation complied with most of the above stressors, and the identified deviations were rectified to meet the required standards.

Training

Sedibeng Water has continually shown its commitment and seriousness when it comes to training and development of its employees. The SHE Department together with Human Resources Development implemented the following training as per the training matrix for 2011/2012:

Table 3: SHE Training in 2011/2012

Courses	No. of days	Targeted group	Course objectives	No. trained
North West:				
Transportation of dangerous goods	1	Diesel delivery employees and process controllers	Empowering employees about their responsibility in complying with OHS Act	16
Incident investigations level 3	3	SHE Officer Trainee	To empower the trainee about the in-depth skills in investigating incidents	1
Basic fire fighting	1	New employees	To empower the employees about the basic skills needed to extinguish fire	19
Critical task observation	2	Supervisors	Demonstrate knowledge pertaining to the preparation, conducting, recording and follow up of planned observation in a working place	16
OHSAS 18001	3	SHE Officer Trainee	To empower the employee about the necessary skills on the awareness and the facilitation of OHSAS 18001 system	1

Table 4: SHE Training in 2011/2012

Courses	No. of days	Targeted group	Course objectives	No. trained
Northern Cape:				
SHE representative functions	3	Newly elected SHE Reps	To empower them with knowledge regarding their responsibilities as stipulated in the OHS Act	3
Hazard identification and risk assessment	2	SHE Reps	To assist in identifying workplace risks and hazards	10
Incident investigation	3	SHE Reps and Supervisors	To empower them with knowledge and skills for conducting incident investigations in the workplace	1
SHE representative functions	3	Newly elected SHE Reps	To empower them with knowledge regarding their responsibilities as stipulated in the OHS Act	3
Free State:				
SHE representative functions	3	Newly elected SHE Reps	To empower them with knowledge regarding their responsibilities as stipulated in the OHS Act	6
Transportation of dangerous goods	1	Employees transporting hazardous substances	To empower employees with knowledge regarding their responsibilities as stipulated in the OHS Act	22
Preliminary incident investigations	2	SHE Reps	To empower the SHE Reps with knowledge and skills for conducting incident investigations in the workplace	12
SHE representative functions	3	Newly elected SHE Reps	To empower the SHE Reps with knowledge regarding their responsibilities as stipulated in the OHS Act	6
			Total training attendance	126

Occupational Health Management

Sedibeng Water has achieved the implementation of the Occupational Health Programme with the help of contracted occupational health practitioners that are located in the three regions of operations. The programme covers the following three categories of medical surveillance:

- Pre-employment or baseline medical surveillance for new appointees;
- Periodic scheduled medical surveillance and immunisation for employees who are exposed to the identified hazards emanating from the physical, chemical and biological agents in their respective work areas; and
- Exit medical surveillance for employees at the termination of their services with the organisation.

In addition to the above, medical surveillances are also conducted for employees who suffered occupational injuries or sicknesses and the occupational health practitioners also assist the affected employees in completion of their Compensation Commissioner claims. Table 5 below displays medical surveillances that were done as part of Occupational Health Programme in the 2011/2012 financial year.

Table 5: Medical Surveillances Conducted in 2011/2012

Region	Pre-employment (Baseline)	Periodic (Scheduled)	Exit	Hepatitis Immunisation
Free State	29	102	11	2
Northern Cape	6	50	4	0
North West	53	7	5	19

Environmental Management System

The main purpose for Sedibeng Water to change from NOSA CMB 150 to NOSA CMB 253 was to fully integrate the environmental management system into our SHE programme. As far back as 2005, the organisation developed a five (5) year environmental plan based on the commitments made in the environmental policy. The bottom line of the environmental plan was to get ISO 14001 certification. NOSA CMB 253 integrated system's elements 1.15, 1.24 and 5.39 demand development and implementation of an Environmental Management System that integrates pollution control, waste management and environmental monitoring.

Employees' Well-being

In support of the National HIV/AIDS Strategy Plan and South Africa Coalition on HIV/AIDS, Sedibeng Water introduced the HIV /AIDS programme back in 2003 as part of the organisational strategic intent. The programme includes, amongst other things, the following:

- The establishment and training of HIV/AIDS support structures (peer educators) at all areas of operations;

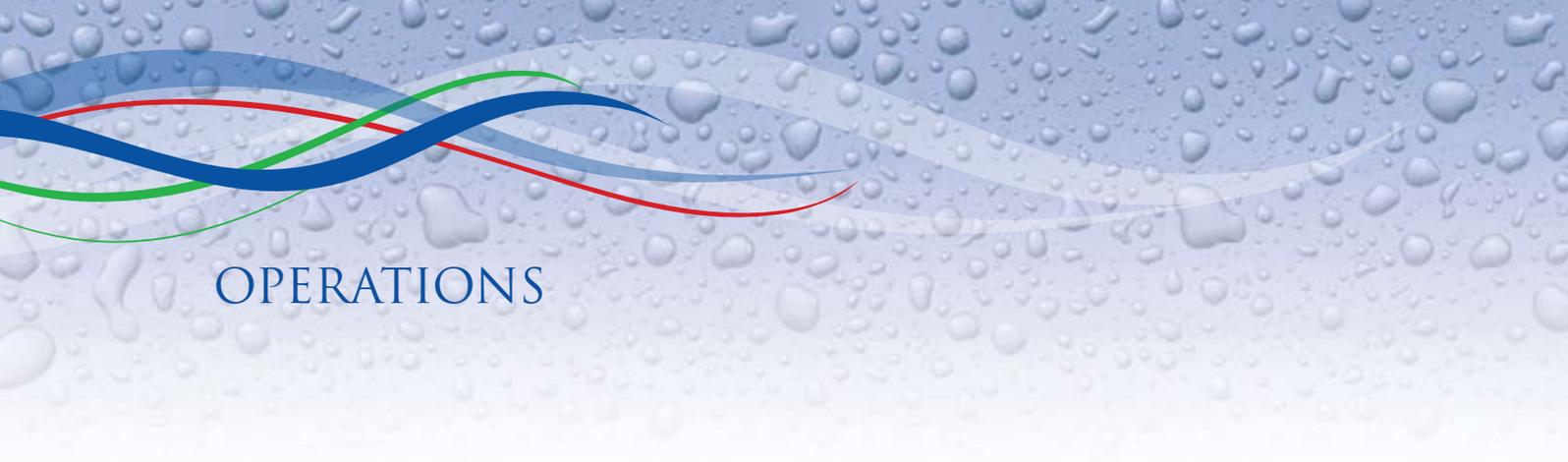
- The establishment of HIV/ AIDS committees at all areas of operations;
- Undertaking at least four (4) HIV/AIDS awareness sessions per year;
- Undertaking at least two (2) HIV Counselling and Testing (HCT) at all areas of operations per year; and
- Development and implementation of a comprehensive Disease Management Programme which will give access to antiretroviral drugs to employees and partners who are in need of such drugs.

As part of the employees' well-being strategy, the HIV/AIDS programme was later extended to incorporate the following general health assessments and health awareness aspects:

- High/low blood pressure;
- Diabetes;
- Cholesterol;
- Body mass index;
- TB symptoms; and
- Symptoms of sexually transmitted infection.

In the future, the organisation plans to include as part of its general health assessment to encourage employees to undergo screening for cervical cancer for females and prostate cancer for males.

The year 2011/2012 has been a challenging year however, a plan has already been put in place to address areas that require improvement and to maintain achievements that were attained.



OPERATIONS

- › OPERATIONS DIRECTORATE REVIEW
- › NEW BUSINESS DEVELOPMENT
- › TECHNICAL SUPPORT
- › NORTHERN CAPE REGION
- › NORTH WEST REGION
- › FREE STATE REGION





OPERATIONS DIRECTORATE REVIEW

The Operations Directorate is responsible for core business as well as new business development at Sedibeng Water. Since the organisation's operational area covers three provinces, the Directorate follows a regionalised operational approach to ensure efficient service delivery at ground level. Resultantly, the Directorate consists of 3 regional business units, namely the Free State Region, the Northern Cape Region and the North West Region as well as the New Business Development Department and the Technical Support Department.

The core functions of the Operations Directorate include:

- Abstraction of both ground and surface water;
- Purification and treatment of raw water and wastewater;
- Supply, treatment and distribution of bulk water;
- Operation and maintenance of water and sewerage works as well as storage and network facilities;
- Implementation of capital and refurbishment projects as part of asset management as well as replacement planning; and
- Development of new business and strategic support services.

Sedibeng Water is committed to upholding high standards of water services delivery throughout our area of operations, without any harm to the environment. The organisation also strives for improved competency in its workforce and good relations with all stakeholders. Throughout all our operations, we adhere to legislative requirements and are dedicated to upholding all standards required for water services delivery. The following performance areas were assessed during the past financial year to determine the level of operational outputs:

- Organisational Efficiency and Effectiveness;
- Infrastructure Rehabilitation and Maintenance;
- Safety, Health and Environment;
- Water and Wastewater Quality;
- Customer Satisfaction;
- Market Developments and Strategic Support; and
- Commercial Equity

Organisational Efficiency and Effectiveness

In addition to proper planning, Sedibeng Water investigated various cost saving practices and mechanisms, while never compromising on the high standard of water service delivery which has gained a favourable reputation for the organisation among its customers and stakeholders. Like in the past, we did our best to improve our efficiency and effectiveness in all areas, including the use of energy and chemicals. However, higher electricity prices, among others, prevented the organisation from reaching even higher levels of excellence.

Organisational efficiency and effectiveness has also been advanced by the establishment of the Technical Support Department during the year under review. This Department offers technical services to the regions and other departments to ensure the realisation of the organisational strategic objectives and compliance to internal and external requirements.

Infrastructure Rehabilitation and Maintenance

As part of good business practice, Sedibeng Water continually invests in the upkeep and maintenance of its plants and equipment in order to continuously supply water services of high quality to all customers. For this reason, major maintenance and refurbishment projects are being implemented at the Vaal Gamagara Plant and the Namakwa Water Scheme.



A sum of R36,7 million was spent on refurbishment and maintenance in the three provinces, in contrast to R27,5 million in the previous year. At certain plants, unplanned maintenance was also necessary which added to expenditure in this regard.

A major challenge being experienced in all regions is the rate at which property of Sedibeng Water is being vandalised and stolen. In many instances this causes interruptions in water supply. Additionally, the time of maintenance personnel is being wasted by repairing vandalised installations instead of doing important maintenance work.

In conclusion, it is evident from the above that the Operations Directorate at Sedibeng Water has made a significant contribution in the 2011/2012 financial year towards the management of the organisation's core business and new business development.



NEW BUSINESS DEVELOPMENT

In pursuit of realising water services delivery to the community, Sedibeng Water offers various water related services, expertise and partnerships to the local government and other stakeholders. Essential services delivered cover a full range of services from technical, water and wastewater management, operations and maintenance, and water quality management services. In rendering these services, Sedibeng Water enters into contractual agreements with clients and these agreements depend on the form of service provided. Below are the different forms of services that can be rendered:

- Strategic support;
- Bulk water provision;
- Total water service provision;
- Training and development;
- Analytical services; and
- Implementing agency.

The following projects and achievements were realised during the year under review:

The Department of Water Affairs (DWA) Rainwater Harvesting Programme at Schools in the Northern Cape Province

Introduction and Background

The Department of Water Affairs (Northern Cape Region) has appointed Sedibeng Water as an implementing agent for the co-ordination and management of the Rainwater Harvesting (RWH) Programme for School Food Gardening Project in the Northern Cape. The project is targeting poor households and rural schools in order to provide access to rainwater for household use and food production at schools as part of the school nutrition programme.

This initiative is in line with Chapter 2, Section 27.1b of the Constitution of the Republic of South Africa, 1996, whereby government guarantees progressive social rights, among which, that every citizen has the right to have access to food and

water and that the State should be able to provide for these within available resources.

As the implementing agent, Sedibeng Water has implemented, coordinated and managed the programme successfully, which includes the installation of 131 RWH storage reservoirs/tanks with a capacity of not less than 5kl at 79 schools in the Northern Cape.

Understanding of the Brief

Sedibeng Water had to ensure that there is stakeholder buy-in. As a result, the following conditions were met:

- Raised awareness of the general public about the benefits of the project;
- Mobilisation of schools to play an active role during the implementation of the project;
- Sedibeng Water took into account the possible over-stretching of existing human resources;
- Sedibeng Water took into account the vastness of the area to be covered through the programme; and
- Limited financial resources allocated for the project and the volume of work to be done were taken into account.

Drinking Water Audit Programme in the Free State Province: DWA-FS 208

The aim of the programme is to conduct monthly drinking water quality audits in all the towns in the Free State Province and training and on-site assessments of the WSAs. The Department of Water Affairs requested Sedibeng Water to be responsible for the following functions:

- To determine the current need for operational water quality test equipment at water and wastewater treatment facilities within nineteen (19) local municipalities in the Free State province and to procure the necessary equipment. These local municipalities exclude the Mangaung Metro Municipality;

- To determine the need for Water Safety and Security Plans in 19 local municipalities in the Free State province and the development of these plans; and
- To determine the need for stormwater management plans in 19 local municipalities in the Free State province and the development of these plans.

The following were achieved:

- Use of the Local Government Turn Around Strategy as the basis to counteract the forces that undermine our local government system;
- Quarterly drinking water quality audits at all local municipalities;
- With the Blue Drop criteria as guidelines, assessments were conducted and action plans provided ; and
- Implementation/roll out of these action plans.

Harmony Gold Mine

Monthly Analytical service

Frances Baard District Municipality

Monthly Analytical service

Dikgatlong Local Municipality

Monthly Analytical service

Namakwa

Sedibeng Water is busy with the refurbishment of the Namakwa Water Scheme and during this year we built a 13.6km temporary bypass pipeline to assure supply to Springbok and Kleinsee. In the next financial year this section of 13.6km of the main pipeline will be replaced. The temporary bypass pipeline will then be moved to the next section that needs to be replaced.



TECHNICAL SUPPORT

The Department offers technical services to the business units (regions) and other departments to ensure realisation of the organisational strategic objectives and compliance to internal and external requirements. Although the area of speciality is operations and maintenance, the Department also offers shared services in the safety, health and environment programme and any other requests or mandate to provide management and expert services to strategic driven programmes. The Department was, amongst other things, involved in the following key activities:

- Risk Based Technical Audits;
- Internal Safety, Health and Environment Audits;
- External Safety, Health and Environment Audits; and
- Development of Integrated Systems.

Risk Based Technical Audits

Risk Based Technical Audits were conducted in business units to identify potential risks that could become deterrents to realisation of our objectives and could also result in non-compliance to internal and external requirements. This is a 360° audit that analyses major elements of our business processes and then make an empirical comparison between existing status (inputs) and the targeted outcomes (outputs). Detailed reports covering deviations, recommendations and action plans are prepared for each business unit.

Internal Safety, Health and Environment (SHE) Audits

The Department was mandated by the Executive Management to plan, coordinate and conduct the Internal SHE Audits to comply with statutory requirements and also to prepare for the external NOSA audits. An audit team comprising of the Technical Support Department, SHE Department and the regions was established to participate in all future internal and external SHE audits. The first audits, which also formed the basis for all future SHE audits, were conducted in December 2011. Detailed

action plans, with recommendations to address the identified deviations, were compiled and submitted to the regional management teams. Future internal SHE audits aimed at continuous monitoring and improvement of our safety programme, will be conducted biannually.

External Safety, Health and Environment Audit

As part of improvement of our SHE program as well as to ensure compliance and to obtain updates on the latest statutory updates, it is important to get an external professional opinion and guidance. Grading according to the NOSA Integrated Five Star System took place in all regions in the period of 5 – 29 March 2012. This was the first NOSA grading audit since 2004 and therefore the main purpose was not the star rating, but to establish our standard and to get a better understanding of the NOSA CMB 253 (integrated) program, and to acquire the latest statutory and standard requirements. Detailed action plans, with recommendations to address NOSA audit findings and deviations were compiled and submitted to the members of the Management Committee. The next NOSA Audit is planned to take place in March 2013.

Development of Integrated Systems

The NOSA CMB 253 requires the development and implementation of systems that integrate the Safety, Health and Environment Programme into all activities of our business. Amongst the systems that must be developed or updated are:

- Risk Assessments;
- Work Procedures;
- Risk Management Plan;
- Safety, Health and Environment Plan; and
- Operations and Maintenance Plan.

Risk Assessments

One of the issues that were identified during the internal and external audits was lack of updated risk assessments that form the basis of all operations and maintenance systems, decision-making and

planning. The updating of risk assessments as well as the development of integrated risk registers is at the top of our priorities list because it has direct impact on everything we do. Risk assessments were planned to be completed by the end of August 2012.

Work Procedures

After conducting the risk assessments we shall be able to identify critical equipment and critical tasks. Critical tasks and all tasks to be done on or by critical equipment, require stringent written procedures for safe work as a preventative measure against potential risks. Employees will be trained regularly on these written procedures for safe work and supervisors will conduct on-job observation of these procedures to enforce strict adherence. The risk assessments and work procedures will be reviewed whenever there are changes to the systems or processes, or when any findings of procedural deficiency may arise from incident investigation or root cause analysis. The compilation of new and updated written procedures for safe work is planned to be completed immediately after the completion of the risk assessment process.

Risk Management Plan

The risk management plan is a management process that forms part of all other plans. The Technical Support Department will develop a risk management plan that will form the backbone of the following three domains:

- Operations;
- Maintenance; and
- Safety, Health and Environment (SHE).

Although our risk management plan will be developed focusing on the three domains, there will be an automatic link to other domains such as human resources and finance, which are inherent basic elements of our business. The risk management plan will guide us in the selection of the most appropriate strategies to apply under any

circumstances, taking into consideration the costs and benefits for using the selected strategies. Our risk management plan will include, amongst other things, the following:

- Defined structures and communication channels at different organisational levels to enable effective and efficient two-way communication and response;
- Defined functions of each structure within the organisation and the interfaces between structures;
- Risk management policy statement;
- Objectives;
- Risk assessment and management procedure;
- Documentation - risk registers, risk assessments, written safe work procedures, etc.; and
- Monitoring and evaluation.

The risk management plan will empower management and team members to make good decisions under any circumstances. The risk management plan will be developed concurrently with the SHE plan, the operations plan and the maintenance plan, and all these plans are scheduled for completion at the end of January 2013.

Safety, Health and Environment (SHE) Plan

This will outline the overall SHE programme and also integrate it with the operations and maintenance plans. Like the operations plan and maintenance plan, the purpose of the SHE plan is to transform organisational key strategic objectives into functional strategy at team level. The SHE plan will include, amongst other things, the following:

- The SHE policy statement;
- SHE structures and their functions;
- SHE objectives and key performance measures;
- Risk registers;
- Documentation:
 - The SHE policy and all other related policies (e.g. HIV and AIDS policy, environmental management policy, etc.)

- Incident reporting and investigation procedure;
 - Emergency preparedness procedure;
 - SHE standards;
 - Legal registers; etc.
- Occupational health program;
 - Monitoring and evaluation;
 - SHE suggestions and rewards (continuous improvement); and
 - SHE monthly and annual awards.

Operations and Maintenance Plan

The approach to development of these plans will be the same as that of the SHE plan, with the main purpose of transforming organisational key strategic objectives into functional strategy at team level. The plans will include, amongst other things, the following:

- Operations/maintenance policy statements;
- Operations/maintenance structures and their functions;
- Operations/maintenance objectives and performance measures;
- Risk registers;
- Operations/maintenance strategies;
- Documentation:
 - Operations/maintenance policy (including other policies such as management of change or modification policy);
 - Operations/maintenance written procedures for safe work;
 - Operations/maintenance work instructions;
 - Contingency plan;
 - Standards; etc.
- Monitoring and evaluation;
- Incident/failure investigation processes (root cause analysis); and
- Continuous improvement and reward process;

The total integration of the SHE programme into our operations and maintenance functions will ensure that we do our jobs effectively and safely, while improving on the workmanship of our teams and total quality management. This will guarantee the well-being of our employees and sustainability of our natural resources.

NORTHERN CAPE REGION

Introduction

The Northern Cape Region is responsible for the supply of portable bulk water services to the Dikgatlong, Tsantsabane, Gamagara and Joe Morolong Local Municipalities and mines in the Northern Cape Province. The following targets have been achieved during the year under review:

Portable Water Supply

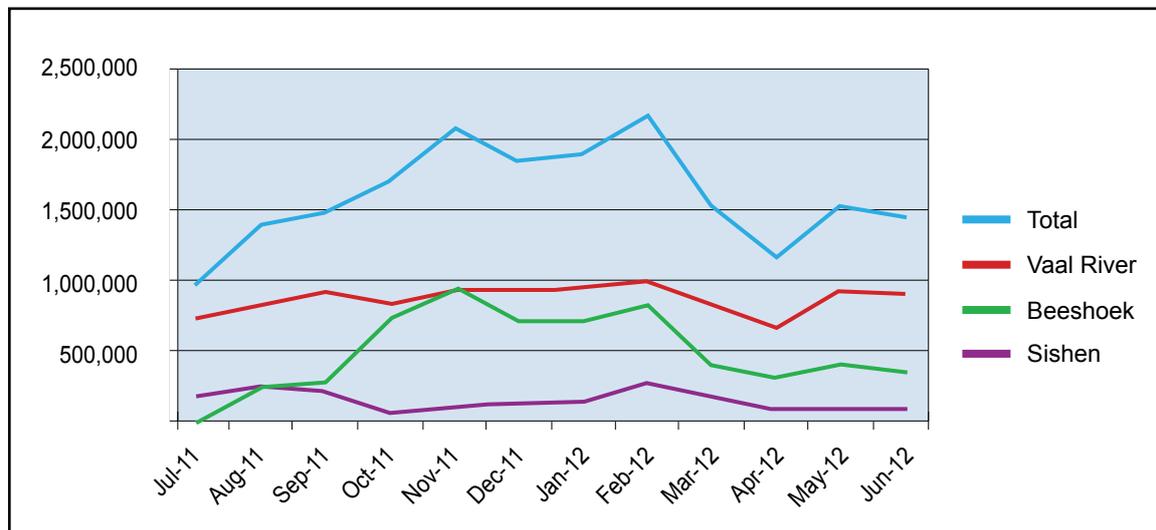
Raw water is abstracted from two sources, namely the Vaal River and ground water from Beeshoek and Sishen mines. Raw water from the Vaal River is treated at the Delportshoop water treatment plant. The increase of 37.03% in water sold during the year is directly related to the growth in the mining industry in the region, as reflected in Table 1.

Table 1: Raw and Ground Water Purchases

Year	Vaal River Volume (kℓ)	Beeshoek Volume (kℓ)	Sishen Volume (kℓ)	Total Volume (kℓ)	Increase in demand (kℓ)	Variance (%)
2010/2011	9,705,064	2,877,636	1,565,900	14,148,600	2,188,040	18.29
2011/2012	10,747,200	6,265,780	2,374,400	19,387,380	5,238,780	37.03

The graph below reflects monthly production trends:

Graph 1: Monthly Trends of Plant and Boreholes Production



Infrastructure Maintenance and Refurbishment

Planned maintenance programmes were carried out on an ongoing basis according to a planned maintenance schedule. These include daily, weekly, monthly and annual inspection. Maintenance and refurbishment expenditure is reflected in Table 2.

Planned Maintenance for 2011/2012

- Maintenance of main transformers;
- Biannual maintenance of telemetry ;
- Replacement of the clayton valve at the Glossam reservoir; and
- Replacement of air valves and gate valves on the pipeline.

Unplanned Maintenance for 2011/2012

- Installation of the power cable at the Lohatla reservoir;
- Installation of a new solar panel at the Lohatla reservoir;
- Repair of two motors in the high lift station;
- Installation of a flow control valve at the Black Rock reservoir;
- Replacement of a gate valve at the Hotazel 300mm pipeline;
- Refurbishment of 300mm double door non-return valve for Kathu;
- Purchase of a new 300mm double door non-return valve installed in Kathu; and
- Refurbishment of IV 22.

Major Maintenance and Refurbishment Done at Vaal Gamagara for 2011/2012

- Two low lift pumps were repaired at KSB;
- Cathodic protection at the Olifantshoek pipeline was done;
- Two 300mm spherical valves for Beeshoek pump station were installed;
- Two pumps for Beeshoek pump station phase 1 were refurbished;
- Switchgears at Beeshoek pump station were refurbished;
- Three 250mm gate valves were purchased for the Roscoe to Olifantshoek pipeline; and
- Refurbishment of the plunger valve at the high lift station.

Table 2: Maintenance and Refurbishment Expenditure

Year	Maintenance/ Refurbishment	Expenditure (R)	Increase in Expenditure (R)	Variance (%)
2010/2011	Maintenance	2,571,996	-452,088	117.58
	Refurbishment	5,079,500	2,374,400	83.85
2011/2012	Maintenance	4,304,488	820,500	67.36
	Refurbishment	4,392,283	-1,732,492	-13.53

Sishen South Project

The Beeshoek Phase 1 pumps were refurbished and an extra stage was installed. This now puts Sedibeng Water in the position that they can pump South with Beeshoek Phase 1 pumps and North with Beeshoek Phase 2 pumps. Sedibeng Water can now utilise the de-watering water from Kolomele Mine to its full potential.

Portable Water Quality

In general the quality of the final water supplied from Delportshoop WTP complied with SANS 241:2006. It however needs to be pointed out that the demand is supplemented by ground water from the mines which affects the quality of water from Delportshoop WTP.

Challenges

The region faces the following challenges:

- The declining quality of raw water is cause for concern, and has increased the demand for chemicals to purify the water; and
- Vandalism and theft of Sedibeng Water's property.

Table 3: Water Quality Results

Determinand	Unit	Based on SANS 241 : 2006		Compliance Levels (%)
		Recommended operational limit	Max. allowable for limited duration	
		Class I	Class II	Class I
Physical and aesthetic determinands				
pH	pH units	5.0-9.5	4.0-10.0	100%
Turbidity	NTU	<1	1-5	1-5
Conductivity at 25°C	mS/m	<150	150-370	100%
Microbiological safety requirements				
Determinand	Unit	Standard Limits		Compliance Levels (%)
				Class I
Total Coliforms	count /100m ^l	10		10
<i>E. coli</i>	count /100m ^l	Not Detected		99%
Chemical determinands				
Determinand	Unit	Based on SANS 241 : 2006		Compliance Levels (%)
		Class I	Class II	
Acid soluble iron	µg/l Fe	<200	200-2000	100%
Acid soluble aluminium	µg/l Al	<300	300-500	100%

Wastewater Effluent Quality

All other sewage determinands complied 100% with the General Standard for wastewater, except for nitrate and *E. coli*. Nitrate exceeded the specified limit in 8% of the samples analysed. There has been an improvement in the bacteriological quality of the final effluent, *E. coli* was detected in only 8% of the samples analysed.

Table 4: Maintenance and Refurbishment Expenditure

Date sampled	July 2011 - June 2012	
Determinand	Units	Compliance
pH at 25°C	pH units	100%
Electrical conductivity at 25°C	mS/m	100%
Total Alkalinity	mg/l as CaCO ₃	100%
Nitrate	mg/l N	92%
Total Suspended Solids	mg/l	100%
Chemical Oxygen Demand	mg/l COD	100%
Ammonia Nitrogen	mg/l N	100%
Oxygen Absorbed	mg/l OA	100%
Dissolved Ortho Phosphate	mg/l P	100%
<i>E. coli</i>	count/100ml	92%



NORTH WEST REGION

In the North West Region, Sedibeng Water has entered into a Water Services Level Agreement with the Dr. Ruth S. Mompati District Municipality, the Ga-Segonyana Local Municipality and the Phokwane Local Municipality, where Sedibeng Water operates as a Water Services Provider (WSP) and renders water services, management services and other support to the municipalities which are Water Services Authorities (WSA). This operational arrangement is in accordance with Section 30 (2) of the Water Service Act, Act No. 108, 1997.

The services that the region offers to the municipalities are, but not limited to, the following:

- **Reticulation Water Services**
 - Operations and maintenance of reticulation systems; and
 - Yard water meter connection.
- **Bulk Water Services**
 - Operations and maintenance of:
 - o Bulk potable water supply infrastructure; and
 - o Bulk sewage infrastructure.
- **Management and other Support Services**
 - Technical audits;
 - Optimisation and management of water supply systems;
 - Training of personnel; and
 - Project management.
- **Water Quality Monitoring**
 - Sampling and testing.
- **Cost-recovery**
 - Meter installation and management; and
 - Billing and collection.

Bulk Water Services

The region renders operations and maintenance services of potable water supply and sewage infrastructure on behalf of the WSA.

- **Bulk Potable Water Supply**

The primary source of potable water is the groundwater resources, which constitute 52% of the total potable water supply. The villages are scattered in the vast area of operation and each village has its own boreholes. This is not ideal as a potable water system should consist of clusters of boreholes pumping into a reticulation system, and in doing so, supplying multiple adjoining villages, with a simultaneous reduction in maintenance and operational costs. To remedy the intensity of operations and to reduce the operational costs, telemetry is used where possible for the start/stop of the borehole pumps and for monitoring of the systems.

The remaining 48% of the total potable water supply is surface water, which is abstracted from the Vaalharts Scheme, and it is purified and treated at the Pampierstad, Bogosing, Kgomotso and Pudimoe Water Treatment Plants.

As depicted in Table 1 below, the total annual production volumes have increased by 21.84% from 8,746,359 kℓ in the previous year to 10,656,361 kℓ in the 2011/2012 financial year. The water production from treatment plants increased by 17% from 4,329,360 kℓ to 5,072,420 kℓ, and that from boreholes increased by 26% from 4,416,999 kℓ to 5,583,941 kℓ.

The increase in production from boreholes was mainly due to the inclusion of new and equipped boreholes in the Kuruman District, supplying water to the Mothibistad area as well as extension of reticulation in the Taung District (Buxton Village).

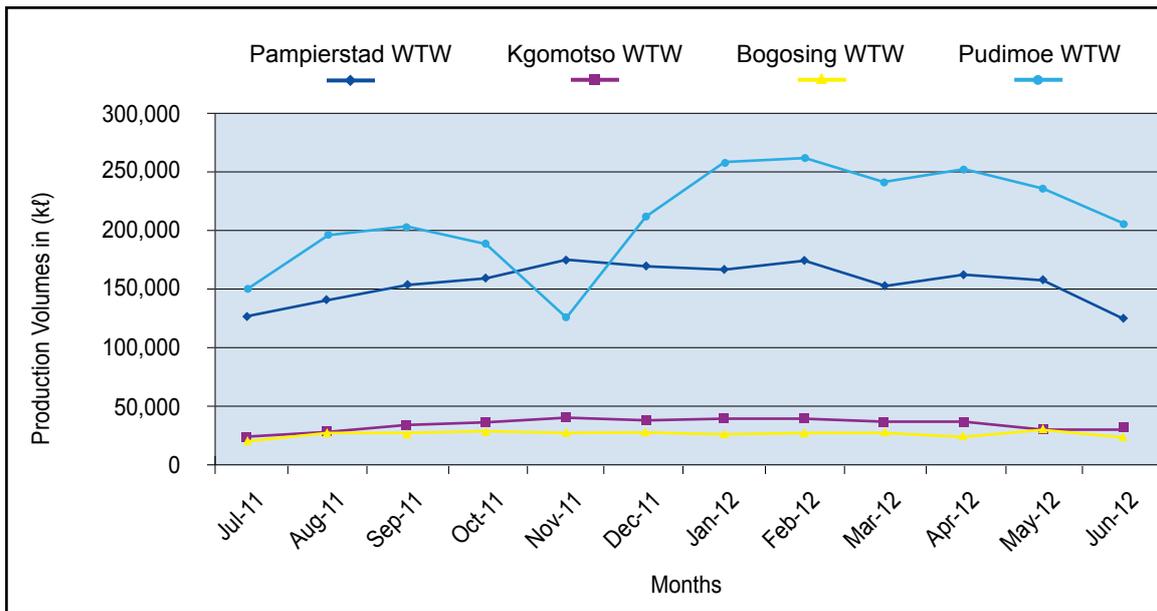
The increase in production from the plants was mainly due to the refurbishment of Module I at Pudimoe, supplying water to Huhudi in Vryburg, and the extension of reticulation in Magoppela A, Khibitswane, Sheking-Seoding and Dryharts Villages.

Graphs 1–3 highlight the water demand and production trends in the North West Region, identifying the periods of high demands and consumption.

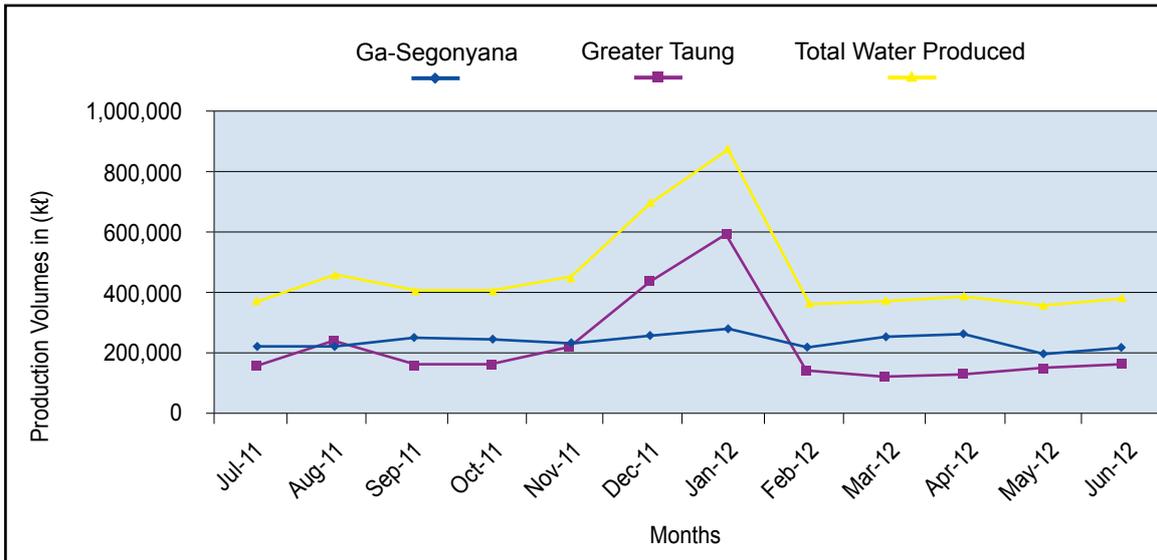
Table 1: Potable Water Production

Source	2010/2011 Volume (kℓ)	2011/2012 Volume (kℓ)	Variance (%)
Plants	4,329,360	5,072,420	17%
Boreholes	4,416,999	5,583,941	26%
Total Production	8,746,359	10,656,361	21.84%

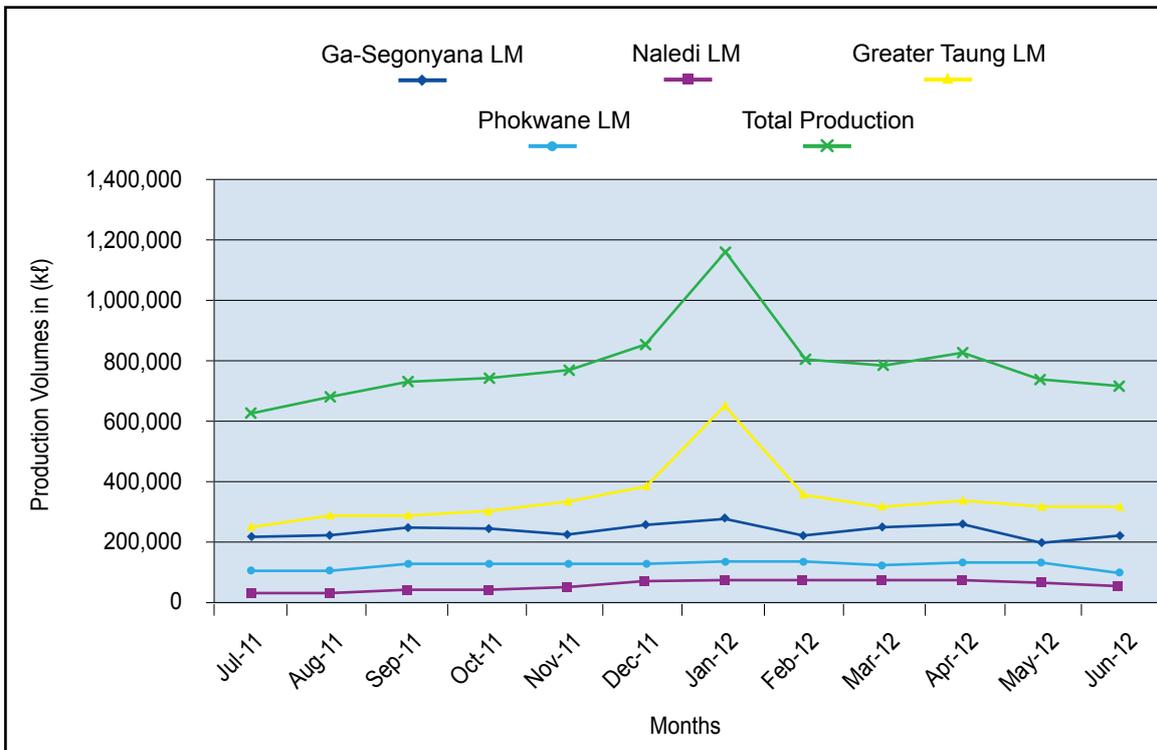
Graph 1: Monthly Plant Production Trends



Graph 2: Monthly Borehole Production Trends



Graph 3: Monthly Production Trends per Municipality



- **Bulk Sewage Services**

Sedibeng Water renders operations and maintenance services to the Pampierstad Wastewater Treatment Plant and the Christiana Wastewater Treatment Plant on behalf of the Phokwane Local Municipality and the Dr. Ruth S. Mompati District Municipality, respectively. The sewage plants purify and treat household effluent from the township of Pampierstad and Christiana, respectively. There is no industrial wastewater discharge into the plants. The plants are currently under-utilised, operating at below 60% of their design capacities. The plants are licensed and authorised to discharge effluent into the nearby Harts and Vaal Rivers, respectively. Both plants are currently discharging 60% of their treated effluent into the Harts and Vaal Rivers respectively and the rest is recycled back into the plants.

- **Reticulation Water Services**

In addition to bulk water services, the region also renders operations and maintenance services to the reticulation systems, making this a full-scale service ranging from source to tap. Most of the reticulation infrastructure has aged beyond its lifespan, especially where AC pipes were installed some years ago.

Most of the borehole water reticulation systems are using plastic tanks as a storage facility, and the problem with plastic tanks is that they have a short lifespan. The major problems that are experienced with the reticulation systems are frequent pipe bursts and leaking tanks.

There is an increasingly high demand for yard connections, which is beyond the current rural and previously disadvantaged basic level of service and is regarded as high level of service. The current infrastructure therefore needs to be upgraded as it was designed to address water supply backlogs in terms of RDP standards.

- **Water Quality Monitoring**

The region has developed and implemented a comprehensive water quality monitoring programme, which involves sampling and testing above minimum requirements. The operators are also trained to carry out the regular on-site sampling and testing procedures at the plants and to monitor process deviations that may negatively impact on the final water quality.

- **Potable Water Quality**

On a weekly basis, samples are sent to the Sedibeng Water Accredited Laboratory in the Free State Region for detail analysis as per SANS 241:2006 standards. The borehole water samples from the Ga-Segonyana Local Municipality are sent to the nearby contracted laboratory in Kuruman.

Tables 2 (a and b) summarise water quality statistics for the year, which complied with SANS 241:2006.

Water Quality from Plants

Table 2a: Treated Potable Water Quality Results

Treated Water	Bogosing Supply System	Kgomotso Supply System	Pampierstad Supply System	Pudimoe-Taung Supply System	Majeakgoro Supply System
	% Compliance				
Microbiological (Health)	100.0%	98.8%	99.4%	93.0%	100.0%
Chemical (Health)	95.5%	100.0%	100.0%	100.0%	100.0%
Physical, Organoleptic (Non-health)	90.8%	99.7%	100.0%	99.8%	99.2%
Operational	87.5%	89.9%	91.4%	70.9%	75.1%

Microbiological failures were encountered at some end-user points due to chlorine depletion in the supply system and where such cases were encountered, chlorine was dosed manually at the reservoirs.

Bogosing Supply System

The Bogosing Water Treatment Works' final water has failed to comply with the physical and chemical requirements such as turbidity, aluminium and iron due to design limitations of the treatment works to deal with the quality of raw water from the source. This failure was also experienced within the distribution systems. The responsible WSA has decided to terminate the operations of Bogosing Plant and connect the Bogosing supply with the Pudimoe supply in the 2012/2013 financial year.

Kgomotso Supply System

Changes in raw water quality due to heavy rains in the catchment area resulted in turbidity failure and the treatment works were optimised to deal with raw water quality challenges. A chlorination system failure resulted in microbiological non-conformance and an alternative disinfection option (in case of chlorination failure), was introduced.

Pampierstad Supply System

Pampierstad Water Treatment Works' (PWTW) final water complied with SANS 241. The only challenge was chlorine depletion in the system that resulted in once off microbiological failure at the point of use. Chlorine residual at the reservoir was increased to eliminate microbial growth in the system.

Pudimoe-Taung Supply System

Pudimoe Water Treatment Works' final water failed to comply in terms of turbidity as per SANS 241, due to inconsistent clarifier blockages and ineffective backwashing of filters due to construction activity at the sludge handling facility at the Plant. Control measures were put in place, even though there were challenges due to limited space at the wastewater and sludge disposal site.

Table 2b: Borehole Water Quality Results

Borehole Water	Taung East Borehole WMA	Taung West Borehole WMA	Ga-Segonyana North WMA	Ga-Segonyana West WMA
	% Compliance			
Microbiological (Health)	89.3%	89.9%	94.4%	96.6%
Chemical (Health)	99.7%	99.7%	100.0%	100.0%
Physical, Organoleptic (Non-health)	99.3%	97.5%	100.0%	100.0%
Operational	87.3%	88.5%	91.9%	92.0%

Water Quality from the Boreholes

Boreholes are normally located in the remote areas, which expose them to vandalism and theft of fences. The quality of the borehole water is unstable, with the major problems being the high concentration of nitrates and bacteriological contamination as a result of livestock activities around the boreholes.

The following measures are being put in place to remedy the situation:

- In case of bacteriological contamination, localised dosing of chlorine is conducted and notices to boil water are issued to reduce risks of exposure;
- Sealing roofs of steel tanks to eliminate contamination at storage tanks;
- A pilot project was conducted at Lotlhapong village within the Greater Taung Local Municipality on disinfection options to be introduced for borehole source chlorination which appear to be effective;
- Re-fencing of the boreholes in order to minimise livestock activity; and
- Conducting community awareness to increase the level of ownership of water infrastructure and to inform community members to keep the livestock away from the boreholes.

• Sewage Effluent Quality

The final effluent from Pampierstad Sewage Plant complied with the required standard for the parameters within the plant design treatment capacity. The non-compliance was for the nitrates, which is out of plant design specifications. Free chlorine was maintained within the limits before discharging of the final effluent into the Harts River. To enforce compliance of the effluent that is discharged into the Harts River, there is a fully equipped quality-monitoring laboratory on site, and weekly the samples are sent to the main laboratory in Balkfontein (Accredited laboratory in the Free State Region) for detailed analysis.

Table 3 summarises the annual quality compliance levels, measured in percentages of samples of effluent discharged from the plant.

Table 3: Wastewater Quality Results for Pampierstad and Christiana Sewage Plants.

Effluent Discharged	Pampierstad Wastewater Treatment Works	Christiana Wastewater Treatment Works
	% Compliance	
Microbiological	72.92%	85.42%
Chemical	47.92%	55.00%

The final effluent from the Christiana Sewage Plant complied with the required standard, however chemical and physical compliance failure was experienced in the system due to consistent flooding of the system by groundwater and failure of the sludge thickening process caused by blockages from the construction phase. The blockages were resolved and groundwater was diverted away from the sludging thickening process.

Samples are sent weekly to the main laboratory in Balkfontein (Accredited laboratory in the Free State Region) for detailed analysis to enforce compliance of the effluent that is discharged into the nearby stream.

Maintenance and Refurbishment

Table 4 reflects the maintenance and refurbishment expenditure. A wide range of maintenance, in part (component replacement) and in full (general overhaul), was performed as part of the maintenance plan on the following assets:

- Process equipment at the water and sewage treatment plants;
- Borehole equipment;
- Pump stations;
- Storage facilities such as concrete reservoirs, steel tanks and plastic tanks;
- Reticulation equipment;
- Buildings; and
- Vehicles.

Table 4: Maintenance and Refurbishment Expenditure

Year	Expenditure (R)	Increase in expenditure (R)	Increase (%)
2010/2011	7,783,991	3,071,701	-65%
2011/2012	7,333,420	4,489,763	-61%

There was an increase in the maintenance expenditure for the region this year due to operational necessities.

The ageing equipment in most parts of the region and the limited maintenance budget are drawbacks to the full implementation of preventative maintenance programmes. As a result, resources are focused more on unplanned reactive maintenance than on preventative/planned maintenance. The pumps at Pudimoe Water Treatment Plant have been refurbished due to excessive use. Pipe bursts have been experienced frequently on the pipeline to Huhudi in Vryburg and that has put strain on the maintenance budget as well.

Cost-recovery

Sedibeng Water also renders full cost-recovery services in the North West Region. These services include installation of new meters, maintenance and management of old meters, billing and revenue collection. Sedibeng Water has taken a decision to replace all conventional water meters with pre-paid meters.

The region operates on a cost-recovery strategy, which was developed in line with the credit control policies of the Water Services Authorities in the region. However, there are limitations to the full implementation and enforcement of the cost-recovery strategy, because there are no bylaws from the Water Services Authorities to backup their credit control policies, and there are political interferences during disconnection and restriction of services of consumers who are in default.

Management and Other Support Services

In addition to standard services that are rendered in fulfilment of the Water Services Provider Agreements in the region, Sedibeng Water also renders management and support services on request to the Water Services Authorities within the area of operations. The region is in negotiations

with the Dr. Ruth S. Mompoti District Municipality to take over bulk water services of the District.

• Optimisation and Management of Water Supply Systems

Where the Water Services Authorities are faced with serious problems due to lack of capacity, Sedibeng Water may assist in temporarily managing the water supply systems. Currently Sedibeng Water maintains and operates the water supply line from Pudimoe to Vryburg on behalf of the Naledi Local Municipality, and the Christiana Wastewater Treatment Plant on behalf of the Lekwa Teemane Local Municipality, on a cost-recovery basis. While temporarily managing the systems, Sedibeng Water assists the Water Services Authority in optimisation of the water treatment processes to bring water quality to acceptable standards, and to ensure correct dosing of chemicals.

• Project Management

Sedibeng Water has played the role of implementing agent for water related projects. Using our knowledge and expertise in the water industry, we do quality assurance on behalf of the Water Service Authority and also ensure that specifications on critical items within the project, are adhered to.

Challenges

The region faces the following challenges:

- Inadequate budgeting by the WSA compromises the quality of services in the region. Despite the economic situation that has a direct impact on the cost of operation, the Water Services Authorities cut down on the operational budget, resulting in failure by the Water Services Provider to meet minimum requirements.

- Cost-recovery remains a major challenge in the North West Region. The region is dominantly rural with socio-economic challenges. However, by installing a prepaid system, there can be an enormous improvement in cost-recovery. The challenge is lack of funds and the willingness of the Water Services Authorities to invest in the installation of prepaid meters. The other factor contributing to poor cost-recovery is the lack of enforcement of credit policies, as most municipal bylaws are not in place.
- The vastness of the region has a serious impact on the operational costs. Electrification of boreholes and installation of telemetry at the boreholes will reduce operational costs through automated operation and monitoring of boreholes.
- Water quality is a problem in some water treatment plants. Despite all operational efforts, the design limitations of some plants such as the Bogosing Plant, make it difficult to comply with minimum requirements for Class 1 and Class 2 drinking water quality. The WSA has secured funding to build a new Treatment Plant at Taung with the aim of decommissioning the Bogosing Water Treatment Plant, due to the incapacity of the plant to treat water to desirable quality and to augment the supply of water from Pudimoe.
- Groundwater quality in some areas is also a serious challenge; where boreholes are not fenced off from livestock, a risk of bacteriological contamination and high nitrate levels exists. Despite the effort of fencing the boreholes, some of the community members remove the fences and use them for securing their livestock. The problem could be addressed by municipal bylaws.
- Most boreholes are located in remote areas, resulting in vandalism and theft of equipment, which has a serious impact on the operational costs. The problem of theft and vandalism can also be alleviated by municipal bylaws.
- Short-term contracts with the Water Services Authorities make long-term operational planning by the Water Services Provider very difficult.

FREE STATE REGION

The primary function of the Free State Region is to supply bulk water services to some of the local authorities and mines in the Free State and North West provinces. The following operational targets have been achieved during the year under review:

Drinking Water Supply

Raw water is abstracted from two sources in the region, and supplemented by water from boreholes in the North West Province. The raw water from the two sources is treated at the Balkfontein and Virginia Water Treatment Plants.

Raw water from the Vaal River is treated at the Balkfontein Water Treatment Plant and raw water

from the Allemanskraal Dam is treated at the Virginia Water Treatment Plant. The raw water quota from the Allemanskraal Dam is dependent on the percentage volume of water in the dam. During this financial year the quota allocated to Sedibeng Water was 100% or 15 200 000 kilolitres (kℓ). Due to the good rains in the catchment area, the Sand-Vet Water Users Association (WUA) was able to supply more water than the quota allowed and Sedibeng Water abstracted another 7 365 616 kℓ.

There was an increase in water purchased due to an increase in demand as indicated in Table 1.

Table 1: Raw Water Purchases

Year	Volume (kℓ)	Increase in Demand (kℓ)	Increase (%)
2010/2011	64,613,372	3,362,118	5.49
2011/2012	65,814,408	1,201,036	1.86

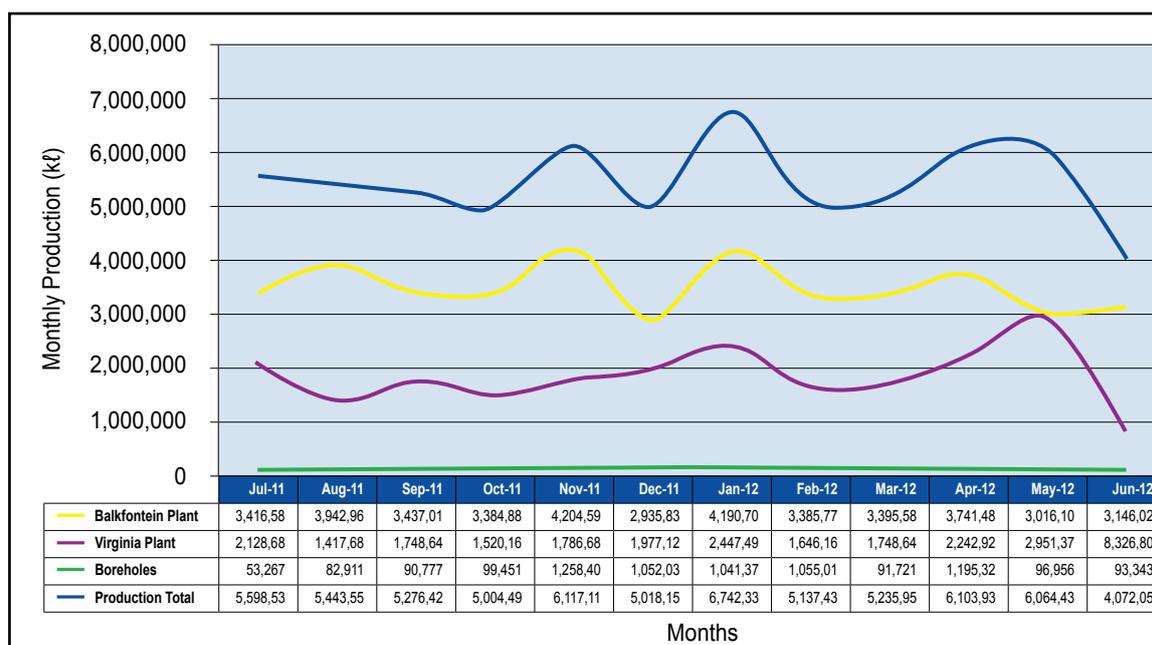
Table 2: Volume Produced (Sold)

Year	Volume (kℓ)	Increase in Demand (kℓ)	Increase (%)
2010/2011	60,241,124	2,827,376	4.92
2011/2012	61,753,248	1,512,124	2.51

Approximately 2.51% more water was sold during the year as compared to the previous year as reflected in Table 2. This increase in volumes sold can be attributed to an increase from both municipal and mining activities.

The graph below reflects monthly production trends for the financial year under review.

Graph 1: Free State Region Monthly Production Trends



Drinking Water Quality

Tables 3.1 and 3.2 summarise the water quality statistics for the year. In general, the quality of the final water at both Balkfontein and Virginia Water Treatment Plants complied with SANS 241:2011 for drinking water with regard to microbiological, physical and organoleptic as well as chemical safety. The raw water quality from the Sand Canal and the Vaal River deteriorated due to heavy rains resulting in high turbidity and algal blooms. Blue-green algal blooms were also experienced in the Vaal River during this year.

Table 3.1: Water Quality Results - Balkfontein (Final Water)

Determinand	Unit	Specification	Compliance Class 1
Physical and Organoleptic Requirements			
pH	pH	5.0-9.5	100%
Turbidity	NTU	< 1.0	98.8%
Microbiology Safety Requirements			
<i>E. coli</i>	Count /100mℓ		100%
Operational Water Quality Alert Levels			
Total Coliforms	Count /100mℓ	10	99.44%
Average Free Chlorine	mg/ℓ	1.8	

Table 3.2: Water Quality Results - Virginia (Final Water)

Determinand	Unit	Specification	Compliance Class 1
Physical and Organoleptic Requirements			
pH	pH	5.0-9.5	100%
Turbidity	NTU	< 1.0	99.1%
Microbiology Safety Requirements			
<i>E. coli</i>	Count /100mℓ		100%
Operational Water Quality Alert Levels			
Total Coliforms	Count /100mℓ	10	99.9%
Average Free Chlorine	mg/ℓ	1.6	

Table 3.3 reflects the Water Quality Compliance in the different distribution systems in the Free State Region as well as the Overall Compliance for the entire region. Drinking Water Quality (DWQ) failures occurred in the networks supplying water to the Nala and Maquassi Hills Local Municipalities. These failures were as a result of the presence of *E. coli* in samples from reservoirs in the distribution network. Communication was done as required in terms of Section 9 of the Water Services Act, 1997 (Act No. 108 of 1997). Additional points for chlorinating the water were provided at the Monyakeng tower and Leeudoringstad reservoir to ensure effective disinfection of the water prior to the municipal off-take point. Recurring bacteriological failure in the Maquassi Hills supply system since the previous financial year could have been contributed to by a leaking supply line which was discovered

and repaired during the last quarter of the financial year. Due to these failures, the bacteriological water quality performance in the case of drinking water supplied to the Nala Local Municipality was 95% and to the Maquassi Hills Local Municipality, 94%. The Scientific Services Department also initiated an investigation into the possible causes for these failures. Booster chlorine will be dosed at the Tsweleng Reservoir at Wolmaransstad early in the 2012/13 financial year to alleviate the problem with bacteriological growth in the system. New monitoring points were added and monitoring frequency was increased. As the deterioration of water quality in the network is less severe during winter, monitoring of the network will continue during the summer months until compliance is continuously obtained.

Table 3.3: Water Quality Results (Distribution Systems)

FS Reservoirs in Balkfontein/Virginia Supply Systems	Compliance	Levels (%)		
	SANS 241:2006 Physical, Organoleptic: Class I (95% min)	SANS 241:2006 Chemical Safety Class I (95% min)	SANS 241:2006 Operational Limits: Acceptable Level (95% min)	SANS 241:2006 Microbiological Safety: Column 5 (99% min)
Main Supply System	99.4	99.6	97.1	99.4
Matjhabeng Supply System	98.6	99.9	98	99.9
Nala Supply System	98	99.9	95.2	95
Maquassi Hills Supply System	96.1	99.2	95.1	94
Free State Region – Overall Compliance	98	99.1	96.7	99

Wastewater Effluent Quality: Balkfontein Wastewater Treatment Plant

Except for nitrates, ammonia and phosphate, the effluent discharged from the Balkfontein Wastewater Treatment Plant complied with the General Standard for wastewater in terms of the Department of Water Affairs General Authorisation. Only 31% of the samples analysed for nitrates and 90% of the samples analysed for ammonia were within the specified limits. The average phosphate concentration in the final effluent was 5.0 mg/l. *E. Coli* was detected in 17% of the samples analysed. The final effluent is not discharged into the Vaal River, but irrigated onto the golf course at the plant.

Infrastructure

The following infrastructure projects were implemented during the year under review:

Maintenance, Refurbishments and Projects

Planned maintenance was carried out on an on-going basis according to a planned maintenance schedule. These include daily, weekly, monthly, quarterly and annual inspections and services to equipment and vehicles. Planned maintenance also includes specific projects to maintain and refurbishment of plant and equipment. Expenditure for refurbishment is reflected in Table 4 below.

Table 4: Maintenance Expenditure

Year	Expenditure (R)	Increase in expenditure (R)	Increase (%)
2010/2011	11,455,453	-886,661	-7.18%
2011/2012	16,522,000	5,066,547	44.23%

Reservoirs throughout the region were cleaned according to a programme. The quality of the water released from the reservoirs, as determined by analysis, indicated which reservoirs had to be cleaned. During the cleaning process joints and seals were inspected and replaced as needed. Most of the resources and manpower were used to clean and seal the Old High Level reservoir at Koppie Alleen.

Some of the more significant maintenance and refurbishment activities are reflected in Table 5 below.

Virginia Sub-region: Distribution System

Various valves ranging from 450mm to 1200mm diameter were refurbished in an on-going process of replacing a valve with a refurbished one. The valves are refurbished and replaced in such a manner that no interruptions of the water supply occur, other than arranged shutdowns. The air valves on some pipelines were also replaced.

Virginia Plant Recycling Dams

Excessive amounts of settleable solids in the Sand Canal water resulted in the Virginia recycling dams filling to capacity. Filter back wash water was therefore pumped to the old recycling dams next to the Sand River. The construction of four new dams was budgeted for in the 2012/2013 financial year.

The following projects were undertaken:

Rerouting Balkfontein Sewerage

A pump station was constructed at the Balkfontein Sewer Treatment Plant to reroute the treated sewerage water for irrigation purposes.

Balkfontein Irrigation Scheme

An irrigation system was installed to irrigate the grounds and golf course with treated sewerage water.

Challenges

The following challenges are faced by the region:

A major challenge in this region is the rate at which the property of Sedibeng Water is being vandalised and stolen. Ways to curb this problem will have to be investigated and an extension to the existing efforts will have to be done. The thieves are more innovative and previous security methods are now bypassed to such an extent that any further breach could lead to interruption of water supply. Maintenance personnel have to waste time to repair vandalised installations instead of doing important maintenance work.

Infrastructure

The following infrastructure projects were implemented during the year under review:

New Erfdeel Pipeline

The construction of a new 500mm diameter steel pipe, 4400m long, was started during the year.

Upgrading Pipes inside Module 2

Pipes inside 48 settling tanks at Module 2 of the Balkfontein purification plant were replaced.

New Weir in Vaal River

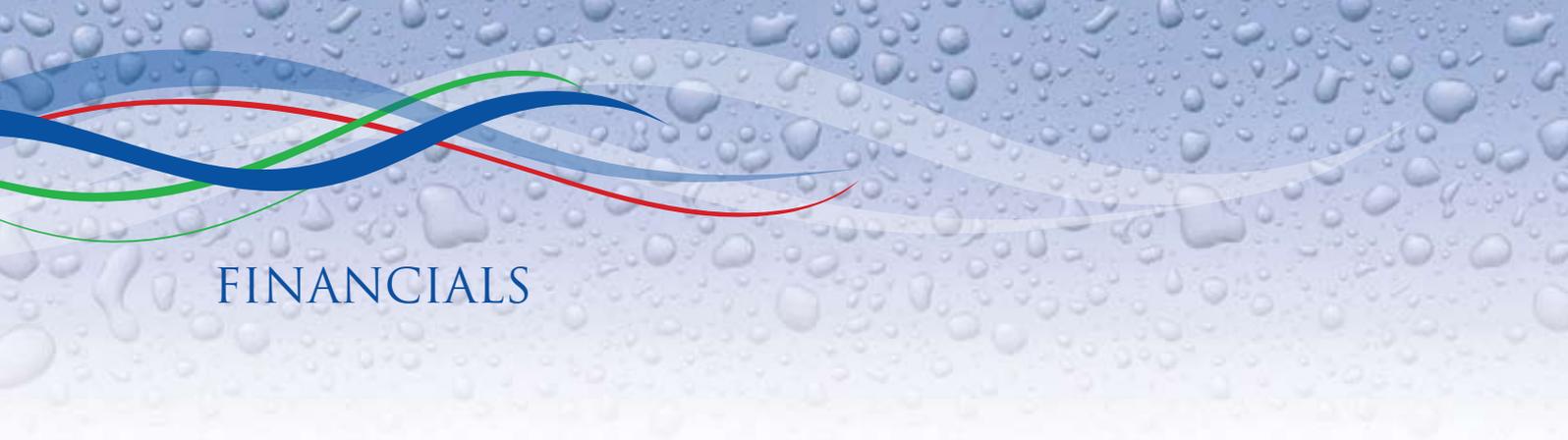
A new weir was constructed in the Vaal River by the Department of Water Affairs. The pipeline running through the existing weir was relaid to make use of the weir structure to cross the river.

Maintenance, Refurbishments and Projects

Planned maintenance was carried out on an on-going basis according to a planned maintenance schedule. These include daily, weekly, monthly, quarterly and annual inspections and services to equipment and vehicles. See table below.

Table 5

Planned Maintenance	Unplanned Maintenance
<ul style="list-style-type: none">• The chemical dosing SCADA was upgraded;• The Control Room SCADA was upgraded;• Existing fences and new electric fences were installed at Bothaville, Kgotsong, Leeudoringstad, Makwassie, Lebaleng, De Erf, Allanridge and Tsweleng pump stations and reservoirs;• Electrical installations in the Balkfontein area were tested and a certificate of compliance was issued to all tested installations;• The centralised air-conditioning system at Scientific Services was replaced with individual split units;• Soft Starters were installed at Allanridge Tower Pumps and Bothaville pumps;• Oil samples of all transformers in the Balkfontein area were taken and tested and certificates issued in that regard; and• New Intake Pump station PLC was installed and commissioned.	<ul style="list-style-type: none">• The Variable speed drives at the Brabant pump station were replaced;• Both air compressors supplying instrumentation air at the Virginia plant were replaced;• Various valves were replaced and repaired after being vandalised; and• Minor leaks were repaired when these occurred and in some cases sections of pipeline had to be replaced.



FINANCIALS

- › STATEMENT OF THE BOARD'S RESPONSIBILITY
- › AUDIT COMMITTEE'S REPORT
- › ENVIRONMENTAL PROTECTION AND MANAGEMENT
- › ANNUAL PERFORMANCE INFORMATION REPORT
- › INDEPENDENT AUDITOR'S REPORT
- › STATEMENT OF COMPREHENSIVE INCOME
- › STATEMENT OF FINANCIAL POSITION
- › STATEMENT OF CHANGES IN EQUITY
- › STATEMENT OF CASH FLOWS
- › SIGNIFICANT ACCOUNTING POLICIES
- › NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF THE BOARD'S RESPONSIBILITY

The Board Members are required by the Water Services Act of 1997 and Public Finance Management Act of 1997 (Act no 1 of 1999 as amended) to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Board 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 South African Statements of Generally Accepted Accounting Practice. External auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Board acknowledges that they are ultimately responsible for the system of internal financial control established by the Board and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored by the Board and all employees are required to maintain the highest ethical standards in ensuring the Board's business is conducted in a manner, that in all reasonable circumstances, is above reproach. The focus of risk management in the Board is on identifying, assessing, managing and monitoring all known forms of risk. While operating risk

cannot be fully eliminated, the Board endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by Management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Board's cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, they are satisfied that the Board has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Board's financial statements. The financial statements have been examined by the Board's external auditors and their report is presented on page 92.

The financial statements set out on pages 94 to 144, which have been prepared on the going concern basis, were approved by the Board on 27 November 2012 and were signed on its behalf by:



T.B. Phitsane
Chairperson



R.T. Takalani
Chief Executive



AUDIT COMMITTEE'S REPORT

The Audit Committee is pleased to present an annual report for the financial year ended 30 June 2012, as required by the Public Finance Management Act (PFMA), and Treasury Regulations. The Audit Committee report contains work performed by the Committee in line with provisions of the King III guidelines and the Audit Committee Charter, as adopted by the Board of Sedibeng Water.

Audit Committee Members

The Audit Committee is a sub-structure of the Board, and is composed of three Board Members. The Audit Committee, as a sub-structure, reports to the Board on a quarterly basis. The Committee held two scheduled meetings and one special meeting during the financial year in terms of the PFMA. The Audit Committee is composed of the following members:

Mr. Mokhesi (Chairperson)

Dr. J. van der Merwe

Dr. L. Moorosi

Responsibility of the Audit Committee

The Audit Committee takes overall responsibilities for the organisation's financial oversight and the effectiveness of the internal control system. The Committee performs its duties through reviewing the work of internal and independent auditors. The Audit Committee reports that it has complied with its responsibilities arising from section 38(1) (a) of the PFMA, as amended, and Treasury Regulation 3.1.13. Furthermore, the Audit Committee has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with its charter, has complied with its responsibilities arising from the Water Services Act, and has discharged all its responsibilities contained therein.

In the conduct of its duties, the Audit Committee has, inter alia, performed the following activities:

- Reviewed the reports of both internal and external auditors, detailing their concerns arising out of their audits, and requested appropriate responses from Management, which will result in their concerns being addressed.

- Reviewed and recommended operating and financial policies for adoption by the Board, and recommended an evaluation of committees and Board, and
- Reviewed and recommended for adoption by Sedibeng Water, such financial statements that are publicly disclosed, which, for the year, included interim results for the six months ended 31 December 2011 and the annual financial results for the year ended 30 June 2012.

Internal Control

The Audit Committee is of the opinion, based on the information and explanations given by Management and the internal audit and discussion with independent external auditors on the result of the audit, that the internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the financial statements, and accountability for assets and liabilities are maintained.

Nothing significant, other than reported in the internal and external reports, has come to attention of the Audit Committee to indicate that the material breakdown in the functioning of these controls, procedures and systems has occurred during the financial year under review.

Evaluation of Financial Statements

The Audit Committee has evaluated the annual financial statements of Sedibeng Water for the year ended 30 June 2012, and based on the information provided to the Audit Committee, considers that the financial statements comply, in all material respects, with the requirements of the Public Finance Management Act, as amended, and Generally Accepted Accounting Practice.



N. Mokhesi

Chairperson of the Audit Committee



ENVIRONMENTAL PROTECTION AND MANAGEMENT

NOSA CMB 253 integrated system elements 1.15, 1.24 and 5.39 require compliance in terms of pollution risk control, waste management and environmental monitoring. Also, the National Environment Management Act (Act 107 of 1998) defines waste as any matter, whether gaseous, liquid or solid or any combination of these states originating from any residential, commercial or industrial area or agricultural area.

In the Free State and North West Regions, internal audits were done in June and July 2006. The purpose of the audits was to classify waste generated in our operations as either hazardous or non-hazardous. Furthermore, waste was classified as either recyclable or non-recyclable. The exercise of classification of waste still has to be completed for the Northern Cape Region.

Waste Management

Waste that is generated from our operations can be categorised as:

- Non-hazardous general waste (e.g. paper, metal scraps, etc.); and
- Hazardous waste (chemical or biological).

Non-hazardous general waste is separated at source and it is placed in waste bins that are colour coded to identify the specific type. The non-recyclable general waste is collected internally using the organisation's transport for disposal at municipal landfills. In Vaal Gamagara (Northern Cape), the current dumpsite for general waste has been declared illegal during the NOSA audit because there is no landfill permit. The region will have to make use of municipal landfills until they are issued a landfill permit by the Dikgatlong Local Municipality.

Biological waste is collected and handled by the Compas Waste Company. Chemical waste is collected and disposed of at special landfills by Enviroserv. The Northern Cape Region still does not have a service provider for hazardous waste and Enviroserv has been requested to render the service. Enviroserv is currently testing waste samples for classification.

Authorisation/Licences

The Free State Regions, Balkfontein Operation has been issued a licence by the Department of Water and Environmental Affairs to dispose sludge on site. Other regions are encouraged to follow the same route by submitting their applications for authorisation in terms of section 21 (g) of the National Water Act 36, 1998.

Waste and Pollution Minimisation

Paper waste is being recycled in all regions. Old oil is collected for recycling. Old scrap metal is sold to employees for alternative use and the bulk scrap is sold to scrap dealers for recycling. Fuel spills, especially in the North West where diesel engines are used to run borehole pumps, have been identified as our major pollution problem. Our ultimate objective is to reduce our waste.

Energy and Resource Conservation

The organisation must develop an energy conservation strategy where alternative and environmental friendly sources of energy, such as solar energy, can be used where possible. The same applies to recycling of water and reduction of water losses in our operations.

ANNUAL PERFORMANCE INFORMATION REPORT

Strategic Objectives and Outcomes Against Actual Performance Results for July 2011 – June 2012

Strategic Objective	Performance Objectives	Outcomes / Impact	Indicators and / or Measure	Performance result		Comments
				Target (%)	Actual (%)	
1. Appropriate treatment of wastewater and supply of potable water	1.1 Security of supply and reliability of services	Improve plant reliability	Mean time to repair (hours)	24 hours	Free State = 0 Northern Cape: VGG = 0 Namakwa = 0 North West = 0	Target achieved. Target achieved. Target achieved.
	1.2 Treatment processes	Meet customer demand in terms of quality	Test Results, SANS or Blue Drop. Class 1: Chemistry	95%	Free State: Class 1 - Bacteriological = 99.7% - Chemical = 99.6% Northern Cape - VGG: Class 1 - Bacteriological = 98.7% - Chemical = 98.6% Namakwa: Class 1 - Bacteriological = 99.9% - Chemical = 99.9% North West: Class 1 - Bacteriological = 96.4% - Chemical = 88.8%	Target achieved. Target achieved. Target achieved. Chemical failures were as a result of turbidity due to Bogosing Plant inefficiencies. Nitrates were also not meeting specification on a number of borehole samples.
	1.3 Adequate infrastructure	Improve and build capacity on infrastructure	% compliance to capital plan	95%	129%	Target achieved.

ANNUAL PERFORMANCE INFORMATION REPORT

Strategic Objectives and Outcomes Against Actual Performance Results for July 2011 – June 2012 (continued)

Strategic Objective	Performance Objectives	Outcomes / Impact	Indicators and / or Measure	Performance result		Comments
				Target (%)	Actual (%)	
1. Appropriate treatment of wastewater and supply of potable water (continued)	1.4 Resource protection	Reduce water losses in the production and distribution system	% acceptable water losses	10%	<p>Free State: Total water losses = 5.68%</p> <p>Northern Cape – VGG: Total water losses = 21.53%</p> <p>Northern Cape - Namakwa: None</p>	<p>Target achieved.</p> <p>The meter at Beeshoek pump station is wrongly calibrated. It shows Sedibeng Water pumping more water than what is purchased from Kolomele Mine with over readings of 15.72%. All the meters were calibrated to correct the issue.</p> <p>Meter was installed at the Orange River pump station in June 2012.</p>
				65%	93%	Target achieved.
				75%	46%	Target not achieved due to municipalities that are failing to pay their current account when due as a result of high outstanding debts. The main contributor is Matjhabeng Local Municipality with a debt of R483.5 million (which is 74% of the outstanding debts) which is currently being paid as per court order.
100%	103%	Target achieved.				

ANNUAL PERFORMANCE INFORMATION REPORT

Strategic Objectives and Outcomes Against Actual Performance Results for July 2011 – June 2012 (continued)

Strategic Objective	Performance Objectives	Outcomes / Impact	Indicators and / or Measure	Performance result		Comments
				Target (%)	Actual (%)	
2. Ensure viability and sustainability (continued)	2.2 Budget management & cost management	To ensure adherence to budgetary limits through prudent cost management control excluding water purchases, maintenance and energy cost	Expenditure to be kept at least 5% below allocated budget on monthly basis	< 95%	82%	Target achieved at consolidated level.
		Realise budgeted annual revenue excluding miscellaneous income	Budgeted annual revenue excluding miscellaneous income	95%	97%	Target achieved.
		Increase spending on BBBEE	% spending on discretionary expenditure	65%	88%	Target achieved.
	2.3 Cash flow management	Realise positive cash flow	Positive budgeted cash flow, kept above	R86.8m	R146.9m	Target achieved.
	2.4 Internal controls	Internal Audit issues dealt with implement Control systems	Internal Audit reports and Control systems	95%	88%	Target not achieved due to some of financial audit documents which were in draft stage at year end.
2.5 Financial management	Unqualified audit report	Obtain an unqualified audit opinion	100%	Unqualified audit opinion	Target achieved.	

ANNUAL PERFORMANCE INFORMATION REPORT

Strategic Objectives and Outcomes Against Actual Performance Results for July 2011 – June 2012 (continued)

Strategic Objective	Performance Objectives	Outcomes / Impact	Indicators and / or Measure	Performance result		Comments
				Target (%)	Actual (%)	
3. To create an environment that is conducive to the growth and retention of skills	3.1 Equity	Improve the employment equity profile by focusing on gender, diversity, designated group and disability	Appropriate level of gender representation at management level	30%	10.00%	Target not achieved. The position of management structure comprised of 12 positions. In order to achieve gender representation on that level, it depends on natural attrition. A vacant position was advertised at Scientific Services and interviews are currently being arranged.
			Representation of designated group at middle management to be in excess of 50% (superintendent level)	= >50%	81.82%	Target achieved.
			Achieved representivity of people with disability	1%	1.62%	Target achieved.
	3.2 Human Capital	Effective training & development of staff	Spend training budget	100%	77%	Target not achieved. Budget for the training in the North West Region was not utilised as training budget is consolidated at Head Office.
			Retention of technical staff	Turnover of technical staff kept below 1.5%	1.5%	1.21%
	3.3 Provide safe & healthy working environment & ensuring environmental protection	Prevent and reduce the rate of disabling injuries	Statutory requirements met – DIFR	2	2.53	Target not achieved for all the regions, due to the disabling injury days which include weekends as required by NOSA CMB253 system.
3.4 Ensuring employee wellness	Implementation of HIV / AIDS and wellness programmes	% HIV / AIDS awareness coverage and campaigns	90%	200%	Target achieved.	

ANNUAL PERFORMANCE INFORMATION REPORT

Strategic Objectives and Outcomes Against Actual Performance Results for July 2011 – June 2012 (continued)

Strategic Objective	Performance Objectives	Outcomes / Impact	Indicators and / or Measure	Performance result		Comments
				Target (%)	Actual (%)	
4. Effective and efficient communication	4.1 Foster Corporate Social Responsibility	Ensure that SW plays a pivotal role in making a difference in the quality of life of the communities it serves	Implement corporate social responsibility as per budget	95%	107%	Target achieved.
	4.2 Water Value Chain Awareness through Public Engagement	Improvement of level of customer satisfaction through customer interaction	Monthly coordinating meeting with the WSAs, at least 18 times per year	80% of meetings per SLA	177%	Target achieved.
		Respond to breakdown reports from customers as per SLA.	Adherence to breakdown response time as per SLA.	4 Hours	Free State: None North West: None Northern Cape: None	Target achieved for all the regions.
	4.3 Encourage partnership initiatives.	Involvement and participation by the service level agreement.	% municipalities with agreements in place.	80%	83%	Target achieved.
	4.4 Institutionalised Internal participation.	Participate in all stakeholders' forums and functions.	Attendance of internal stakeholder's forums and functions at least 16 times per year.	75%	163%	Target achieved.
5. Ensuring compliance	5.1 Foster the integrated management and statutory reporting.	Ensure that Board meetings are held annually.	% of Board meetings per year.	100%	100%	Target achieved.



INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report to the Minister of Water and Environmental Affairs

We have audited the annual financial statements of Sedibeng Water, which comprise the statements of financial position as at 30 June 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 94 to 144.

Board's Responsibility for the Financial Statements

The Board of Sedibeng Water is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Water Services Act 108 of 1997 of South Africa and subsection 55(1) (b) of the Public Finance Management Act 1 of 1999 of South Africa as amended, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the

auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sedibeng Water as at 30 June 2012, and its financial performance and its cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Water Services Act 108 of 1997 of South Africa and subsection 55(1) (b) of the Public Finance Management Act 1 of 1999 of South Africa as amended.

Report on other Legal and Regulatory Requirements

In accordance with the PAA and the General Notice issued in terms thereof, we report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

I performed procedures to obtain evidence about the usefulness and reliability of the information in the report on predetermined objectives for 2011-2012 as set out on pages 94 to 144 of the annual report.

INDEPENDENT AUDITOR'S REPORT

The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

The reliability of the information in respect of the selected programmes is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

There were no material findings on the report on predetermined objectives for 2011-2012 concerning the usefulness and reliability of the information.

Compliance with Laws and Regulations

There were no findings concerning non-compliance with material matters in laws and regulations applicable to the Water Board.

Internal Control

We did not identify any deficiencies in internal control which we considered sufficiently significant for inclusion in this report.



PricewaterhouseCoopers Inc.

Director: K.J. Dikana

Registered Auditor

Welkom

27 November 2012

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 R'000	2011 R'000
Revenue	2	570,451	472,798
Cost of sales		170,240	140,079
Gross Profit		400,211	332,719
Government grant	3	-	1,758
Reimbursement Namakwa Refurbishment project	4	28,392	-
Other income	5	78,859	55,257
		507,462	389,734
Electricity		77,425	49,784
Purification costs		24,665	23,678
Administrative expenses	6	127,902	110,300
Other expenses	7	233,290	187,491
Profit from Operations	9	44,180	18,481
Finance income	10	19,782	38,899
Finance costs	10	3,864	31,842
Profit for the Year		60,098	25,538
Other Comprehensive Income			
Gain on the Revaluation of Property, Plant and Equipment	12	-	-
Other Comprehensive Income for the Year		-	-
Total Comprehensive Income for the Year		60,098	25,538

The notes on page 111 to 144 are an integral part of these Financial Statements

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	Notes	2012 R'000	2011 R'000
ASSETS			
Non-current Assets			
Property, plant and equipment	12	771,647	695,847
Intangible assets	13	2,346	2,412
Available-for-sale financial assets	14	26,690	43,353
Held-to-maturity financial assets	14	97,071	93,578
		<u>897,754</u>	<u>835,190</u>
Current Assets			
Inventories	15	7,589	10,154
Trade and other receivables	16	481,203	330,598
Cash and cash equivalents	17	146,939	104,100
Held-to-maturity financial assets	14	9,121	-
		<u>644,852</u>	<u>444,852</u>
Total Assets		<u>1,542,606</u>	<u>1,280,042</u>
EQUITY AND LIABILITIES			
Funds and Reserves			
Sinking fund		115,692	103,078
Insurance fund		20,983	19,261
Capital fund		26,579	26,579
Other funds		79,975	13,182
Non-distributable reserve		400,223	424,353
Accumulated surplus		384,929	314,315
		<u>1,028,381</u>	<u>900,768</u>
Non-current Liabilities			
Interest-bearing borrowings	18	37,880	43,060
Post employment liability	21	57,789	51,642
		<u>95,669</u>	<u>94,702</u>
Current Liabilities			
Trade and other payables	19	412,633	277,505
Current portion of interest-bearing borrowings	18	5,923	7,067
		<u>418,556</u>	<u>284,572</u>
Total Equity and Liabilities		<u>1,542,606</u>	<u>1,280,042</u>

The notes on page 111 to 144 are an integral part of these Financial Statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

	Sinking Fund	Insurance Fund	Capital Fund	Other Funds	Non-distributable reserve	Accumulated Surplus	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Balance at 1 July 2010	240,624	17,951	26,579	13,182	448,599	127,985	874,920
Comprehensive Income							
Profit for the year	-	-	-	-	-	25,538	25,538
Other Comprehensive Income							
Gain on the revaluation of property, plant and equipment	-	-	-	-	-	-	-
Total Comprehensive Income	240,624	17,951	26,579	13,182	448,599	153,523	900,458
Transfer to Sinking Fund (interest on held-to-maturity investments)	34,704	-	-	-	-	(34,704)	-
Transfer to Insurance Fund	-	1,000	-	-	-	(1,000)	-
Interest received on Insurance Fund	-	310	-	-	-	-	310
Funds utilised during the year (Held-to-maturity investments)	(172,250)	-	-	-	-	172,250	-
Transfer from Non-distributable Reserve (depreciation on revalued assets)	-	-	-	-	(24,246)	24,246	-
Balance at 1 July 2011	103,078	19,261	26,579	13,182	424,353	314,315	900,768
Comprehensive Income							
Profit for the year	-	-	-	-	-	60,098	60,098
Total Comprehensive Income	103,078	19,261	26,579	13,182	424,353	374,413	960,866
Transfer to Sinking Fund (interest on held-to-maturity investments)	12,614	-	-	-	-	(12,614)	-
Funds utilised during the year (held-to-maturity investments)	-	-	-	-	-	-	-
Transfer to Insurance Fund	-	1,000	-	-	-	(1,000)	-
Transfers from DWA - Namakwa	-	-	-	68,025	-	-	68,025
Sundry receivables transferred - written off	-	-	-	(467)	-	-	(467)
Inventories transferred - written off	-	-	-	(765)	-	-	(765)
Interest received on Insurance Fund	-	722	-	-	-	-	722
Transfer from Non-distributable Reserve (depreciation on revalued assets)	-	-	-	-	(24,130)	24,130	-
Balance at 30 June 2012	115,692	20,983	26,579	79,975	400,223	384,929	1,028,381

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 R'000	2011 R'000
Operating Activities			
Cash generated from operations	22.1	324,789	205,121
Changes in working capital	22.2	(231,950)	(155,048)
Cash generated from operations after working capital changes		92,839	50,073
Interest received	9	19,782	38,899
Interest paid	9	(3,864)	(31,842)
Net Cash from Operating Activities		108,757	57,130
Investing Activities			
Acquisition of property, plant and equipment	11	(64,269)	(15,475)
Acquisition of Intangible assets	12	(96)	(1,566)
Acquisition of investments	13	(15,884)	(39,518)
Disposal of investments	13	20,655	210,995
Net Cash Used in Investing Activities		(59,594)	154,436
Financing Activities			
Repayment of interest bearing borrowings	17	(6,324)	(177,054)
Net Cash Used in Financing Activities		(6,324)	(177,054)
Net Increase / (Decrease) in Cash and Cash Equivalents		42,839	34,512
Cash and Cash Equivalents at Beginning of Year		104,100	69,588
Cash and Cash Equivalents at End of Year	16	146,939	104,100

The notes on page 111 to 144 are an integral part of these Financial Statements



SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

1 PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The primary objective of the Water Board is the uninterrupted supply and treatment of potable water and wastewater. The Water Board is made up of the following regions:

Free State Region

This is the largest region of the Water Board and supplies potable water to Water Services Authorities. As a secondary objective, the region is also rendering professional consultancy services to its customers and other municipalities within the province from its SANS accredited laboratory.

North West Region

The objective of the region is to render water services to Water Services Authorities. The services include purification and supply of potable water as well as treatment of wastewater.

The organisation is managing the water assets on behalf of the Water Services Authorities and collects service delivery income from the Water Services Authorities.

Northern Cape Region

The region was transferred from the Department of Water and Environmental Affairs on 01 July 2007 and its main objective is the supply of potable water to Water Services Authorities.

The annual financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (SA GAAP) and the Public Finance Management Act, (PFMA) Act 1 of 1999 as amended.

The following are the principle accounting policies applied in the preparation of these financial statements which are, in all material respects, consistent with those applied in the previous year, except as otherwise indicated:

1.1 Basis of Preparation

The annual financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain items of property, plant and equipment and available for sale financial assets.

1.2 Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Board's activities.

Revenue is shown exclusive of value added tax, rebates and discounts.

The Board recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Board's activities as described below.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

Revenue comprises the following:

Water Sales and Fixed Contribution

Revenue from the sale of water is recognised in the profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

Water Sales and Fixed Contribution comprises primarily the net invoiced value of water sales, exclusive of value added tax, at both variable and fixed tariffs as approved by the Department of Water and Environmental Affairs.

Equitable Shares and Service Delivery Claims

This income is derived directly from sale of water to customers and is received from Water Services Authorities in the North West Region for services rendered in terms of Section 30 of the Water Services Act, 1997. The Water Board acts as a water services provider and receives this income for services rendered.

The income comprises the net invoiced value of these services, exclusive of value added tax, at budgeted amounts as approved by the Water Services Authorities.

Sewage Income

This income is derived from sewage treatment services provided to the Water Services Authorities in the North West Region in terms of section 30 of the Water Services Act, 1997.

The income is recognised at the net invoiced value, exclusive of value added tax and at budgeted amounts as approved by the Water Services Authorities.

Other income earned by the entity is recognised net of discounts and value added tax on the following basis:

Interest Income

Interest income comprises interest received or receivable on trade receivables.

Interest income earned on cash and cash equivalent balances and investments is shown separately on the face of the statement of financial position as "finance income".

Interest is recognised using the effective interest rate method over the period to maturity.

Refurbishment Income

Refurbishment income is recognised when the right to receive payment is established.

Connection Fees and Lab Analysis Income

Connection fees and lab analysis fees are recognised when services have been rendered and accepted by the customer.

SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

Telephone & Electricity Income

Telephone and Electricity income consist of sales of services to employees and sectional titles.

Income from these services is recognised on an accrual basis based on the period during which the services were rendered.

Rental Income

Rental income is derived from rental of houses owned by the Board to its employees and other tenants.

This income is recognised on an accrual basis based on agreed upon rates.

Sale of Scrap

Income from sale of scrap is recognised when the goods have been delivered and accepted by the purchaser.

Commission Insurance

Commission is recognised on accrual basis based on the period when services were rendered.

1.3 Cost of Sales

The cost of raw water purchases and contribution to the water research fund are considered to be cost of sales.

1.4 Irregular and Fruitless and Wasteful Expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including:

- The PFMA, or
- Any other legislation providing for procurement procedures.

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All irregular and fruitless and wasteful expenditure are charged against income in the period in which they are incurred.

1.5 Insurance Fund

Any surplus funds, which are not immediately required for a specific purpose may, at the discretion of the Board, be transferred to an Insurance fund.

This makes it possible for the Board to reduce its insurance portfolio in order to ensure that, in the long run, all their insurance needs are provided for by the fund.

1.6 Sinking Fund

The interest-bearing borrowings are redeemed on maturity by means of the Sinking Fund.

Contributions made to the reserve comprise the interest of held-to-maturity investments.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

1.7 Capital Fund

The fund is available to use for future capital expenditure projects.

1.8 Other Funds

The funds were transferred from the Department of Water Affairs and Forestry.

1.9 Non-distributable Reserve

The reserve originated from the revaluation of certain items of property, plant and equipment in the Free State and Northern Cape Regions.

1.10 Retirement Benefit Costs

The Board operates both defined contribution (Pension and Provident Fund) and defined benefit plans (Post retirement healthcare benefits), the assets of which are generally held in separate trustee administered funds. The plans are generally funded by payments from the Board and employees, taking account of the recommendations of independent qualified actuaries. The entitlement to the post retirement healthcare benefits is usually based on the employee remaining in service up to retirement age.

A defined contribution plan is a plan under which the Board pays fixed contributions into a separate entity. The Board has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a plan that is not a defined contribution plan. Typically defined benefit plans define an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognised past-service costs.

The defined benefit obligation, the related current service cost, and where applicable, the past service cost is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of medium-term government bonds that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses are recognised in the statement of comprehensive income in the year in which they arise. Past-service costs are recognised immediately in income, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Payments to defined contribution retirement benefit plans are charged to the statement of comprehensive income in the year to which they relate.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

1.11 Property, Plant and Equipment

As noted below, certain items of property, plant and equipment are shown at fair value, based on periodic valuations by independent external valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All other property, plant and equipment are included at historical cost less historical accumulated depreciation. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use including costs of direct labour and materials.

Depreciation is charged so as to write off the cost or revalued amounts of assets, other than land, to their residual value over their estimated useful lives, using the straight-line method, on the following basis:

	Depreciable portion	Estimated useful life
Plant and equipment	100.00%	3-80 years
Computer equipment	100.00%	3 years
Electricity distribution	100.00%	25 to 50 years
Engineering equipment	100.00%	5 years
Equipment	100.00%	11 years
Office equipment	100.00%	6 years
Office furniture	100.00%	6 years
Gymnasium equipment	100.00%	10 years
Technical equipment	100.00%	5 years
Buildings	100.00%	80 years
Pipelines and reservoirs	100.00%	63 to 70 years
Precipitation and dosing	100.00%	150 years
Capital work in progress	No depreciation	No depreciation
Vehicles	100.00%	4 years

The following categories of property, plant and equipment were revalued on 30 June 2007 for the Free State Region and on 30 June 2010 for the Northern Cape Region:

- Buildings
- Pipelines and reservoirs
- Water distribution
- Technical equipment
- Engineering equipment
- Laboratory equipment
- Technical equipment electrical
- Precipitation and dosing

SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Board and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to non-distributable reserve in equity. Decreases that offset previous increases of the same asset are charged against the non-distributable reserve directly in equity; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost is transferred from the non-distributable reserve to accumulated surplus. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount.

When revalued assets are sold, the amounts included in the non-distributable reserve are transferred to accumulated surplus.

1.12 Intangible Assets

Recognition

Intangible assets are recognised on the Board's statement of financial position when purchased or self-created if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Board and the cost of the asset can be measured reliably.

Measurement

Intangible assets are measured at cost, less accumulated amortisation and impairment losses.

Intangible assets with an indefinite useful life are measured at cost, less impairment losses.

Subsequent Expenditure

Subsequent expenditure on intangible assets are recognised as an expense when incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria.

Amortisation

Amortisation is charged to the statement of comprehensive income, over the estimated useful lives of intangible assets using the straight-line method unless such lives are indefinite.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

Intangible assets with indefinite useful lives are tested for impairment at each financial position date.

The estimated useful lives are as follows:

	Amortisation portion	Estimated useful life
Computer software	100.00%	3 years
Servitudes	No depreciation	No depreciation

Servitudes consist of land expropriated, containing infrastructure owned by the Board and used in the production of income.

Computer software includes internally generated software and those that were purchased.

1.13 Impairment of Non-financial Assets

At each financial position date, the Board reviews the carrying amounts of its tangible and finite life intangible assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Intangible assets with an indefinite useful life are tested for impairment annually.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are immediately recognised as an expense, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under the standard.

The recoverable amount is the higher of the asset's fair value less cost to sell and value in use.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

1.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less any costs of completion and selling expenses.

Obsolete and slow moving stock are identified and written off from time to time.

1.15 Financial Assets

The Board classifies its financial assets in the following categories:

- Loans and receivables;
- Available for sale; and
- Held-to-maturity financial assets.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after statement of financial position date. These are classified as non-current assets.

The Board's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

(b) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless Management intends to dispose of the investment within 12 months of the statement of financial position date.

(c) Held-to-maturity Financial Assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Board's management has the positive intention and ability to hold to maturity. If the Board were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the financial position date, which are classified as current assets.

Recognition and Measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Board commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Board has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Interest on available-for-sale securities and held-to-maturity financial assets calculated using the effective interest method is recognised in the statement of comprehensive income as part of finance income.

Impairment of Financial Assets

(a) Assets Classified as Available-for-sale Financial Assets

When assets classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income.

The Board assesses at each financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any evidence exists for available-for-sale financial assets, the cumulative loss- measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss- is removed from equity and recognised in the statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can objectively be related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of comprehensive income.

(b) Assets Carried at Amortised Cost

The Board assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Board uses to determine that there is objective evidence of an impairment loss include:

- a) significant financial difficulty of the issuer or obligor;
- b) a breach of contract, such as a default or delinquency in interest or principal payments;
- c) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- d) the disappearance of an active market for that financial asset because of financial difficulties; or
- e) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio; and
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

The Board first assesses whether objective evidence of impairment exists.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

Impairment testing of trade receivables is described in note 1.16 below.

1.16 Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Board will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivables are impaired.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within 'other expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other expenses' in the statement of comprehensive income.

1.17 Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

1.18 Trade and Other Payables

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

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service as a result of services rendered by employees up to the statement of financial position date.

1.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Board has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

1.20 Provisions

Provisions are recognised when, the Board has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1.21 Government Grants

Government grants consist of an operational subsidy for the Vaal Gamagara Water Scheme (Northern Cape Region) as well as training income from SETA.

Government Grants earned by the Board is recognised net of value added tax on the following basis:

- (a) The operational grant is recognised on an accrual basis based on the agreement with the funding Government Department.
- (b) Training income is recognised on an accrual basis taking into account the period when the training expense was incurred.
- (c) Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

1.22 Other Employee Benefits

(a) Termination Benefits

Termination benefits are payable when employment is terminated by the Board before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Board recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(b) Performance/Incentive Payments, Bonus Plans and Leave Liabilities

The Board recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation. The Board recognises a liability and an expense for 13th cheque bonuses and accrued leave balances. Annual incentive bonus payments are also made based on a percentage of total salary for each employee.

SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

1.23 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

1.24 Critical Accounting Estimates and Assumptions

The Board makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Accrual for Raw Water Purchases

At the end of each reporting period an accrual for raw water purchases is made based on actual water abstracted multiplied by the applicable water tariff.

This accrual will decrease as invoices are received from the third parties and payments are made.

(b) Depreciation / Useful Lives of Property, Plant and Equipment

Depreciation is calculated for each significant component of property, plant and equipment over the estimated useful lives as determined by Management.

(c) Post Employment Health-care Benefits

The present value of the obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for health care benefits include the discount rate. Any changes in these assumptions will impact the carrying amount of the obligations.

The Board determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the health care obligations. In determining the appropriate discount rate, the Board considers the interest rates of medium term government bonds that have terms to maturity approximating the terms of the related health care obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in the notes to the financial statements.

If the discount rate used differs from management's estimates, the carrying amount of health care obligations would also differ.

Actuarial gains and losses are recognised through profit and loss in the period in which they were earned/ incurred.

SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

(d) Impairment of Trade and Other Receivables

The Board follows the guidance of IAS 39 to determine when trade and other receivables are impaired. This determination requires significant judgement. In making this judgement, the Board evaluates, among other factors, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency payments (more than 90 days overdue), as well as repayment arrangements in place.

1.25 Comparative Figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

1.26 Standards, Interpretations and Amendments to Published Standards

The following published standards are mandatory for the Board's accounting period beginning on or after 1 July 2010 and have been implemented (where applicable) in accordance with the transitional provisions of these standards:

Standards and Interpretations Effective and Adopted in the Current Year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and relevant to its operations:

Standard/Interpretation:	Effective date: Years beginning on or after	Expected Impact
IFRS 9 Financial Instruments	01 January 2013	Not material
IAS 24 Related Party Disclosures (Revised)	01 January 2011	Not material
2010 Annual Improvements Project: Amendments to IFRS 7 Financial Instruments: Disclosures	01 January 2011	Not material
2010 Annual Improvements Project: Amendments to IAS 1 Presentation of Financial Statements	01 January 2011	Not material
Improvements to IFRIC 14 – IFRS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction	01 January 2011	Not material
IAS 32 Financial Instruments: Presentation Amendment: Classification of Rights Issues	01 February 2010	Not material
IAS 1 Presentation of Financial Statements	01 July 2012	Not material
Improvements to IFRIC 14 – IFRS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction	01 January 2011	Not material
2010 Annual Improvements Project: Amendments to IAS 1 Presentation of Financial Statements	01 January 2011	Not material
2010 Annual Improvements Project: Amendments to IAS 1 Presentation of Financial Statements	01 January 2011	Not material

Standards and Interpretations Not Yet Effective

Standard/Interpretation:	Effective date: Years beginning on or after	Expected Impact
IFRS 9 Financial Instruments	01 January 2013	Not material
IFRS 10 Consolidated Financial Statements	01 January 2013	Not material
IAS 27 Separate Financial Statements	01 January 2013	Not material
IFRS 13 Fair Value Measurement	01 January 2013	Not material
IAS 19 Employee Benefits Revised	01 January 2013	Not material
IFRS 10 Consolidated Financial Statements	01 January 2013	Not material
IAS 27 Separate Financial Statements	01 January 2013	Not material
IAS 19 Employee Benefits Revised	01 January 2013	Not material
IFRS 12 Disclosure of Interests in Other Entities	01 January 2013	Not material
IFRS 13 Fair Value Measurement	01 January 2013	Not material

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

	2012 R'000	2011 R'000
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2 REVENUE

An analysis of the Board's revenue is as follows:

- Water sales	317,036	259,350
- Fixed contribution	183,915	160,971
- Equitable share and Service Delivery Claim	64,721	47,643
- Sewage income	4,779	4,834

Total Revenue	570,451	472,798
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Extended Payment Term Adjustment

Water Sales

Water Sales before change in presentation	507,932	426,547
Extended payment term adjustment	(6,981)	(6,226)
Water Sales after change in presentation	500,951	420,321

Equitable Share and Service Delivery Claim

Equitable Share and Service Delivery Claim before change in presentation	68,060	50,304
Extended payment term adjustment	(3,339)	(2,661)
Equitable Share and Service Delivery Claim after change in presentation	64,721	47,643

Sewage Income

Sewage Income before change in presentation	5,488	5,488
Extended payment term adjustment	(709)	(654)
Sewage Income after change in presentation	4,779	4,834

3 GOVERNMENT GRANT

Training Income	-	1,758
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The training income relates to allowance received from SETA in the prior period. No further allowance was received in the current financial year.

-	1,758
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

	2012 R'000	2011 R'000
4 REIMBURSEMENT NAMAKWA REFURSBISHMENT PROJECT		
Provincial Departments - Department of Water and Environmental Affairs	28,392	-
<p>The monies reimbursed by the Department relate to the refurbishment project of the pipeline network in the region. Refer to property, plant and equipment, note 12, for work in progress to date.</p>		
5 OTHER INCOME		
Commission insurance	45	43
Telephone income	268	327
Connection fees	2,107	2,269
House rentals	481	395
Lab analysis income	1,091	592
Electricity income	286	272
Refurbishment income	8,769	11,136
Project income	4,744	2,530
Sale of scrap	4	67
Other income	2,844	1,075
Interest income on accounts receivable balances	47,191	27,010
Extended payment terms- deemed interest received	11,029	9,541
	78,859	55,257

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

	2012 R'000	2011 R'000
6 ADMINISTRATIVE EXPENSES		
General and Administrative expenses	33,811	32,644
Consultants	2,199	4,830
Legal costs	3	323
Maintenance, Repairs and Running Costs	36,720	27,488
Property and buildings	1,883	1,529
Machinery and Equipment	3,564	4,058
Operations	31,273	21,901
Travel and subsistence	8,251	6,230
Depreciation	46,756	38,415
Amortisation	162	370
	127,902	110,300
7 OTHER EXPENSES		
Compensation of employees (see note 8)	146,031	125,466
Gifts, donations and sponsorships	687	680
Impairment loss on trade and other receivables	87,358	61,974
(Reversal of)/provision for obsolete and/or slow moving inventory	(1,019)	(763)
<p>The reversal of provision for obsolete inventory relates to certain inventory items that are held for long periods of time until the equipment in which it is used, breaks down. Although these items are slow moving, it is not obsolete and therefore not provided for.</p>		
Other interest paid	172	83
Finance charges: insurance	24	51
Loss on disposal of assets	37	-
	233,290	187,491

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

	2012 R'000	2011 R'000
8 COMPENSATION OF EMPLOYEES		
Salaries and wages		
Salaries - Total employment cost	135,250	107,669
Performance awards	3,976	4,933
UIF	658	538
Changes in post employment liability	6,147	12,326
	146,031	125,466
The contributions paid during the year under review, included in the Compensation of employees are as follows:		
Provident Fund	5,930	4,999
Pension Fund	11,896	10,091
	17,826	15,090

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

	2012 R'000	2011 R'000
9 PROFIT FROM OPERATIONS		
Profit from operations has been arrived at after taking into account the following:		
Auditors' Remuneration		
Audit fees	1,038	950
Fees Relating to Non-employees		
Consultant fees	2,199	4,830
Compensation of Employees (see note 8) (Including Director's Emoluments)	146,031	125,466
Depreciation		
Land, Buildings and Improvements	4,964	2,903
Plant, Machinery and Equipment	9,731	6,810
Vehicles	2,984	1,763
Pipelines and Reservoirs	28,397	25,529
Precipitation and Dosing	680	1,411
	46,756	38,416
Amortisation	162	370
Research and Development Costs Expensed	28	24
Amount of Inventory Recognised as an Expense	32,196	36,643
Expenses by Nature		
Bad debts provision	87,358	61,974
Changes in inventories of finished goods and work in progress	(2,565)	2,225
Raw materials, consumables used, water purchases, electricity and purification costs	274,895	211,316
Employee benefit expense (note 8)	146,031	125,466
Depreciation, amortisation and impairment charges (notes 12 and 13)	46,918	38,786
Transportation expenses	8,251	6,230
Repair and Maintenance	36,720	27,488
Consultants	2,199	4,830
Legal expenses	3	323
Other expenses	33,712	32,694
	633,522	511,332

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

	2012 R'000	2011 R'000
10 FINANCE INCOME AND COSTS		
Finance Income		
Interest income on short-term bank deposits	5,862	850
Interest income on held-to-maturity financial assets	12,614	34,706
Interest income on available for sale investments	1,306	3,343
	<u>19,782</u>	<u>38,899</u>
Finance Costs		
Interest-bearing borrowings	3,864	31,842
	<u>3,864</u>	<u>31,842</u>

11 TAXATION

In terms of section 10 (1)(b) read with section 1(b) of the Income Tax Act 58 of 1962, Sedibeng Water is exempt from income tax.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

12 PROPERTY, PLANT AND EQUIPMENT

	Land, Buildings and Improvements R'000	Plant, Machinery and Equipment R'000	Vehicles R'000	Pipelines and Reservoirs R'000	Precipitation and Dosing R'000	Capital Work in Progress R'000	Total R'000
Year Ended 30/6/2011							
Opening net carrying amount	67,604	40,704	4,016	533,834	53,959	18,671	718,788
Gross carrying amount	68,925	71,058	15,847	572,383	57,817	18,671	804,701
Accumulated depreciation	(1,321)	(30,354)	(11,831)	(38,549)	(3,858)	-	(85,913)
Additions	3,176	1,833	1,928	19,632	-	15,789	42,358
Revaluation	-	-	-	-	-	-	-
Disposals / Transfers	-	(8)	-	-	-	(26,875)	(26,883)
Gross carrying amount	-	(126)	(635)	-	-	(26,875)	(27,636)
Accumulated depreciation	-	118	635	-	-	-	753
Depreciation charge	(2,903)	(6,810)	(1,763)	(25,529)	(1,411)	-	(38,416)
Closing Net Carrying Amount	67,877	35,719	4,181	527,937	52,548	7,585	695,847
Gross carrying amount	72,101	72,765	17,140	592,015	57,817	7,585	819,423
Accumulated depreciation	(4,224)	(37,046)	(12,959)	(64,078)	(5,269)	-	(123,576)
Total	67,877	35,719	4,181	527,937	52,548	7,585	695,847
Year Ended 30/6/2012							
Opening net carrying amount	67,877	35,719	4,181	527,937	52,548	7,585	695,847
Gross carrying amount	72,101	72,765	17,140	592,015	57,817	7,585	819,423
Accumulated depreciation	(4,224)	(37,046)	(12,959)	(64,078)	(5,269)	-	(123,576)
Additions	1,136	12,753	3,827	3,456	-	53,647	74,819
Revaluation	-	-	-	-	-	-	-
Disposals	-	(37)	-	-	-	(10,513)	(10,550)
Gross carrying amount	-	(2,346)	-	-	-	(10,513)	(12,859)
Accumulated depreciation	-	2,309	-	-	-	-	2,309
Transfers from DWA (Namakwa)	25,827	6,202	953	25,305	-	-	58,287
Gross carrying amount	36,101	18,306	1,863	53,519	-	-	109,789
Accumulated depreciation	(10,274)	(12,104)	(910)	(28,214)	-	-	-51,502
Depreciation charge	(4,964)	(9,731)	(2,984)	(28,397)	(680)	-	(46,756)
Closing Net Carrying Amount	89,876	44,906	5,977	528,301	51,868	50,719	771,647
Gross carrying amount	109,338	101,478	22,830	648,990	57,817	50,719	991,172
Accumulated depreciation	(19,462)	(56,572)	(16,853)	(120,689)	(5,949)	-	(219,525)
Total	89,876	44,906	5,977	528,301	51,868	50,719	771,647

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The following categories of Property, Plant and Equipment relating to the Pipeline network were revalued as at 30 June 2007 (Free State Region) and as at 30 June 2010 (Northern Cape Region) by an Independent Valuator, Kwezi V3 Engineers:

Plant, Machinery and Equipment (Technical Equipment, Engineering Equipment, Laboratory Equipment, Technical Equipment Electrical, Electricity Distribution)
 Pipelines and Reservoirs
 Precipitation and Dosing

Kwezi V3 Engineers also revalued the land and buildings (excluding houses) as at 30 June 2007 for the Free State Region. Buildings relating to houses was revalued as at 28 February 2007 by an independent Valuator, Faranani Risks Solutions Insurance.

Kwezi V3 Engineers also revalued the land and buildings as at 30 June 2010 for the Northern Cape Region.

The following methods and significant assumptions were applied in estimating the items' fair values: Generally the fair value will be a portion of the cost (original creation), depending on what portion of the useful life has passed. If for some reason, due to external circumstances the value (or expected remaining life) has changed, the valuator determined, on the day of evaluation, what price would be negotiated between a willing seller (the Board) and a willing buyer.

The fair value of land and buildings is usually determined from market based evidence by appraisal that is normally undertaken by professional qualified valuers. On some sites there may not be a market for buildings associated with, for instance dams. If there is no market-based evidence of fair value because of the specialised nature of an asset and the item is rarely sold, the fair value is estimated using an income or depreciated replacement cost approach. Land is not depreciated and its fair value was taken as cost escalated at an average of 6% per annum.

Due to the nature of the civil structures and the fact that most pipe lines are underground, the residual value of all facilities and components were taken as R0,00.

In determining the useful lives, the valuator made use of the information/guidelines as provided in the New Zealand Infrastructure Asset Valuation and Depreciation Guidelines. Although these guidelines were followed, the useful lives are also influenced by the following which was also taken into account: Design standards, construction quality, material quality and operational stresses.

The carrying amount that would have been recognised had the assets been carried under the cost model, is as follows:

	2012 R'000	2011 R'000
Land and Buildings	26,474,428	26,509,459
Plant, Machinery and Equipment (Technical Equipment, Engineering Equipment, Laboratory Equipment, Technical Equipment Electrical, Electricity Distribution)	1,569,514	1,725,255
Pipelines and Reservoirs	163,789,860	172,567,402
Precipitation and Dosing	25,120,147	25,786,424

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

13 INTANGIBLE ASSETS

	Computer Software R'000	Servitudes R'000	Total R'000
Year Ended 30/6/2011			
Opening Net Carrying Amount	128	1,088	1,216
Cost	3,171	1,088	4,259
Accumulated amortisation and impairment	(3,043)	-	(3,043)
Additions	1,566	-	1,566
Amortisation charge	(370)	-	(370)
Closing Net Carrying Amount	1,324	1,088	2,412
Cost	4,737	1,088	5,825
Accumulated amortisation and impairment	(3,413)	-	(3,413)
Total	1,324	1,088	2,412
Year Ended 30/6/2012			
Opening Net Carrying Amount	1,324	1,088	2,412
Cost	4,737	1,088	5,825
Accumulated amortisation and impairment	(3,413)	-	(3,413)
Additions	96	-	96
Amortisation charge	(162)	-	(162)
Closing Net Carrying Amount	1,258	1,088	2,346
Cost	4,833	1,088	5,921
Accumulated amortisation and impairment	(3,575)	-	(3,575)
Total	1,258	1,088	2,346

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

14 INVESTMENTS

	Other Investments R'000	Sinking Fund R'000	Insurance Fund R'000	Personnel Investment R'000	Total R'000
Year Ended 30/6/2011					
Net book value 1 July 2010	58,679	231,122	17,951	346	308,098
Disposals/Transfers	-	(172,250)	-	(585)	(172,835)
Reclassification to cash and cash equivalents	(38,160)	-	-	-	(38,160)
Additions	3,352	34,706	1,144	626	39,828
(Impairment loss)/Reversal of impairment loss	-	-	-	-	-
Net Carrying Amount 30 June 2011	23,871	93,578	19,095	387	136,931
Less: Non-current Portion	(23,871)	(93,578)	(19,095)	(387)	(136,931)
Current Portion	-	-	-	-	-
Year Ended 30/6/2012					
Net book value 1 July 2011	23,871	93,578	19,095	387	136,931
Disposals/Transfers	-	-	-	(655)	(655)
Reclassification to cash and cash equivalents	-	-	(20,000)	-	(20,000)
Additions	1,306	12,614	1,888	798	16,606
(Impairment loss)/Reversal of impairment loss	-	-	-	-	-
Net Carrying Amount 30 June 2012	25,177	106,192	983	530	132,882
Less: Non-current Portion	(25,177)	(97,071)	(983)	(530)	(123,761)
Current Portion	-	9,121	-	-	9,121

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

14 INVESTMENTS (CONTINUED)

		2012	2011
		R'000	R'000
The nature of investments is as follows:			
Name of Institution	Type of Investments		
Held-to-maturity			
Sanlam	Zero Coupons	37,149	32,707
Investec	Zero Coupons	59,922	52,697
Rand Merchant Bank	Zero Coupons	9,121	8,174
		106,192	93,578
Available for Sale			
ABSA Bank Limited	32 Day Notice Deposit	530	387
ABSA Bank Limited	Cheque Account	983	19,095
ABSA Bank Limited	Fixed Deposit	-	-
ABSA Bank Limited	Fixed Deposit	25,177	23,871
		26,690	43,353
		132,882	136,931

The Held-to-Maturity investments are utilised to redeem interest-bearing borrowings on due dates. Held-to-Maturity Investments to the amount of R172,250,000 matured on 30 June 2011.

The fair values of unlisted securities are considered to approximate their carrying amount.

The maximum exposure to credit risk at the reporting date is the carrying amount of the debt securities classified as available for sale and held-to-maturity investments.

The Board has not reclassified any financial assets measured at amortised cost rather than fair value during the year (2011: Rnil).

None of the financial assets is either past due or impaired.

The following Zero Coupon investments are pledged as security for interest-bearing borrowings as set out in note 18:

Name of Institution	Nature of Business		
INVESTEC	Investec Bank	25,254	22,182
		25,254	22,182

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

15 INVENTORIES

	2012 R'000	2011 R'000
Consumables (at cost)	8,035	10,600
Less: Provision for obsolete and/or slow moving items	(446)	(446)
	7,589	10,154

Inventories are carried consistent to previous years as stated in 1.14.

16 TRADE AND OTHER RECEIVABLES

Trade receivables	738,826	491,648
Less: Provision for impairment of trade receivables	(275,840)	(189,649)
	462,986	301,999
Other receivables	23,543	31,445
Less: Provision for impairment of other receivables	(5,326)	(2,846)
	18,217	28,599
	481,203	330,598

The Age Analysis of Trade Receivables is as follows:

Neither impaired nor past due on the reporting date	123,961	98,421
Not impaired as of the reporting date and past due in the following periods:	339,025	203,578
Between 30 and 60 days	42,091	29,703
Between 60 and 90 days	42,784	30,435
More than 90 days	254,149	143,440
Fully impaired	275,840	189,649
Between 30 and 60 days	-	-
Between 60 and 90 days	-	-
More than 90 days	275,840	189,649
	738,826	491,648

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

16 TRADE AND OTHER RECEIVABLES (CONTINUED)

	2012 R'000	2011 R'000
The Age Analysis of Other Receivables is as follows:		
Neither impaired nor past due on the reporting date	(568)	9,451
Not impaired as of the reporting date and past due in the following periods:	18,785	19,148
Between 30 and 60 days	52	26
Between 60 and 90 days	11	41
More than 90 days	18,722	19,081
Fully impaired	5,326	2,846
Between 30 and 60 days	-	-
Between 60 and 90 days	-	-
More than 90 days	5,326	2,846
	23,543	31,445
Reconciliation of Impairment Provision:		
Opening balance	192,495	130,525
Amounts recovered	-	11,443
Amounts provided	88,671	73,413
Closing balance	281,166	192,495

Trade receivables that are less than 90 days past due are generally not considered to be impaired. Trade receivables that are more than 90 days outstanding are considered impaired unless specific circumstances exist that indicate the recoverability of a specific account balance. As at 30 June 2012, trade and other receivables of R273 million (2011: R163 million) were past due but not impaired.

As at 30 June 2012, trade and other receivables of R281 million (2011: R193 million) were impaired and provided for. These individually impaired receivables mainly relate to municipalities and end consumers which are in difficult economic situations.

The provision for impairment has been determined by reference to past default experience and the current economic environment.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of trade and other receivables mentioned above.

The Board does not hold any collateral as security.

The carrying value of trade and other receivables approximate their fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

17 CASH AND CASH EQUIVALENTS

	2012 R'000	2011 R'000
Cash at bank	106,665	65,921
Cash on hand	26	19
32 Day notice deposit	40,248	38,160
	146,939	104,100

For the purpose of the cash flow statement, the cash and cash equivalents comprise the following:

Cash and bank balances	106,665	65,921
Cash on hand	26	19
32 Day notice deposit	40,248	38,160
	146,939	104,100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

18 INTEREST-BEARING BORROWINGS

	2012 R'000	2011 R'000
Treasury Loan	1,288	1,136
<p>The loan bears interest at 9.92% and is repayable in two yearly instalments of R620,805 with the last payment on 01/07/2012.</p> <p>The loan was paid in full after year-end.</p>		
Development Bank of South Africa	42,515	46,681
<p>The loan bears interest between 10% and 15.80% and is repayable in two yearly instalments of R5,513,060 over a period of 18 years commencing on 01/04/1996 and 01/10/2001 with the last payments on 31/03/2016 and 30/09/2018 respectively. Secured by investments with a book value of R25,254,000 (2011: R22,182,037) as set out in note 14.</p>		
Unit Loans	-	2,310
<p>The loan was fully repaid during the year under review.</p>		
Total Liabilities	43,803	50,127
<i>Less: Amount due for settlement within 12 months (included in current portion of interest-bearing borrowings)</i>	5,923	7,067
Amount due for settlement after 12 months	<u>37,880</u>	<u>43,060</u>
Current portion of interest-bearing borrowings	<u>5,923</u>	<u>7,067</u>
Later than 1 year and not later than 5 years	26,245	20,389
Later than 5 years	11,635	22,671
	<u>37,880</u>	<u>43,060</u>

The carrying value of interest bearing borrowings approximates their fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

19 TRADE AND OTHER PAYABLES

	2012 R'000	2011 R'000
Trade creditors	28,105	24,434
Other payables	13,650	15,358
Special projects	8,394	15,415
Accrual for raw water purchases	348,933	211,699
Accrual for leave pay	10,746	8,298
Accrual for bonus	2,805	2,301
	412,633	277 505

The directors consider that the carrying amount of trade and other payables approximate to their fair value.

20 DEFINED CONTRIBUTION PLANS

The Board has made provision for pension and provident schemes relating to retirement benefit obligations covering all employees substantially.

The funds are governed by the Pension Funds Act, 1956 (Act No. 24 of 1956).

Provident Fund

The provident fund is regulated by the Pension Fund Act of 1956. All permanent employees are compulsory members of the fund.

Contributions are paid by the employer at a rate of 7.75% of all members' total remuneration plus the cost of administration.

The assets of the Fund were invested in the Sanlam Monthly Bonus Fund, Allan Gray Domestic Balanced Portfolio and Sanlam shares at the previous valuation on 30 June 2005.

The Sanlam shares were sold during 2005, and the remaining assets were transferred to Investment Solutions and Advantage Asset Managers during 2006.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

20 DEFINED CONTRIBUTION PLANS (CONTINUED)

Pension Fund

The pension fund is regulated by the Pension Fund Act of 1956. All permanent employees are compulsory members of the fund.

Employees make 8.5% of the contribution. The employer covers the cost of assured benefits, as well as fees for basic administration, consultation and actuarial services.

The assets of the Fund were invested in the Sanlam Monthly Bonus Fund, Allan Gray Domestic Balanced Portfolio and Sanlam shares at the previous valuation on 30 June 2005.

The Sanlam shares were sold during 2005, and the remaining assets were transferred to Investment Solutions and Advantage Asset Managers during 2006.

The plans are funded and actuarial valuations are performed regularly.

The last valuation was performed in July 2011 for balances as at 30 June 2011.

The gross value of fund assets as per the valuation is as follows:

Pension Fund	<u>59,051</u>
Provident Fund	<u>42,263</u>

170 members were transferred to the Maluti-A-Phofung Pension Fund with effect from 1 July 2006.

The member shares in respect of these members are still in the assets of the Fund. The section 14 transfer application was approved subsequent to the valuation date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

21 POST EMPLOYMENT LIABILITY

	2012 R'000	2011 R'000
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Post Retirement Medical Aid

The company operates a post retirement healthcare benefits scheme for certain of their retirees. The liability was valued at 30 June 2012. The next actuarial valuation will be performed on 30 June 2013.

Present value of obligations	57,789	51,642
Unrecognised actuarial loss	-	-
Unrecognised past service gain	-	-
Unrecognised transitional liability	-	-
Liability recognised in statement of financial position	57,789	51,642

Movement in the net liability for defined benefit obligation recognised in the statement of financial position

Restated Opening net liability at 1 July	51,642	39,316
Recognition		
Total expenses recognised in the statement of comprehensive income	7,586	13,546
Contribution	(1,439)	(1,220)
Restated Net liability as at 30 June	57,789	51,642

The amounts recognised in the statement of comprehensive income for the current year are as follows:

Contributions paid	(1,439)	(1,220)
Other expenses included in staff costs	7,586	13,546
Current service cost	1,897	1,466
Interest cost	4,455	3,575
Actuarial loss/(gain) recognised for the period	1,234	8,505

Total employee benefit	6,147	12,326
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The principal actuarial assumptions used for accounting purposes were:

Discount rate	8.75%	8.75%
Healthcare inflation rate	7.60%	7.75%
CPI inflation rate	6.10%	6.25%
Salary inflation rate	7.10%	7.25%
Membership continued at retirement	100.00%	100.00%
Normal retirement age	65 years	65 years
Expected retirement age	63.25 years	63 years

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

21 POST EMPLOYMENT LIABILITY (CONTINUED)

Mortality assumption

The longevity of members in retirement is an important assumption, dictating the expected length of time over which benefits are paid. The effect of using heavier or lighter mortality assumptions post employment is shown below.

Assumption	Variation	Change in past-service contractual liability	Change in service cost plus interest cost
Post employment	PA (90)	-3.8%	-3.8%
Mortality rates	PA (90) -2	+3.8%	+3.9%

The following pre- and post retirement mortality rates were assumed:

Ages	Female
Pre-retirement	SA85-90 (light) with a three-year age deduction
Post retirement	PA(90)-1 (Females)

Sensitivity analysis for Health Care Cost inflation

The effect of a 1% increase and decrease in the health care cost inflation assumption on the contractual liability and the annual expenses is shown below.

Assumption	Variation	Change in past-service contractual liability	Change in service cost plus interest cost
Health care cost inflation	+1%	+16.7%	+18.3%
Mortality rates	-1%	-13.7%	-14.9%

Value of the defined benefit obligation experience adjustments for the past 5 years:

Value of defined obligation in 2007	22,367
Value of defined obligation in 2008	31,678
Value of defined obligation in 2009	37,816
Value of defined obligation in 2010	39,316
Value of defined obligation in 2011	51,642

Experience adjustment:

Actuarial gain recognised in 2010	2,810
Actuarial gain recognised in 2011	8,505
Actuarial gain recognised in 2012	1,234

The projected annual expense including the cost of post employment contributions payable by the employer for the 2013 financial year is R5.3 million.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

22 RECONCILIATION OF PROFIT FROM OPERATIONS TO CASH GENERATED FROM OPERATIONS

	Notes	2012 R'000	2011 R'000
22.1 Cash Generated from Operations			
Profit from operations		44,180	18,481
Adjusted for:			
Depreciation	12	46,756	38,415
Amortisation	13	162	370
Recognition of post employment liability	22	6,147	12,326
Impairment loss on trade and other receivables	7	87,358	61,974
Accrual for water purchases	19	137,234	72,523
Accrual for leave pay	19	2,448	863
Accrual for bonus	19	504	169
Operating Cash Flow Before Working Capital Changes		324,789	205,121
22.2 Changes in Working Capital			
(Increase) / decrease in inventories	15	2,565	(2,225)
(Increase)/ decrease in trade and other receivables	16	(237,963)	(163,313)
Increase / (decrease) in trade and other payables	19	(5,058)	10,490
Funds transferred by DWA		8,506	-
		(231,950)	(155,048)
Cash Generated from Operations		92,839	50,073

23 CONTINGENT LIABILITIES

Guarantees	500	520
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Guarantees were issued by Sedibeng Water to assist employees in obtaining mortgage bonds from financial institutions.

North West Water Purchases

Sedibeng Water was requested by the Dr. Ruth S. Mompoti District Municipality to operate the Naledi plant in the 2011 financial year. Sedibeng Water operated the plant from 01 July 2010 and is responsible for production of water from that plant. Sedibeng Water has not been invoiced for water abstracted during the last 6 months of the financial year due to contractual uncertainties. Several meetings were held with the Municipality where the invoicing and payment for water extracted from the plant was discussed. As there is still uncertainty surrounding the agreement between the Dr. Ruth S. Mompoti District Municipality, Vaalharts Water User Association and Sedibeng Water, a contingency relating to water purchases for the North West Region existed at year-end.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

23 CONTINGENT LIABILITIES (CONTINUED)

Legal Matters

Legal proceedings have been instituted against Sedibeng Water and Sedibeng Water's legal advisors have advised that they believe Sedibeng Water has reasonable defences and that the probability of loss is minimal. Accordingly, no provision has been made in the annual financial statements.

Sedibeng Water /Solidarity

The plaintiff has been awarded the decision by the Labour Court with regard to the application review. The Labour Court has ordered that the matter should restart at the CCMA (Arbitration). Sedibeng Water has secured the services of an attorney who has indicated that the maximum financial exposure to Sedibeng Water is estimated at R300,000 (including costs and disbursements).

Sedibeng Water /Mr. P. Melaletsa

The matter has been referred to the labour court and the two parties are awaiting a court date from the court. Should compensation be awarded, the award is estimated at +/- R450,000

Sedibeng Water /Mr. M. Ubisi

The matter was referred to the bargaining council for arbitration. A settlement agreement was reached subsequent to year-end and Sedibeng Water will pay the applicant a total of R450,000 under the agreement.

	2012	2011
	R'000	R'000

24 CAPITAL COMMITMENTS

Capital expenditure authorised but not contracted	35,016	19,641
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This capital expenditure will be financed mainly from internally generated funds and DWA RBIG.

25 RELATED PARTY TRANSACTIONS

Sedibeng Water constitutes a Schedule 3B public entity in terms of the Public Finance Management Act. The related party disclosure is required in terms of IAS 24 (AC 126) Related Party Disclosures.

The related parties of Sedibeng Water consist mainly of directors and key management personnel of Sedibeng Water.

During the year, the Board in the ordinary course of business, entered into the following transactions:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

25 RELATED PARTY TRANSACTIONS (CONTINUED)

25.1 Directors and Senior Management

Director's Emoluments - Executive Directors

	Salary	Bonusses	Performance Payments	Expense Claims	Other	Total
	R	R	R	R	R	R
YEAR ENDED 30 JUNE 2012						
DIRECTOR: CORPORATE SERVICES (ACTING CHIEF EXECUTIVE)						
R.T. Takalani	1,305,423	83,344	-	133,552	270,286	1,792,605
DIRECTOR: OPERATIONS						
K.E. Sempe	1,219,225	79,040				1,298,265
(Although suspended on 19 November 2009, payment was still made to the director.)						
Total	2,524,648	162,384	-	133,552	270,286	3,090,870
YEAR ENDED 30 JUNE 2011						
CHIEF EXECUTIVE						
M.F. Ubisi	112,947	61,589	-	39,352	51,808	265,696
(Contract expired 31 July 2010)						
DIRECTOR: CORPORATE SERVICES						
R.T. Takalani	1,217,689	69,638	240,606	130,480	338,368	1,996,781
DIRECTOR: OPERATIONS						
K.E. Sempe	1,151,370	71,854	-	-	-	1,223,224
(Although suspended on 19 November 2009, payment was still made to the director.)						
Total	2,482,006	203,081	240,606	169,832	390,176	3,485,701

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

25 RELATED PARTY TRANSACTIONS (CONTINUED)

25.1 Directors and Senior Management (continued)

Senior Management Emoluments

	Salary	Bonusses	Performance Payments	Expense Claims	Other	Total
	R	R	R	R	R	R
YEAR ENDED 30 JUNE 2012						
N.D. Basson	724,842	-	237,010	128,490	307,132	1,397,474
G.M. Dippenaar	945,420	51,738	216,345	135,606	-	1,349,109
I.M. Hasenjager	1,004,785	-	232,644	281,775	-	1,519,204
R.M. Mpe	698,678	83,290	161,780	81,117	55,856	1,080,721
M.I. Motsamai	828,170	39,084	190,508	136,445	181,163	1,375,370
T.N. Molobyse	1,017,808	54,890	235,401	222,143	76,054	1,606,296
N.A. Theys	811,477	39,891	193,280	194,858	44,502	1,284,008
N. Makhakhe	807,204	45,897	194,250	63,244	120,344	1,230,939
N.E. Ratshitanga	933,242	48,314	210,188	141,192	-	1,332,936
M.M. Lebitso (Appointed 1 December 2011)	585,937	45,248	155,804	138,689	81,058	1,006,736
Total	8,357,563	408,352	2,027,210	1,523,559	866,109	13,182,793
YEAR ENDED 30 JUNE 2011						
N.D. Basson	930,921	58,413	174,049	134,687	37,525	1,335,595
G.M. Dippenaar	884,298	51,738	160,841	134,155	-	1,231,032
I.M. Hasenjager	946,553	-	178,980	329,489	-	1,455,022
R.M. Mpe	623,601	28,494	96,436	91,359	31,142	871,032
M.I. Motsamai	755,465	35,376	137,346	156,324	60,005	1,144,516
T.N. Molobyse	946,868	50,754	171,873	179,916	99,197	1,448,608
N.A. Theys	741,802	35,359	145,266	182,857	127,753	1,233,037
N. Makhakhe	746,190	45,897	144,325	51,473	48,046	1,035,931
N.E. Ratshitanga	873,592	48,314	158,605	63,863	68,044	1,212,418
Total	7,449,290	354,345	1,367,721	1,324,123	471,712	10,967,191

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

25 RELATED PARTY TRANSACTIONS (CONTINUED)

25.1 Directors and Senior Management (continued)

Director's Emoluments - Non-executive Directors

	Hours Claimed	Kilometres Claimed	Other gifts	Total R
YEAR ENDED 30 JUNE 2012				
Board Members				
T. Phitsane	61,596	24,195	-	85,791
L. Bomela	25,939	211	-	26,150
M. Maboe	17,067	539	-	17,606
N. Mokhesi	25,436	1,869	-	27,305
L. Moorosi	15,805	618	-	16,423
J. van der Merwe	19,942	1,639	-	21,581
T. Kambule	1,163	-	-	1,163
Total	166,948	29,071	-	196,019
YEAR ENDED 30 JUNE 2011				
Board Members				
T. Phitsane	55,731	7,254	5,000	67,985
L. Bomela	28,071	4,003	5,000	37,074
M. Maboe	4,683	1,564	5,000	11,247
N. Mokhesi	32,020	4,045	5,000	41,065
L. Moorosi	8,630	1,498	5,000	15,128
J. van der Merwe	30,925	3,779	5,000	39,704
T. Kambule	9,158	2,347	-	11,505
B. Malakoane	-	-	5,000	5,000
Total	169,218	24,490	35,000	228,708

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

26 CONTINGENT ASSETS

VAT Owed by Municipalities

In an effort to recover a part of the Output VAT on transfer payments paid to the South African Revenue Services (SARS), as a result of an investigation during the 2008 financial year, Sedibeng Water claimed an amount of R4,017,848 back from the respective municipalities, as they can on their part, claim it as Input VAT. Since no contractual right to receive cash exists, this cannot be raised as a debtor. As at 30 June 2012 no recoveries were made in respect of these claims.

North West Water Sales

Sedibeng Water was requested by the Dr. Ruth S. Mompati District Municipality to operate the Naledi plant on their behalf in the 2011 financial year. Sedibeng Water operated the plant from 01 July 2010 and is responsible for production of water from that plant. This water is then distributed to clients of both Sedibeng Water and the Municipality. Income relating to the distribution of water to these clients could not be reliably estimated due to contractual uncertainties. Several meetings were held with the Municipality where the invoicing and payment for water from the plant was discussed. As there is still uncertainty surrounding the agreement between the Dr. Ruth S. Mompati District Municipality, Vaalharts Water User Association and Sedibeng Water a contingency relating to water sales for the North West Region existed at year-end.

27 FINANCIAL RISK MANAGEMENT

Principles of Risk Management

In the course of the Board's business operations it is exposed to a variety of financial risks: market risk (including fair value interest rate risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. The Board has developed a comprehensive risk management process to monitor and control these risks.

Risk management is carried out by the Finance Department on policies approved by the Board in an effort to produce acceptable rates of return on investments.

The risk management process relating to each of these risk profiles is discussed under the headings below:

27.1 Market Risk

27.1.1 Price Risk

The Board is exposed to equity securities price risk because of investments held by the Board and classified on the statement of financial position as available for sale or held-to-maturity. To manage its price risk arising from investments, the Board diversifies its portfolio.

None of the financial assets that are fully performing has been renegotiated in the last year.

The Board is not exposed to commodity price risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

27.1.2 Cash Flow and Fair Value Interest Rate Risk

The Board is exposed to interest rate risks in South Africa. The Board does not make use of interest rate derivatives. The Board's interest rate risk arises from long term investments and borrowings.

The Board manages its interest rate by maintaining an appropriate mix between fixed and floating interest rate borrowings and investments.

Sensitivity Analysis

Interest rate risks are presented by way of a sensitivity analysis in accordance with IFRS 7(AC144). These show the effects of changes in market interest rates on profit or loss. The interest rate sensitivity analysis is based on the following assumption:

Changes in market interest rates affect the interest income and expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of income related sensitivities.

	2012 R'000	2012 R'000	2011 R'000	2011 R'000
A percentage movement in the effective interest rates would have the following effect on profitability for the year:	+1%	-1%	+1%	-1%
Cash and cash equivalents	1,469	(1,469)	1,041	(1,041)
Available-for-sale financial assets	267	(267)	434	(434)

27.2 Currency Risk

The Board is not exposed to currency risk.

27.3 Credit Risk

Financial assets, which potentially expose the Board to the risk of non-performance by counter-parties and thereby subject the Board to concentrations of credit risk, consist mainly of cash and cash equivalents, deposits with financial institutions and trade receivables. Credit risk is controlled through the application of credit approvals, limits and monitoring procedures. Where necessary, the Board obtains appropriate collateral to mitigate risk.

The Board limits its treasury counter-party exposure by only dealing with well-established financial institutions with high credit ratings. The Board's exposure and the credit ratings of its treasury counter-parties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counter-parties. The Board does not expect any treasury counter-parties to fail to meet their obligations, given their high credit rating.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

27.3 Credit Risk (continued)

Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Board's customer base and their dispersion across different industries and geographical areas. However, a large portion of the Board's customers comprises of municipalities and rural area end-user consumers who are in difficult economic situations. Accordingly, the Board does not consider there to be any concentration of credit risk, which had not been adequately provided for. Trade receivables are presented net of provision for impairment.

Refer to note 16 for a summary of trade and other receivables that are fully performing, past due and impaired.

27.4 Liquidity Risk

Liquidity risk is the risk that the Board will not be able to meet its financial obligations as they fall due.

The Board's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities, when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Board's reputation.

The Board manages liquidity risk through proper management of working capital, capital expenditure and actual vs. forecasted cash flows, but excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

Adequate reserves, liquid resources and unutilised borrowing facilities are also maintained.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

27.4 Liquidity Risk (continued)

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amount as the impact of discounting is not significant:

	Within 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000	Over 5 years R'000
At 30 June 2012				
Non-derivative financial liabilities				
Borrowings	5,923	5,300	20,945	11,635
Trade and other payables	412,633	-	-	-
	418,556	5,300	20,945	11,635
At 30 June 2011				
Non-derivative financial liabilities				
Borrowings	7,067	4,131	16,258	25,328
Trade and other payables	277,505	-	-	-
	284,572	4,131	16,258	25,328

Refer to note 14 and 18 for investments that are pledged as securities for certain loans.

27.5 Fair Values

The Board's financial instruments consist mainly of cash and cash equivalents, trade receivables, investments, trade payables and interest bearing borrowings.

No financial asset was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial assets that are available-for-sale.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

27.5 Fair Values (continued)

The following table presents the Board's assets that are measured at fair value at 30 June 2012:

Assets	Level 1	Level 2	Level 3	Level 4
Available for sale financial assets	-	-	26,690	26,690
	-	-		
Total Assets	-	-	26,690	26,690

The following table presents the group's assets that are measured at fair value at 30 June 2011:

Assets	Level 1	Level 2	Level 3	Level 4
Available for sale financial assets	-	-	43,353	43,353
	-	-		
Total Assets	-	-	43,353	43,353

The following methods and assumptions are used to determine the fair value of each class of financial instruments:

Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets and financial liabilities.

Trade receivables

The carrying amount of trade receivables, net of provision for impairment, approximates fair value due to the relatively short-term maturity of this financial asset.

Investments

The fair value of debt securities is determined using a discounted cash flow method. Other investments, such as long term cash and cash equivalent balances are carried at face value in the statement of financial position. The carrying value of these financial assets approximates their fair value due to the instruments being exposed to variable market-related interest rates.

Trade payables

The carrying amount of trade payables approximates fair value due to the relatively short-term maturity of the financial liability.

Interest-bearing borrowings

The fair value of interest-bearing borrowings is determined using a discounted cash flow method. The fair value of interest-bearing borrowings with variable interest rates approximates their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

27.5 Fair Values (continued)

	2012		2011	
	Carrying value	Fair value	Carrying value	Fair value
	R'000	R'000	R'000	R'000

Net Fair Values

The estimated values of the Board's financial instruments are:

Financial Instruments Held or Issued to Finance the Board's Operations

Financial assets

Cash and cash equivalents	146,939	146,939	104,100	104,100
Trade and other receivables	481,203	481,203	330,598	330,598
Available-for-sale	26,690	26,690	43,353	43,353

Financial liabilities

Trade and other payables	412,633	412,633	277,505	277,505
Borrowings	37,880	37,880	43,060	43,060
Current portion of non-current borrowings	5,923	5,923	7,067	7,067

27.6 Capital Risk Management

The Board's main objectives when managing capital are to safeguard its ability to continue as going concern in order to provide acceptable returns and maintain optimal capital structure to reduce the cost of capital.

Capital investments are financed from within, without external borrowings in order to maintain the capital structure. The organisation monitors capital on the basis of gearing ratio which reflects the strength of the statement of financial position.

During 2012 the organisation maintained a gearing ratio of -10.03% which continues to decline (2011: -5.99%) as a result of loans redeemed during the year under review. This enabled the Board to fund capital investments more effectively without government guarantees. Capital investments included expansion programmes to build capacity for volume growth and replacement programmes to sustain the existing capacity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

27.6 Capital Risk Management (continued)

The gearing ratio at 30 June 2012 and 2011 were calculated as follows:

	2012 R'000	2011 R'000
Total borrowings (note 18)	43,803	50,127
Less: Cash and cash equivalents (note 17)	146,939	104,100
Net debt	(103,136)	(53,973)
Total equity	1,028,381	900,768
Total capital	925,245	846,795
Gearing ratio	-10.03%	-5.99%

28 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

	Loans and receivables	Available- for-sale	Held-to- maturity	Total R'000
30 June 2012				
Assets as per Statement of Financial Position				
Available-for-sale financial assets	-	26,690	-	26,690
Held-to-maturity financial assets	-	-	106,192	106,192
Trade and other receivables	481,203	-	-	481,203
Cash and cash equivalents	146,939	-	-	146,939
	628,142	26,690	106,192	761,024

	Other financial liabilities at amortised cost	Total R'000
Liabilities as per Statement of Financial Position		
Interest-bearing borrowings	43,803	43,803
Trade and other payables	412,633	412,633
	456,436	456,436

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

28 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (CONTINUED)

	Loans and receivables	Available- for-sale	Held-to- maturity	Total R'000
30 June 2011				
Assets as per statement of financial position				
Available-for-sale financial assets	-	43,353	-	43,353
Held-to-maturity financial assets	-	-	93,578	93,578
Trade and other receivables	330,598	-	-	330,598
Cash and cash equivalents	104,100	-	-	104,100
	434,698	43,353	93,578	571,629

	Other financial liabilities at amortised cost	Total R'000
Liabilities as per statement of financial position		
Interest-bearing borrowings	50,127	50,127
Trade and other payables	277,505	277,505
	327,632	327,632

	2012 R'000	2011 R'000
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29 FRUITLESS AND WASTEFUL EXPENDITURE

Interest paid for late payment to a supplier	197	715
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30 IRREGULAR EXPENDITURE

The following expenditure relates to non-compliance with The Public Service Regulations and The Public Service Coordination Bargaining Council Resolutions:

Disciplinary hearing of an employee that is suspended as a precautionary measure was not held within 60 days from suspension date	1,298	1,223
Employees in acting positions for a period longer than 12 months	-	146
	1,298	1,370



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

31 SUBSEQUENT EVENTS

No subsequent events were identified by management, hence none is reported.



Head Office

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